

A Litigation Review Before the Patent Issues Can Improve the Chance of Success During Patent Litigation

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Client Advisory

September 24, 2018 by Keith D. Nowak

I. Introduction

Your company's most important patent has just been approved by the U.S. Patent Office. Senior management has been anxiously waiting for this approval in order to stop a competitor from copying your technology.

However, after a significant investment of time and money in a patent infringement litigation against your competitor, you are shocked when your patent is found to be invalid or not infringed by the Judge, before your case ever gets to be heard by a jury.

How and why could this happen, after the Patent Office approved the patent, the patent is presumed valid, and your patent attorney assured you when the patent issued that the patent claims covered the competitor's product? Unfortunately, what happened to your patent is not unusual.

In the U.S. approximately 4,057 patent infringement suits were filed in 2017.⁸ Roughly 90% of patent suits filed each year are abandoned or settled. Of the 300 or so remaining, two thirds never go to trial and are adjudicated on summary judgment, meaning that a Judge decides the outcome of the case before there is a trial.^{1,7}

Studies have also shown that the overall success rate for patentees could be as low as 26% when taking into account decisions by the Court before the case is presented to a jury.²

The reason the success rate is so low is that the patentee must win on every issue. An alleged infringer can raise numerous challenges to the validity of a patent and of course claim that its product does not infringe for various reasons.

Therefore the patent owner plaintiff is often bombarded with motions for summary judgment on validity and non-infringement, *Daubert* motions, claim construction hearings etc. The alleged infringer needs only to win on one of its invalidity or non-infringement arguments, but the patentee must win on every argument raised by the alleged infringer.

The challenges on validity and non-infringement are often based on problems inherent in the patent being asserted. However, a litigation review of the patent is generally performed long after the patent issues, just before litigation is commenced, and too late to correct problems with the patent. This article provides several examples of challenges that arise during litigation and how a comprehensive litigation review, properly performed before the patent issues, could improve the chance of success for the patent owner.

II. Examples of Patent Challenges By an Alleged Infringer

a. Claim Construction

Every litigated patent is subject to a Markman hearing (also known as a claim construction hearing) at some point during the litigation, based on the U.S. Supreme Court case of *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996). The purpose of a Markman hearing is to allow either party to identify patent claim terms that are allegedly unclear or poorly defined. That party may then advocate a claim term definition it believes is correct, and the opposing party can either accept that definition or propose an alternative definition. The Federal Judge then decides what definition must be used to determine validity and infringement during the trial. Of course, the alleged infringer proposes a claim construction designed to support a decision by the Judge or the jury that the patent is either invalid or not infringed. Today, claim construction is the most likely form of substantive ruling in a patent case, because it is a prerequisite to virtually any type of summary judgment on validity or infringement.^{2,6}

The decision by the Court on the meaning of a claim term can end the litigation long before any jury trial. For example, the Court could decide on a broad definition that encompasses prior art references never considered by the Patent Examiner. Counsel for the alleged infringer then moves for summary judgment, and the Court proceeds to find the patent invalid based on its own claim construction. Alternatively, the Court could decide on a narrow claim construction which results in a claim so narrow that it no longer covers the infringing product. At that point, the patent owner either stipulates to non-infringement in order to immediately appeal the claim construction decision, or the alleged infringer will move for summary judgment on the issue of non-infringement, which the Court will grant based on the Court's own claim construction definition.

In *Kaneka Corporation v. Xiamen Kingdomway Group Co., et al.* 790 F.3d 1298, (Fed. Cir, 2015), the patent-in-suit contained the claim term "sealed tank" but a definition of "sealed tank" was not included in the patent specification. The defendant (alleged infringer) argued that since the patent did not define the claim term, it should be given its "plain and ordinary meaning," *i.e.* a tank that is completely sealed so that material cannot enter or leave the tank.

This definition would ensure that the defendant did not infringe, although the definition was completely inconsistent with the production process described in the patent's specification. Despite the inconsistency, the District Court adopted the defendant's definition. The defendant then filed a summary judgment motion for non-infringement which was granted by the District Court. In this particular case, the patentee appealed the District Court's decision to the Federal Circuit Court of Appeals. The Federal Circuit vacated the District Court's summary judgment decision, and remanded the case to the District Court.

If the term "sealed tank" had been defined when the patent was first drafted, or if the definition had been added before issuance by filing a continuation-in-part application (if that was necessary), it is much less likely that the District Court would have accepted the defendant's proposed claim construction, since case law clearly holds that any claim construction should be based on intrinsic evidence, *i.e.* what is set forth in the patent and file history. *Philips v. AWH Corp.*, 415, F.3d 1303 (Fed. Cir. 2005).

In *Blackbird Tech LLC v. ELB Elecs., Inc.*, 895 F.3d, 1374 (Fed. Cir. 2018) the dispute during claim construction was about the claim term "attachment surface". That term was not defined in the patent and Blackbird proposed the definition "layer of the housing to which the illumination surface is secured." The alleged infringer, *ELB Electronics*, proposed the definition "layer of the housing that is secured to the ballast cover and to which the illumination surface is secured." The District Court Judge decided the *ELB Electronics'* definition was more accurate, and held that "attachment surface" meant "layer of the housing that is secured to the ballast cover."

The Judge's claim construction decision guaranteed that *Blackbird* could no longer prove infringement, so *Blackbird* had no choice but to stipulate to non-infringement and appeal. The Federal Circuit decided that there was no support for the District Court's claim construction

decision, and therefore vacated the judgment of non-infringement and remanded the case. Again, had this claim term been defined in the specification at some point before the patent issued, *Blackbird* would have avoided the cost and delay of an appeal.

Every claim term should be carefully considered and, if necessary, defined in the specification before the patent issues if there is any chance that a claim term could be defined at a Markman hearing in a way that may be detrimental to a finding of validity or infringement. In the two cases cited above, both patentees prevailed before the Federal Circuit, which by far is not a sure thing, as there are many factors surrounding the possibility of a bad claim construction being reversed on appeal.⁶

b. *Daubert* Motions

The presentation of scientific evidence has long been a concern for the judiciary due to the possibility of the jury being misled or confused by "junk science."^{4,5} The Supreme Court in *Daubert v. Merrell Dow Pharmaceuticals Inc.*, 509 U.S. 579 (1993) addressed this issue and set forth four general guidelines for a Federal Judge to apply when deciding whether a scientific expert should be allowed to testify before a jury.

The *Daubert* decision was subsequently codified in Federal Rule of Evidence 702 which resulted in a significant increase in the challenges to the presentation of expert testimony on scientific issues. Defendants, especially in patent litigation, where the patent owner normally requires an expert, file *Daubert* motions, which ask the presiding Judge to strike the expert testimony because it is wrong or unreliable. If the Judge agrees and strikes the expert's testimony, the patent owner's case is normally over without ever having a chance to present its case to the jury. The Judge therefore acts as a "gatekeeper" to supposedly ensure that the expert evidence is both relevant and reliable.

The four criteria a Judge considers before allowing expert testimony are set forth in *Daubert* and Rule 702:

- (1) whether the methods upon which the expert testimony is based are centered upon a testable hypothesis.
- (2) the known or potential rate of error associated with the method,
- (3) whether the method has been subject to peer review, and
- (4) whether the method is generally accepted in the relevant scientific community.

Allan Kanner and M. Ryan Casey presented an article in the University of Pittsburg Law Review, entitled *Daubert and The Disappearing Jury Trial*, Vol. 69:281, 2007,³ describing in detail how misuse of the *Daubert* criteria by some Federal Judges can jeopardize the judicial system.

"Judges, having many incentives to prevent a case from going to trial, also possess the opportunity to do so. *Daubert*, with its many criteria, allows a judge to focus on just one criteria, weight it unevenly, and use it to prevent expert testimony (in many cases central to a plaintiff's entire case) from reaching the courtroom. And *Joiner* gives the Judge peace of mind that his ruling, however unreasonable, will probably not be overturned on appeal (Pg. 306). –Giving Judges the opportunity to easily replace reading of the law with their personal preferences undermines the entire American judicial system" (Pg. 307).

As an example of how a *Daubert* decision can end a case for the patent owner, consider the third criteria, "the method must be subject to peer review," and consider the situation where the inventor's claimed method requires taking a sample of an allegedly infringing product and conducting a test on that sample to determine infringement. During litigation, a technical expert must be able to explain both the method and the test to the Judge and jury. Therefore when drafting the patent application, careful consideration must be given to whether or not the sample collection method and the test is performed in a manner that would pass peer review, especially if other methods of collection or testing could provide different results. This consideration should include consultation with an expert in the field if the inventor has any doubts about the collection and testing procedure. If the collection method or the test does not pass peer review, there is a very good chance any expert testimony on infringement could be excluded, especially since some Judges may misuse *Daubert* motions to end a case before trial.

Conducting a litigation review before the patent issues to consider the peer review issue could very well avoid losing a *Daubert* motion and the entire case.

c. Indefiniteness

A patent must “conclude with one or more claims particularly pointing out and distinctly claiming the subject matter that the inventor or joint inventor regards as the invention.” 35 USC Section 112(b). As held in *Nautilus v. Biosig Instruments* 134 S. Ct 2120, 2129 (2014), the patent’s claims must “inform those skilled in the art about the scope of the invention with reasonable certainty.” A claim that is deemed indefinite is invalid. Indefiniteness is a question of law so the District Court Judge can rule on an indefiniteness issue before a jury trial. Since the ruling in *Nautilus*, an indefiniteness challenge has become a major factor in patent litigation.¹

Two Federal Circuit cases demonstrate what can happen when claim terms do not inform those skilled in the art about the scope of the invention with reasonable certainty.

The two cases are *Dow Chemical Co. v. Nova Chemicals Corp.*, 803 F.3d 620 (Fed. Cir 2015) and *Teva Pharmaceuticals USA Inc. v. Sandoz Inc.*, 789 F.3d 1334 (Fed. Cir. 2015). The claim term at issue in Dow was “slope of strain hardening coefficient” and how the “slope” would be measured. Dow’s expert opined that the slope would have to be measured at its maximal value. However, three other measurement methods existed, Dow’s expert invented a fourth method, and the methods did not always produce the same results. The Federal Circuit affirmed the District Court Judge’s decision, and found the measurement methods to be indefinite.

In *Teva* the claim term “molecular weight” was the issue because there were three types of measures for “molecular weight” including “peak average”, “number average” and “weight average.” Each type could be calculated differently with different results. Again, the Federal Circuit affirmed the District Court Judge’s decision, and found the term “molecular weight” to be indefinite. In both cases the loss by the plaintiff could have been avoided if the correct type of measurement or testing was identified in the patent before the patent issued. Without that relatively minor addition to the patent specification, before issuance, the patents in both cases were found to be invalid.

III. Conclusion

The three issues of claim construction, indefiniteness and *Daubert* motions are obviously just a sample of what can happen during litigation that could result in a loss by the patent owner. However, as discussed above, it is possible to minimize the risk of such a loss by performing a comprehensive litigation review before the patent issues. The litigation review should include a line-by-line analysis of the specification, the claim language, and the file history, to identify and correct any potential problems that could be used by opposing counsel or the Federal Judge to end a case before the patent owner has a chance to present the case to a jury. Obviously it is best that the review be conducted by a lawyer with litigation experience. However, if the lawyer drafting the patent application lacks litigation experience, he or she can consult with a lawyer with litigation experience. Alternatively, the lawyer drafting the patent application can spend the time and effort doing the necessary legal research to identify the problems with the specification or claims that could lead to an unfavorable result when the patent is involved in litigation.

Conducting a litigation review before the patent issues will add some additional cost to obtaining a patent. However, a patent owner will undoubtedly find that the small additional cost to do a litigation review is well worth the investment when considering the alternative of losing the case before ever going to trial.

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Citations:

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