

INTELLECTUAL PROPERTY LAW

A SPECIAL REPORT

One possible dilemma in making patent infringement contentions

Having publicly nonobservable elements or steps in a patent claim can lead to problems for patent owners, but there are ways to help avoiding being sanctioned or held to inaccurate infringement contentions.

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Under Federal Rule of Civil Procedure 11, before filing an infringement action, a patentee must perform an infringement analysis that compares the accused product or method with the claims of the patent. Some district courts — including some of the districts that are the most popular in which to file patent litigation — now require a patentee to serve detailed infringement contentions early in the litigation, often before receiving confidential information from the defendant. The infringement analysis required by these obligations is usually straightforward, albeit sometimes technically challenging. See the [accompanying chart](#), which shows the 10 most popular federal district courts for patent litigation in the period from September 2008 to September 2009, whether and when infringement contentions must be served and the average time to trial.

Certain patent claims, however, contain one or more elements that are directed to publicly nonobservable features or steps. One

example is a claim directed toward method steps performed by the execution of source code. It may be impossible to determine — prior to confidential discovery — whether an accused product contains these nonobservable features or steps. As a result, it often is necessary to seek leave of court to amend these contentions.

Having publicly nonobservable elements or steps in a patent claim can lead to problems for patentees, but there are measures they can take to help avoid being sanctioned or held to inaccurate infringement contentions.

Fed. R. Civ. P. 11(b)(3) states that a party “certifies that to the best of [the party’s] knowledge, information, and belief, formed after an inquiry reasonable under the circumstances...[that] the factual contentions have evidentiary support.” Courts have interpreted Rule 11 to require that a patentee must, at a minimum, compare the claims of each patent being asserted to the accused device and find a reasonable basis of infringement before asserting those claims. *View Eng’g Inc. v. Robotic Vision Sys. Inc.*, 208 F.3d 981, 986 (Fed. Cir. 2000).

In some instances — such as when a patent contains claims directed to computer soft-

ware or a manufacturing process — it may be impossible to compare one or more elements of a claim prior to receiving confidential discovery. In such cases, how does a patentee meet its Rule 11 obligations?

The standard espoused by the U.S. Court of Appeals for the Federal Circuit is that a patentee who has diligently pursued all reasonably available avenues of detecting infringement will have met its Rule 11 obligations, even if it were to be ultimately unsuccessful in determining whether infringement exists. See *Hoffmann-La Roche Inc. v. Invamed Inc.*, 213 F.3d 1359, 1365 (Fed. Cir. 2000). In *Invamed*, the patentee reverse-engineered a competitor’s product prior to filing suit but was unable to reveal whether the competitor was using the patented process. The patentee also asked its competitor for information several times but did not receive an answer. After confidential discovery revealed no infringement, the suit was voluntarily dismissed. The Federal Circuit held that, despite being unsuccessful in determining whether its process was infringed, the presuit investigation was reasonable.

A patentee may be found to have violated Rule 11 if it fails to undergo a diligent effort to

get all reasonably available information. For example, the Northern District of California imposed sanctions because the patentee failed to examine publicly available books, Web sites and prior art that readily showed that the accused manufacturing process was not infringing. *Micromesh Tech. Corp. v. Am. Recreation Prods. Inc.*, No. C-06-6030, 2007 U.S. Dist. Lexis 64241, at *10-*12, *31 (N.D. Calif. Aug. 29, 2007). In that case, the court rejected the patentee's reliance on *Invamed* because it failed to exercise the minimal diligence that would have revealed that the accused process was not infringing.

Because the Rule 11 inquiry is necessarily fact-specific, a prudent patentee with claims containing publicly nonobservable elements should explore all reasonably available public documents and sources of information before filing a complaint. If strategic considerations allow, the patentee should also consider asking the potential infringer for source code or manufacturing processes under a confidentiality agreement. Should infringement ultimately not be found to exist, these actions could greatly help in defending against a motion for sanctions.

INFRINGEMENT CONTENTIONS

Several of the most popular venues in patent litigation have now established local patent rules that require a patentee to serve detailed infringement contentions shortly after filing the complaint and before any substantive fact discovery. For example, the Eastern District of Texas requires that the patentee must serve, no later than 10 days before the initial case management conference, infringement contentions that specifically identify for each asserted claim the accused apparatus, product, device, process, method, act or instrumentality. E.D. Texas P.R. 3-1. A patentee must set forth its infringement theories in these preliminary infringement contentions with sufficient specificity to provide defendants with notice of infringement beyond that which is provided by the claim language. *Network Caching Tech. LLC v. Novell Inc.*, No. C-01-2079, 2003 WL 21699799, at *4 (N.D. Calif. March 21, 2003).

Because the preliminary infringement contentions are due before a patentee has had an opportunity to review the defendant's confidential discovery, a patentee with claims directed to publicly nonobservable elements again faces a dilemma. An admission that the patentee does not know whether or how a claim element is met can certainly come to haunt the patentee. If the patentee states that

there is a good-faith belief of infringement — often based upon the presuit investigation — this may cause privileged information to become discoverable. Furthermore, publicly available documents may inaccurately describe the accused product or method.

An additional problem is that a patentee's preliminary infringement contentions can effectively become "final" because the initial contentions are amendable without leave of court only upon an adverse claim-construction ruling or with leave only upon a showing of good cause. E.D. Texas P.R. 3-6 (amended 2007); N.D. Calif. P.R. 3-6 (amended 2008). Although no bright-line rules exist as to what constitutes "good cause," district courts often look at the diligence of the patentee once the confidential information is obtained when deciding whether to grant leave to amend. Should a patentee seek to amend its infringement contentions several weeks or months after receiving the source code, a court may consider such a period to indicate a lack of diligence. See *Sybase Inc. v. Vertica Sys. Inc.*, No. 6:08 CV 24, 2009 WL 4574690, at *2 (E.D. Texas Nov. 30, 2009).

Because of the need to show diligence, a patentee should begin reviewing the accused source code immediately after receiving it. Nonetheless, the size and complexity of the source code may cause the review to take longer than a court would expect. To address such a concern, it would be helpful to explain why the review took as long as it did and to keep detailed records on exactly how much time was spent analyzing the source code.

One judge in the Eastern District of Texas, Chief Judge T. John Ward, has a standing order in Patent Local Rule 3-1(h) that permits a patentee to designate some claims or elements merely as "software" in its preliminary infringement contentions. After the defendant produces the confidential source code for the elements so designated, the patentee has 30 days in which to update its preliminary infringement contentions without leave of court.

The Northern District of Illinois recently adopted patent local rules that address some of the issues potentially caused by requiring preliminary infringement contentions to be served before confidential discovery. The new rules provide for a substantive initial document production — by both sides — 14 days after the defendant files its answer. The defendant must produce documents and source code, under an automatic protective order, that show the operation and construction of

each element of each accused product or process that is "identified with specificity" in the patentee's complaint. N.D. Ill. P.R. 2.1(b)(1).

The Northern District of Illinois requires a patentee to file preliminary infringement contentions 14 days after this initial exchange of documents. However, the rules allow a patentee to freely amend its initial infringement contentions for any reason, without leave of court, for a period of 21 weeks after service of its initial infringement contentions. N.D. Ill. P.R. 2.2. After this point, contentions are amendable only upon a showing of good cause, which includes an adverse claim-construction ruling.

Patentees with claims directed to publicly nonobservable elements or steps should be mindful of meeting their Rule 11 obligations and of whether the local patent rules require preliminary infringement contentions. When a patentee cannot fully complete its infringement analysis without access to confidential documents or source code, the patentee must make sure to exercise diligence in its analysis in order to avoid being sanctioned or held to inaccurate preliminary infringement contentions.

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