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# Intellectual Property Litigation

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## This Issue: Managing IP Litigation

### Multiparty Patent Cases— “Too Many Cooks” in the Court?

By Vicki G. Norton

**W**ith more patentees bringing suit against multiple players in an industry and the Supreme Court's decision in *MedImmune v. Genentech*<sup>1</sup> opening the courtroom door for licensees to seek declaratory judgments, chances are more likely that proceedings in patent cases will be standing-room-only as counsel tables overflow with cocounsel engaged in multiparty proceedings. Management of patent disputes requires careful coordination between parties with common interests so

that competing strategies will not detract from the overall strength of the case. This article focuses on complex issues that can arise in patent cases involving multiple patent challengers.

#### Likely Increase in Common Interest Suits

The need to coordinate patent litigations with multiple parties sharing common interests may arise in a variety of situations, including pretrial consolidation of

*Continued on page 15*

### Budgets, Communication, and Best Practices in IP Litigation

By William F. Abrams

**I**ntellectual property (IP) litigation is enormously expensive. According to the American Intellectual Property Law Association, a medium-sized patent infringement case costs about \$3 million if litigated in San Francisco or Los Angeles, and \$3.6 million in New York.<sup>1</sup> Just to get to the end of discovery averages about \$1.5 million.

IP litigation of any kind—patent, trade secret, copyright, trademark, unfair competition—is very emotional and often technically complex, two factors that

contribute to the huge costs. IP cases have the common themes of theft and unethical conduct: accusations of stealing an idea, an invention, a plan, a design, or a secret from someone. The tensions and emotions inherent in this conflict are magnified by the depth of personal and emotional investment of the claimant, who feels violated by the alleged theft, and the corresponding personal and emotional outrage felt by the person accused of stealing the

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# Crossing the Border: International Issues That Affect IP Litigation

By Joseph S. Estabrook, Jennifer K. Vanderhart, and Abby J. Weinstock

**T**he increased number of patent infringement lawsuits over the past two decades has been fueled by the increasing importance of intellectual property (IP) as an asset and as a source of income to companies of all sizes. Further, given the competitive edge afforded by patent ownership, IP owners more frequently are asserting IP rights to stave off would-be competitors and protect their own bottom line, and they are asserting these rights both domestically and abroad. For that reason, many patent infringement suits involve international marketing and sales, foreign patents, foreign manufacturers, and other international components that add complexity and cost to an already complex and costly matter. In a 2005 report, the American Intellectual Property Law Association stated that it costs an average of about \$2 million to litigate a patent case through trial. Trademark, copyright, and trade secret cases cost slightly less—about \$700,000, \$440,000, and \$1 million, respectively. Still, with the prospective payoff of damages in the tens of millions to hundreds of millions of dollars as well as potential licensing revenue and royalty income if an IP owner's patents are found to be enforceable and infringed upon, the cost of litigation is not a deterrent.

In most cases, the cost of the damages expert witness is not insignificant. Further, more complex matters, such as cases involving international components, may increase expert costs accordingly. Therefore, given not only the expense but also the potential impact of the expert's testimony, it is important to overall case management to ensure that the expert is well informed and can contribute efficiently and effectively.

Disciplined and frequent communication between attorneys and the expert becomes all the more important to successfully managing a case involving international issues. Experts are likely to be less informed about international patent laws than they are about domestic

patent laws and will therefore need to rely to an even greater extent on the guidance of counsel regarding the legal intricacies of an international matter than they might in a domestic matter.

Likewise, financial experts can work with counsel to ensure efficient management of the case. This article discusses some specific items of concern.

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***The translation of a complex document can result in language that is nonsensical and inconsistent.***

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## **Document Translation**

Relevant documents must be translated in a timely fashion. Delaying translation can lead to significant issues if critical information is to be found among the documents. Although there are many providers of translation services, it is important to ensure that the service hired is experienced in translating business documents as opposed to everyday, more casual communications. If the same document is provided in two different languages, it may also be important to identify which is the original document and which is the translated version. For example, if a license agreement is provided in two languages, the expert will want to know which is the original because it is possible that the translated version is not truly representative of the original. Moreover, the translation of a complex document, such as a contract,

can often result in language that is nonsensical and inconsistent. The expert may need to consult the original document for a more accurate representation.

## **Language Barriers**

If individuals involved do not speak a common language, added layers of complexity may result. For instance, even if one individual at the foreign organization speaks English, it is not uncommon for other individuals with valuable information who do not speak English, or do not speak it well, to require translation or interpretation of their communications. If the issues are highly technical, the individual doing the translating or interpreting, perhaps inside counsel, may need additional assistance. Also, the expert will need help identifying and accessing the relevant individuals.

The language barrier will also be evident in the depositions of non-English-speaking individuals. Depositions given through an interpreter may suffer for a number of reasons. Among these is that certain phrases or words may not have accurate representations in English. In addition, the process of rendering a question in one language and then rendering the answer in the other is time consuming and may lead to additional inconsistencies and errors. Depositions of non-English speakers must be reviewed more carefully by attorneys than those of native speakers. When taking the deposition of a non-English speaker, a clearer record will result if simple, one-part questions are asked.

## **Location Issues**

Not only might there be complexities in conducting depositions and gathering information because of language differences, but there may also be difficulties due to geography. It may be worthwhile to fly the expert abroad so that he can speak directly, or through an interpreter, to relevant individuals. There may also be disagreements regarding the location for certain proceedings. Recently, in ongoing litigation between MicroUnity Systems Engineering,

Inc., and SCEA Computer Entertainment, Inc., MicroUnity filed a motion to compel defendant SCEA, a U.S. corporation, to present witnesses in the United States. SCEA has claimed that the relevant witnesses live in Japan where the accused products were designed, created, and developed by the parent company, Sony. Sony agreed to provide eight fact witnesses, all of whom live and work in Japan. However, MicroUnity claims that SCEA is obligated under Rule 30(b)(6) of the Federal Rules of Civil Procedure to present the witnesses in the United States because it is unable to schedule deposition dates in Japan before the discovery deadline, and, under Japanese law, the only location at which depositions may occur is the U.S. Embassy in Tokyo. SCEA claims it would be inconvenient and unfair to force its Japanese workers to testify in the United States. As of this writing, the court had not ruled on the motions.

### **Accounting Differences**

If international sales are among the infringing transactions, it is important to ensure that the expert has access to individuals in the accounting department of the foreign firm to understand the specifics of that firm's financial reporting.

In addition, treatment of international sales for a domestic company included in the analysis may be necessary for an accurate revenue-and-profit determination and damages calculation. For such analyses, the expert's knowledge of transfer pricing versus third-party pricing and when each has been applied is vital. For example, if international sales are included in the damages calculation, the expert should understand whether these sales are at the third-party price or at the transfer price. However, if the company has entered into a marketing agreement with a foreign firm to sell and distribute its products internationally, the expert will need to follow the money flow to determine total revenues and profitability. Frequently, the company will sell the product to the foreign distributor, who will then pay a royalty to the company upon its sale of the product. All payments are important to determining total revenue and profitability.

### **Currency**

The inclusion of internationally made or foreign subsidiary sales can raise questions not only as to their relevance but also as to the currency used, a more routine question. Many times, documents do not indicate the

currency convention. If figures are produced without the currency denoted, neither attorneys nor experts should assume to know the currency in which the figures have been stated. In addition, documents may contain figures that have been converted from one currency to another, but lack an explanatory note as to the exchange rate used and the source from which the exchange rate was derived. To ensure accurate conversions made with the appropriate rate, the experts may want to convert original documents.

### **Date Conventions**

The additional complication of different date conventions in different parts of the world means that one cannot assume that a date of 04/03/07, for example, is April 3, 2007. It is essential that the date convention be made clear for the expert.

### **Time Zone Differences**

Time zone differences can make ad hoc communications difficult if not impossible. For that reason, it may be more efficient to set up regular, periodic times to speak with key individuals. Time zone differences also play into deadlines; if the attorneys and the expert are in different time zones, ensure that the expert is aware of the time that an expert report is due. More specifically, if the deadline is the close of business on February 1, make sure that the expert knows which time zone is meant.

While some of these issues may seem intuitive, they must be effectively managed by the attorneys, experts, and the client. Clear, concise, and timely communication among all parties is essential to ensuring that the expert can and will contribute as effectively and efficiently as possible.

### **Effective Case Management Tips**

#### **Early Expert Involvement**

Involving an expert in the early stages of a litigation matter allows the expert to assist with the discovery of relevant documents. The expert can assist with the preparation not only of requests for production of documents but also of interrogatories. Involving an expert at the early stage of the litigation also allows the expert to submit questions for and to attend depositions of key fact witnesses. Although it is not uncommon for an expert to be hired in the later stages of litigation with the intent of minimizing the total cost of the expert report, this strategy is not always wise.

Such a strategy may lower the cost slightly, but it is also likely that the expert will not have the opportunity to do as complete an analysis as he or she would like. In addition, less time may not mean a lower cost because the expert may instead need to use more associates, each for fewer hours but likely at a higher total cost. Each associate must spend the time to learn the background of the matter, and the expert or other professionals will need to spend additional time managing them. In short, the expert may not be able to employ the most efficient approach in preparing an analysis because of time constraints, resulting in higher fees.

#### **Scheduling Order Changes**

Effective case management includes making everyone aware of any changes in deadlines. This allows the expert to adequately plan for deadlines. More important, if the expert is not made aware of deadline changes, whether it be to the due date of the expert report or testimony at deposition or trial, the attorneys run the risk that the expert will be otherwise engaged. In a worst-case, but real-world, scenario, the expert may have already committed to testify in another matter on the same day.

#### **Damages-Related Legal Filings**

If the opposing party has filed damages-related interrogatory responses, it is critical that the expert be made aware of the interrogatory responses and be provided access to them. If a litigant has filed an amended complaint or response to a complaint, informing the expert is important in that the revisions may affect the scope or nature of the expert's analysis.

#### **Relevant Document Access**

Experts should receive copies of any documents that might be relevant to the case. It does not help the client if an expert is first made aware of a critical document as he or she sits on the stand. Nor does it help the client if the expert was not able to use documents with valuable information because the expert did not know they existed. Attorneys should not assume that their expert's credibility will not be impaired by documents he or she has not seen. If documents have been produced, and especially if they are contrary to the position the expert has taken, the attorneys should make them available. Other information, such as bankruptcy documents, that are public information and that

contain details relevant to the expert's position should be made known to the expert as well.

If documents are provided in an electronic document management system, such as Concordance or Summation, the expert may have the ability to review all the documents and select a subset that he or she feels needs to be examined more closely. Further, if the expert has been hired on behalf of the defendant, it is critical that the attorneys provide all relevant documents listed in the plaintiff's expert's report (list of documents considered) to the defendant's expert.

### Technical Expert Opinions

Although the damages expert does not need to know and frequently does not want to know all the nuances and specifics of the technology at issue, he or she still needs to have at least a rudimentary understanding of how the technology works, the benefits and drawbacks of any noninfringing alternatives, how the patented technology compares with the previous modes or devices, and the value the patented technology contributes to the larger product of which it may be a component. The noninfringing alternatives must typically be identified by the technical expert, who also must communicate to the damages expert the possibility of using the alternative during the relevant period.

When IP litigation contains international aspects, additional communication and case management issues arise. These issues can be easily addressed if they are dealt with at the outset of the case in a systematic and comprehensive approach. The result will be an efficiently managed case and both a legal team and an expert who are prepared to present effective, well-supported testimony. ●

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## Budgets, Communication, and

ideas of the claimant, who is angered at having his or her integrity impugned. These issues apply to companies as well as individuals. A company that feels that its competitor is taking something from it, or one that believes it is being falsely charged with unethical conduct, often demands "justice" and vindication, while legal fees and costs mount astronomically.

As these costs spiral, the client, despite warnings about expense, one day gets a surprise (perhaps even a shock) when the bill arrives. Sometimes the shock is received first by the billing or relationship partner for the client account, who was unaware of how expensive the case had become and who may become upset with the litigator for incurring huge costs without regard for managing the client. The litigator, on the other hand, is trying to deal with opposing counsel, demands from the client, and deadlines, and does not want a conflict with the partner.

Fortunately, there are methods of dealing with these problems. The overall theme is open and constant communication, proactive forecasting of case events and developments, and delivering news to the client promptly, regardless of whether it is good or bad.

### Cost Projections (The Budget)

Projecting fees and costs is vital in managing and controlling the case and expenses. Although some lawyers may prefer not to use the term "budget," thinking that it suggests that the costs of the case are confined to these estimates without flexibility, it is vital that a candid and probative assessment be done to project realistic costs at the outset of the case. Whether for a plaintiff or for a defendant, a meaningful estimate needs to be done, even if the resulting number is overwhelming. It is better to face these costs early on rather than face a bill in the hundreds of thousands or millions of dollars that is sitting unpaid in accounts receivable because of client unhappiness, disputes, or inability to afford the bill.

This task can be difficult, but a seasoned practitioner should be able to use his or her years of experience to make reasonably accurate forecasts. It is useful to divide the case into categories or components in trying to project costs. For example, the Federal Rules of Civil Procedure and most local rules adopted by

district courts provide for sequencing various pretrial events, including initial disclosures; case management conferences and counsel meetings related thereto; document exchanges; alternative dispute resolution processes; pretrial conferences with detailed pretrial conference filing; and trial. Some district courts, such as the Northern District of California, have special pretrial rules for patent cases. Such rules include exchanges of preliminary infringement and preliminary invalidity contentions, exchanges of proposed claim terms for claims construction, claims construction tutorials and hearings, and final infringement and invalidity contentions leading to trial. Other rules include discovery cutoff, disclosures of expert witnesses, expert witness discovery cutoff, and scheduling of dispositive motions.

Knowing the local practices, time to trial, and your judge's expectations is important for accurate budget prediction. Sequencing and timing vary widely between districts and often among judges within a district. Careful investigation and checking with other lawyers who have experience in the district and before the judge hearing the case will provide useful information.

The budget should not be a static document. It should be updated at least every quarter, though an update every month, if possible, is preferable. Inevitably, unpredicted events will occur and affect the cost projections. These changes should be evaluated, and the estimate of their effect on the case should be incorporated into a revised budget.

Estimating the cost of a case by using a spreadsheet (see <http://www.abanet.org/litigation/committees/intellectual> for a sample chart), requires an initial evaluation of the size and dimension of the case. How many witnesses will there be from your client, the other side, and third parties? Are the witnesses nearby or far away? How many documents will your client, opposing parties, and third parties have? What is the scope of the electronic media? What is the scope of the collection and review efforts? Will your client provide support for the document and electronic discovery process? What is the complexity of the technology involved? What kinds of expert witnesses and how many will be needed, and what will their expected costs be? What are the client's expectations regarding reporting and communications? What staffing will be necessary?

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