

The Sedona Conference Working Group 9/10
Midyear Meeting
Feb 11-12, 2016 at The Langham Huntington, Pasadena, California

A special note of thanks to our volunteer scriveners for taking notes during the meeting, observing the “Sedona Rule” of respecting individual speakers’ anonymity. Please bear in mind as you read these notes that the standard to be applied should not be one of perfection, but rather one of reasonableness!

Notes:

Green highlighting indicates a possible Best Practice (BP) or action for Working Group consideration

Yellow highlighting indicates issue for consideration by the appropriate WG10 drafting team

Q: indicates a dialogue leader or a participant’s open-ended question

P: indicates a Participant’s comment or response

J: indicates a Judge’s comment or response

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I. *Panel 1: How early in the process can litigants learn the amount of alleged patent damages? Getting to the elephant in the room—What is the applicable royalty base? Feb 11, 8:45-9:45 AM*

A. Early Disclosures - How can the Rule 26f meeting of counsel and the Rule 16 initial CMC be most effective in facilitating an early discussion of damages?

- Q: What will encourage parties to have meaningful dialogue at Rule 26 conference?
 - Is including local rule enough?
 - Or is setting expectation enough?
 - Is a requirement for damages contentions before Rule 26 conference a good thing?
 - What is the resistance re sharing this information?
- P resp: plaintiff's standard response is this is all confidential, subject to protective order. But the real reason is a reluctance to let defendant see this information.
 - Defendant's side – how provide information without any understanding of what the plaintiff's claims are; what damages they're searching for.
 - P resp: but what's the resistance? on patent holder side, they're looking for money; so should be easy to get over the confidentiality issue
- P resp: almost every case, plf argues license agreements are confidential; can't disclose for months.
- J resp: there's a psychological factor that is oft overlooked. If defendant comes in early and starts talking about numbers, then it's perceived as a sign of weakness; they'd rather focus on plaintiff's risk. Talking about numbers makes it feel like selling our client out. But at the end of the day, this has to be part of the exit strategy.
 - Plf oft hasn't thought thru what they want. If plf has actually licensed the patents, how can they possibly hide that? Put on the table right now. **My standard order at Rule 16 conference – you have 30 days to produce. If you want to discuss terms of disclosure/protective order, I'll address them, but otherwise they are atty eyes only in 30 days.**
- P resp: realistically – at this point, all parties can do is get a sense of the scale of the dispute. This is useful. Obviously has to be non-binding etc.
 - P resp: I agree with that. Huge accomplishment to know magnitude early on.
 - P resp: My sense is plf side's reluctance is rooted out of fear of saying something too small, as it'll be hard to come back later with a larger number. My own view is plf should have to put up or shut up.
- P resp: on defense side – you're being asked to put up numbers not relevant to any dispute. E.g. All sales of all products...

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- P resp: in addition to magnitude of case, also appropriate to ask plf to take a position on the general theory of the case. This is the key dispute that drives the big numbers. Fleshing this out early helps manage expectations.
 - P resp: even if one can't quantify the methodology, etc., the theories of the damages seems to be ripe for discussion.
- Q: how will proportionality impact? Will it help change the mindset?
 - P resp: people don't like disclosing things in litigation generally; esp. source code. Have to at some level recognize if we want to speed up the process, then getting these disclosures earlier is necessary.
 - P resp: very rarely have a defendant who has low sales and is not happy to disclose them.
 - P resp: ever since eBay, vast majority of litigations are all about money; yet for years we buried this issue until much later in the case. Re proportionality – this is not a brand new concept? The old rules had a reference to proportionality; now it's front and center.
 - Now it's easier to go back to the client and say we have to give them something. And need to provide some rational explanation for it.
 - Never had plaintiff sue w/o asking what we think we can get.
 - Plf's concern is about giving a ballpark, but then having defendant blow me off.
 - I'm not sure how much can be done w/o being in front of the judge; but once before the judge, hard pressed to blow this off. Of course all will be ranges, but at least can begin the discussion.
 - P resp: we do deep analysis before filing patent suit; hard for me to buy that patent holder comes in w/o a view of royalty base, percentage, etc.
 - P resp: Is the reluctance to discuss numbers really from the client? I actually find much of our outside counsel is reluctant to work with us re damages analysis early.
- Q: What can court do at Rule 26 conference to move this along; get parties to share the information? Not helpful to just exchange estimates; need to discuss the revenue base – what plf thinks it's going to be. Is it per unit revenue? Value of service delivered? Per customer approach? The revenue base is a big source of contention. This kind of exchange of information – what will be the big areas of dispute – this is useful.
- J resp: there are many things judges can and need to do to help this process. So many issues are institutional. It's a first mover problem – how break up the logjam. Each side has much info that would help other side.
 - Diff bet estimates and evidence.
 - Estimates – useful – tells judge what the parties hope for; but useless at end of the day to measure proportionality etc.
 - Evidence – extremely useful. No reason licenses can't be produced immediately. Revenue data. Everyone knows this info will come out under PO.
 - Court – should set clear expectations. You better have specific answers to these questions. Judge should articulate – I want to know what happened in your discussions? What disclosed? What basis?
 - P resp: re estimates, I can't tell you how often I don't hear an actual demand from plaintiff until court orders. So many cases will settle if have an actual demand. When

case settles, oft has very little to actual damages analysis; all about what plf what was seeking in the first place.

- J resp: in S.D. Cal. – they have been more forward thinking in ADR, agents of court more active in driving this discussion.
- P resp: to what end are all of these disclosures being suggested?
 - I think reality in most settlements is they have less to do w/ pure numbers than they do with likelihood of success on merits, time value of money, etc.
 - Exchange of sales numbers doesn't necessarily bring parties closer, b/c have no idea how judge will look at their positions in a litigation.
- J resp: there are 2 goals:
 - 1.) try to get some numbers on the table. Some cases are small numbers at issue – it's helpful to know to know how to direct.
 - 2.) discovery issues – theories of the case. What are you looking at re royalty base? When did damages start to accrue? B/c this info is necessary for narrowing discovery. If you think that injunction is on the table or not, this is very useful info.
- P resp: we are focusing here on damages theories/damages contentions, but our draft does ties this directly in the merits discussion as well. Don't want to limit damages disclosures until after all merits are disclosed if earlier info would have helped.
- J resp: Rule 26 has been dishonored for a long time. Very few true 26(f) conferences. Drive by e-mails. Jr. associates. Patent cases are not unique here.
 - 26(a) requires you to make these disclosures. Problem is that no one does it. Not problem that judges not willing to discuss. It's that the lawyers don't do it. If the discussions don't take place, then there's not much the judge can do.
 - This WG9 damages contentions team has done good job – keep it moving along. 80-90% of cases settle; should try to help do this sooner than later.
 - Politics – courts get blamed for abusive litigation. I don't think though we can solve w/o a culture change by the bar. Sedona's work helps.

B. Damages Contentions - Assuming damages contentions are sought (by interrogatory) or required (by local rule), what is the minimum discovery needed for meaningful contentions, and what degree of supplementation or amendment should be permitted?

- P: Before contentions, need evidence disclosed – license agreements, etc. We've set out in proposed rule initial disclosures information; then to meaningful damages contentions.
- P resp: there's been a kicking the can by both sides. Technical side gets rolling earlier. People keep damages cards to the chest. How can court further require; have interim hearings. What kind of data is useful for damages analysis? What is the core info you would need?
 - E.g. basic sales; license agreements; profit info.
 - Almost every case comes down to a banker's box of info. Just have to decide what that info is. Much core info could be produced early on; but often isn't until 2-3 mos. before expert reports/ 2-3 yrs into the case.
- P resp: struggle – what is the purpose of the earlier disclosure?

- 1.) proportionality
- 2.) disposition – window into the inflection points.
- 3.) binding/pinning people down – this is what causes lawyers concern. We always want more info. Worries that early disclosure could pin them down. We have Fed. Rules that allow for amendments, etc., but this is still a big concern.
- There's a general feeling that Daubert happens too late. If do on the eve of trial, then too late.
- Much of goal is to smoke out the high level theories. At least high level damages framework should be generally known.
- P resp: we propose preliminary discovery period – limited financial disclosure; then in response, defendant responds with their position – all w/in first 6 mos. of filing. Then opp to supplement. Possibility of hearing on damages.
 - P resp: I'm in favor of some early disclosures to extent feasible; BUT even after long complex discovery process, experts still can be apart by order of magnitudes. So how can they provide estimates early that are meaningful? We don't know how court will rule re claim construction, etc.
 - P resp: I'm not in favor of one-size fits all. Infr. and invalidity contentions are one-size-fits-all and not good. Before, there was nothing until SJ. I'm in favor of that way. It cost a lot less to litigate.
 - There are some cases where Rule 26(f) conference can entail productive disclosure of damages – what is that decision tree? – this info can be teased out.
 - Perhaps on case-by-case basis can discuss appropriate level of contentions.
- P resp: we do have in our damages contentions rule – there is an opt-out – if there's a reason this shouldn't apply to your case, then please explain why.
 - And – our rule provides – if you can't provide certain information, then explain why. What do you need?
 - P resp: WG9 DC team draft is great. We are asking for a fundamental shift, so we need help from the courts. Need court to say – if you can't give me a damages theory by a year into the case.... But so often, no matter how much I try to have court force this, I often can't get court to agree that plf should have to provide its theories. Even in a mediation statement, plf not willing to give me a number! If opt-out, fine, but courts, please give us a framework to encourage a shift in thinking.
 - P resp: it's a burden on both sides – for plf to prepare contentions, and for def to provide some data to get the ball rolling.
 - P resp: when don't have early disclosure of damages, then get into Daubert and get expert thrown out, then you get a lot of problems. So this helps address late Daubert issue earlier as well.
 - P resp: oft licensors – I ask them – what's your rate? They say, I don't know. Oft they say can't give unless you give us your sales figures! Is the concept that the rate will be higher if sales are small, or low if sales are large? I'm always annoyed and

amazed at how plf has no concept in their mind of the value of their patent unless they hear your sales figures.

C. Early Damages Hearings - Is it realistic to expect courts to hold early damages hearings, and what would they accomplish?

- P: J. Love, E.D. Tex. – standing order – damages hearing that follows Markman and precedes dispositive motions.
 - Parties will exchange summary 5 page reports.
 - Each expert is invited to come to court and discuss theories.
 - Judge Love offers cross-exam under oath on these presentations.
 - NO ruling outcome. The idea is purely to promote exchange of info in the way we've been talking about here – more supervised version.
 - I think this offers a way to exchange info; require more commitment.
 - Getting people committed to certain positions can serve an important rule.
 - We're trying to settle cases – in absence of procedure like this, it's very hard to get parties committed to anything.
- J resp: re late Dauberts. I don't like Dauberting any expert, especially on eve of trial, but I've done it. We all agree it would be better to do this sooner; but will require change in prioritizing issues. Not everyone can be first in line. **The main thrust of this effort isn't necessarily to put damages first, but it is to move it up from the back.**
- Q: has anyone participated in judge Love's damages hearings? [No.]
- J: [in response to a Judge noting the Judge has recently tried to hold a damages hearing as an experiment] After holding such a hearing, did you give feedback – this isn't going to fly?
 - J resp: If I continue with this, I'm reluctant to weigh in too soon. It is preliminary. Could be very disruptive for court to dismiss entirely an in-process theory. But it is very helpful for parties to hear from each other. If it were clear from start that a theory won't fly, then maybe we should indicate this though.
- P resp: challenge – how present this on atty's side? Typically – would raise Daubert. If you want to tell judge this is not an emvr case, I'm not sure what the tool is to get there? Danger – advisory opinions. Figuring out the right vehicle is a challenge.
 - J resp: another way – we now have a much richer body of caselaw. This hopefully is offering some guidance. But in that context you're working off on a complete record.
 - P resp: One thing that strikes me – analogy to Markman hearings. They are oft case dispositive. But Markman are less difficult for judges to dig into. They're not framed as dispositive. It seems there's value of preliminary hearings if thought of in the same terms as Markman hearings are.

II. *Panel 2: Heightened pleadings standard—New world post-Form 18: Is more required and if so then what? Feb 11, 9:45-10:45 AM*

A. Iqbal/Twombly – the New Norm

B. Spectrum of Options

- J: on the eve of retirement of Form 18, there was a rush to file under the old standard.
 - In any patent case w/ allegation of inducement, there's almost always a motion to dismiss under Twiqbal. Sometimes it seems silly; but sometimes it's a legitimate way to try to frame what the case is about. It will be frustrating to see motions in dismiss over direct infringement claims. Don't want to turn pleading into SJ motions. If goal is to keep Cong out, then spending a lot of time on motions to dismiss would not be a good way to do it.
- J resp: Our patent pilot program judges – most have adopted some form of patent local rules; those who haven't, don't have schedule set. If they have local rules, they think heightened pleadings standard is a waste of time. If no local rules, then those judges will look carefully at this heightened pleading standard issue.
- J resp: traditional format of how cases are handled, you oft don't get interaction with judge until SJ hearing 3 years into the case; we need to take more active role in complex cases like patent cases – invite motions re damages issues; we have flexibility in fed court to hear issues, unlike state courts.
 - Even in MDL – I invite parties to early hearing – and suggest strongly – do not file a motion to dismiss.
 - It is reasonable to require for a patent complaint – assert one claim; one product.
- P resp: huge divide btw jurisdictions that have local rules and those that don't re infringement / invalidity contentions. The complaint is the ticket to discovery. Sometimes filing a motion to dismiss is the only way def. can get judge's attention re scope of discovery.
- P resp: in those jurisdictions w/o local patent rules, we need some guidance to frame the issues early in the case.
- J resp: we have heightened pleading standard in securities cases – oft becomes like SJ motion. I don't think we can get to this in patent cases – too many moving parts. If there's a standing issue – great. But if it's along the lines of I don't understand what you're saying about b/c it's not specific enough – then this is not good.
- P: has anyone done post-Form 18 complaint; have you adjusted your complaint?
 - P resp: we put in one claim; identify accused product; explain why that product infringed in some descriptive form.
 - J resp: need some flexibility by court – want you to disclose to get ball rolling; but can't be limited to that disclosure.

C. Best Practice 1 – required to comply w/ Iqbal/Twombly

A properly pleaded claim for patent infringement should recite at least the following in order to help focus the parties as to what are the issues in dispute in the litigation:

- ❖ The identity of at least one claim in each asserted patent that is alleged to be infringed.
 - ❖ For each defendant, the identity of at least one accused process, machine, manufacture, or composition of matter (“instrumentality”) that is alleged to be infringing
 - ❖ For multicomponent instrumentalities, the identity of the component(s) that are alleged to be infringing
 - ❖ A short, plain, and non-conclusory explanation for why each identified instrumentality infringes the identified claim(s)
 - ❖ For each claim of indirect infringement, the acts of the alleged indirect infringer that contribute to, or are inducing, a direct infringement
- Q: reactions?
 - P resp: “nonconclusory explanation”? what do you mean? Most times the argument simply parrots claim language.
 - P resp: Need some of the facts.
 - J. resp: if parrots claim language – def. will always respond that this is not a fact. This will be a case-by-case basis. Sometimes it truly is black box. Sometimes not.
 - P resp: “nonconclusory” is to address the parrot problem
 - P resp: we’re not asking for full claim charts. Just let us know the facts underlying plf’s alleged infringement.
 - J resp: non-conclusory explanation”... - is it a fair conclusion that if I’m going to require this that I ought to similarly expect same of defendant?
 - P resp: has team thought thru specific guidance re what a “nonconclusory statement” would require. E.g. if def. doesn’t have specific info nec. E.g. source code; processes. Plf needs good faith basis re inferring it; there will be much fighting over this.
 - J resp: hard – looking at a plausibility standard. If it’s a process patent and you can’t get into defendant’s plant...
 - J resp: if you’re going to put these restrictions in the pleading, while it’s great to require party to say which limitation is NOT in accused product; my experience is that this info is best done orally in an interchange with the court. May not want to put too much in the pleading requirement.
 - Sometimes you need to let a pleading slide b/c would spend more time than worth – all of this information is going to come out eventually anyway.
 - J resp: affirmative defense – so much is tied into claim construction; legitimately can respond – I can’t reply to same level of specificity.

- P resp: should allegation of direct infringement require same level (as for indirect infr)?
- P resp: re second bullet point – why at least one accused product? What if company has disparate products – can't we require one e.g. from e.g. kind of product.
- P resp: BP2 – if you have add'l info, then BP to disclose it. BP2 – not required, but advisable to advance purpose of accelerated discussion.
- J resp: I agree – only need rep claim for each patent, but for that one claim, I do want factual underpinnings for that claim. I don't see anything wrong with requiring a claim chart for that one claim. Prefiling investigation reqs – if you can't do this, you shouldn't be able to file. I don't think anything else satisfies Iqbal/Twombly.
- J resp: Iqbal/Twombly standard is “plausible”. So may not require a claim chart.
- J resp: it'll be very diverse from judge to judge – how much time they're willing to put into it. Saw this same dynamic re inequitable conduct – how much info do you have early in the case? For me – at some point – I say let's just move forward.
- P resp: One concern always raised – at time of filing do people have enough info? In ITC – they haven't used Form 18. What are pros and cons for ITC's approach?
 - P resp: it's probably worth looking at the ITC's commission's rules. Have required detailed complaints for 40 years. Patent counsel have been quite able to put together claim charts, identify all claims, etc. There's a lot ITC specific, but much is applicable. A couple of years from now, we'll be talking about this issue the same way you were just talking about damages. Should go beyond mere notice pleading.
 - P resp: I think we're in agreement re requirement to state a claim – to satisfy the factual information – either offer it, or say what info you need in discovery to state it. We don't use word “claim chart” but are asking for same level of info.
 - P resp: ITC heightened pleading requirement - this level of req is also req'd in Germany. But ITC is the sport of kings – it is very expensive. So many barriers of entry. That's OK there. In Germany it works – pay to play – have to post a bond.
 - What WG10 has proposed here is responsible.
 - But if go beyond this, then becomes an access to justice issue – the little guy can't file.
 - P resp: in ITC, you also have to disclose your licenses right up front.
 - In district court litigation – plf asks for all sales numbers after not giving any specific demand.
 - P: we need to be careful not to combine things that have different purposes. ITC – important to complete w/in time period allowed – 3-4 times faster. Not necessarily a given that everything that is req'd and doable to req'd in district court also. If you're going to require district court just as fast, then fine; but otherwise, no.
- P resp: “identify”
 - One of the tools in the accused infringer's toolkit is to go to PTAB. But if only one claim is required in complaint, then defendant can't use PTAB effectively.

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- P rep: you are crunched if thinking about filing an IPR; you don't want to necessarily to disclose you're thinking about this. Plf oft throwing in more claims to make IPRs more expensive.
- Why not like in ITC require all claims to be asserted in complaint – allow for amendment.
- J resp: we've been doing this in inducement of / contributory infringement longer than for direct infringement. I still get pleadings that assert all patent claims; which provides no benefit other than to ward off IPRs.
 - A heightened pleading requirement could require – identify 10 claims. Show me you met plausibility standard for at least 1. Then could have case mgmt. re the 10; absent good faith, etc. Then this gives framework for IPR, and for any motion to stay.
- P resp: BP2 – this addresses the “identify...” issue [above].
- P: has panel explored application of these BPs in those rare cases when you want injunctive relief; preliminary injunctive relief?
 - J resp: I haven't seen PI motion in patent case for a long time.
- J resp: to get Fed. Cir. review will require dismissal w/ prejudice – you can't amend. So where are all the district courts going to get the guidance they need other than sharing amongst ourselves – look at Sedona; look at local rule. There isn't anything out there.
- J resp: interesting that Form 18 require marking/notice. In our initial model complaint, we hadn't included. This is also a factual allegation relevant to scope of discovery, willfulness, etc. – we added it.

D. Model Complaint

- P: the drafting team invites your comments.

E. Best Practice 2

In addition to what is stated in Best Practice 1, a properly pleaded claim for patent infringement should also recite all claims asserted against each identified product or process based upon the information known to the Plaintiff at the time that the Complaint is filed. The asserted claims may be freely amended upon discovery of further information regarding the accused product or process during the course of the proceeding.

F. Best Practice 3 [COUNTERCLAIMS ONLY]

A properly pleaded counterclaim for patent non-infringement or invalidity should adhere to the following guidelines in order to help focus the parties on the identification and perceived scope of the issues in dispute in the litigation:

- ❖ When invalidity under 35 USC §§ 102-103 is asserted by way of a counterclaim, the recitation of the nonexclusive identity of at least one reference or pair of references that

the defendant has identified as a basis for pleading a counterclaim of invalidity based on prior art.

- ❖ When invalidity under 35 USC § 112 is asserted, the recitation of the nonexclusive representation of the basis for the assertion, such as the nonexclusive identity of at least one claim term that the defendant has identified as a basis for pleading invalidity for indefiniteness or inadequate disclosure.
 - ❖ A short and plain statement of how and where each element of the patent claim expressly identified in the complaint is shown in the prior art identified in the counterclaim, and why one or more elements is not met by the accused instrumentality expressly identified by the plaintiff in the complaint.
 - ❖ A defendant should not be required to disclose all prior art known to it at the time of the answer or counterclaim, nor should the defendant be precluded from introducing or relying on additional prior art that comes to its attention subsequent to the filing of the answer or counterclaim. Any such introduction or reliance shall be subject to the limitations and constraints as the court may impose.
 - ❖ Consistent with other Best Practices, including No. 1 above and other WG10 Best Practices, a defendant should not be required to produce a claim chart at the pleading stage.
- P: common for def to state defense AND plead as counterclaim
 - Looked at nonpatent cases.
 - Our goal – strike a balance. Keep people from kicking can down the road.
 - For counterclaims – e.g. invalidity 102/103. Identify an exemplary nonexclusive prior art w/ short explanation of why each element is shown.
 - Likewise under 112 [insert quote].
 - NOT advocating for claim chart. Not full disclosure of all prior art.
 - P resp: as a practical matter, how well will this work? Very few defendants do counterclaims of invalidity anymore b/c of implications on IPRs.
 - And aff. Defenses are more important.
 - Most likely to see invalidity counterclaims only if past 1 yr to file IPRs.
 - P resp: you are correct – we're making distinction btw counterclaims and aff. defenses.
 - The cases that have rejected view defendant need not disclose as much.
 - All cases to date have said defenses just require plain statement. Who knows where things will go.
 - J resp: reciprocity? Should go along burdens of proof. If you hold burden of proof – you should have to give more detail. If not, then conclusory denial may be OK.
 - Timeframes – plf has more time; defendant may not have heard allegation until complaint – gets 21 days to answer. Will always lead into requests for time.

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- P: If defendant responds – invalid for [then recites every basis of the statement] – this provides no information whatsoever.
 - When had Form 18 – no reason for defendant to go beyond this
 - But now post Form 18 – why not require more of defendant?

III. *Panel 3: Patent mediation—a continuing process to define and simplify the issues for helping to resolve the dispute. Feb 11, 11:00-12:00 PM*

- P: Mediation is a relatively recent phenomenon
 - Mediation does NOT equal the day in the mediation room w/ mediator present; we're talking about a mediation process.
 - Mediation in CA has become the default procedure; on east coast – not as much
 - Miami – feedback – we were too aggressive.

A. *Principles that Guide the Patent Mediation Process*

- P: As early as possible. No bad time to have it.

B. *Patent Mediation is a Process Not a Single Event*

- P: Lawyers oft see it's a requirement; not a productive exercise.

C. *Is There an Optimal Time to Retain a Patent Mediator?*

D. *Patent Mediator Selection*

1. Formal Mediation Training and Experience

- J: judges need mediation training too. We're trying to lead parties thru to the likely result as if they went thru litigation. Good mediation – is how soon we can get thru the process to a result that both parties can live with – this is a different goal.
- P : the one must we have – "must be experienced in patent law..."
 - Litigators tend to say – I know this judge well – this is what's going to happen.
 - Formal training – move away from being evaluative, and toward a facilitative and collaborative approach.
 - If too evaluative up front, then will alienate one or both parties too early.
 - P resp : in some cases, litigants want a head-banger.
 - P resp : agree – but it's a matter of timing. Wouldn't want to be evaluative too early on.
 - P resp : if you come in w/ expectation that it's going to be evaluative right away but it's not, then this will be a barrier. Want this expectation made clear to both parties early on.

2. Patent Law and Litigation Experience

3. Best Practice: A patent mediator should have the ability to understand the technology or “art” of the asserted patent but need not be a subject matter expert

E. *Patent Mediation Disclosures*

F. *Mediation Communications Discoverable?*

- P: Particularly important in patent cases.
- P: There are some narrow exceptions – generic to all mediation:
 - Sanction hearing (in camera)
 - Attorney malpractice?
 - Mediator misconduct (some states)?
 - J resp: if mediator communicates with the trial judge.
 - Sometimes it can be helpful to get certain critical points – in particular w/ magistrate judge – I think the case could settle IF you would construe “rigid” ..
 - P resp: there’s nothing wrong with mediator to ask for parties to carry a message to the trial judge. BUT if not an agreement, then this is a problem.

G. *Patent Mediation Communications Discoverable On Reasonable Royalty?*

- P: If oral agreement reached or written agreement not complete -> dispute.
 - Some courts allow discovery on this
 - ResQNet (Fed. Cir.) – settlement agreement can be the only piece of evidence -> confidentiality can be breached.
- Q: what if mediator in the room?
 - J resp: I don’t know why this makes a difference.
 - P Q: so you’d be looking at the substance of what they’re discussing, not the presence of a mediator.
- Q: what if mediator directly involved...
 - J resp: that’d be akin to two parties hiring a joint attorney – privilege rules should not govern then.
- P: if it’s a private caucus?
 - J reps: there is a difference between parties and mediator altogether...
 - I’d be comfortable analogizing it to tax accountant if it’s private and didn’t go to the other side.
 - P resp: One district court precedent – U.S. Ethernet. Defendant wanted discovery on settlement communications that arose in the context of mediation. Judge held – NO – mediation privilege bars this discovery. If covered by privilege, not discovery; if outside then it is discoverable.
 - P resp: there’s a push-pull btw having info available for damages v. confidentiality.
 - P resp: it’s a question of 2 separate policies. Are we willing to forego relevant info in favor of having parties participate in mediation?
 - P question re MSTG – what was the objection? Resp: FRE 408 was focus. Held there is no settlement negotiation privilege.

- P resp: mediators have different styles re confidentiality – should be disclosed. If law moves in direction of protecting the private caucus, then it'll be important that all agree.
- P resp: presence or not of mediator? Typical settlement discussions are mandatory; but mediation can be required -> seems unfair to require mediation AND say that your discussion will be discoverable.
- P resp: outside of the patent context, there are various jurisdictions that have recognized the mediation privilege – in S.D. Cal. and N.D. Cal. On some levels we're overthinking this issue. This is a broader issue than just patent cases.
 - Some mediators have a secret sauce. But many mediators will be resistant to having that secret sauce disclosed as part of their process b/c impedes their ability to do what they do.
 - P resp: in CA – there's a move to have mediator privilege put in place w/ no exception; countermove to make a crime-fraud exception.

H. *Preparing for Patent Mediation*

- P: culture. To find an answer, need to clearly define the question.
 - How improve litigation process? Different from: "What's needed to resolve this case?"
 - In our culture, litigate means fight.
 - What's the resistance? Answer – close to the vest. This is part of our fight culture.
 - BUT for mediation to be effective, it requires cooperation. Think about how to resolve this dispute.
 - Answer is different in each case. So need to tailor info available; preparation for each individual case.

I. *Informed Decisions*

J. *Cooperation*

K. *Patent Mediation Sessions*

- P: Some cases – joint sessions can be bad.
 - Mediators want parties to settle. Having parties come in prior to mediation session having negotiated boiler plate of the agreement – or blanks where they disagree – is helpful.
 - Better than having a term sheet that's light and hope they'll make it more formal later.
 - P resp: having draft in hand is very important in patent mediation – almost always will be an involved license – not going to happen real time.
- P: there's a move afoot for less and less joint sessions. How many in your last mediation had a joint session? 50-50.
 - How many like joint sessions? - more.
 - I always find joint sessions – best way for parties to communicate is across the table.
 - P resp: my experience – joint session is counterproductive. Parties trying to show they're tough; attorneys grandstanding.

- P resp: depends on the level of sophistication of the parties.
 - If have asymmetrical level of sophistication, then joint session might be helpful.
- P resp: Bad joint session – attorneys make opening statement. Set horrible tone.
 - P resp: with sophisticated counsel – they can find way to matter of factly explain all this w/o the dramatic opening statement.
 - P resp: I don't think joint sessions where merits are discussed is helpful.
 - A D. Del. magistrate judge – gets principals in room w/o their counsel. Terrifies lawyers. But there's so much more candor. You really learn the obstacles.
 - P resp: one reason I like joint sessions b/c oft the parties don't understand basic accounting systems. Much of time education that comes out from joint sessions is great. This brings parties closer to settlement.
 - P resp: this goes back to idea of preparing for the mediation. IF can identify the issues in advance, then can address ahead, make sure right people are there, etc.
 - P resp: question of whether joint or not has to be driven by what the problem is. Sometimes they have to talk to each other; sometimes they don't. Many ideas are helpful; I would ask group – what kind of guidance can Sedona give to the mediators themselves. My own experience – I find some mediators add value to process; some who don't. All thoughts re preparation, etc. are equally applicable to the mediators.
 - Would be great if Sedona could give guidance to mediators as to what practitioners and parties see as opportunities for this process.
- J resp: court ordered mediation. Preparation is so key. Should at a minimum ask for a confidential brief? Can get thru much of posturing. Maybe follow up before they show up – I don't see a number or theories – could you supplement? Whether or not do joint – do you see opp for a business arrangement -> require joint. If not, then don't.
- J resp: would be very useful to emphasize – part of the preparation must be – look at your team – figure who needs to be there; who needs NOT be there.
 - P resp: problems of closing a settlement agreement. One mediator – one term of mediator proposal: if there are disputes re remaining terms, the parties agree to mediate w/ mediator about them AND to binding arbitration before mediator to resolve them. The threat of this helped get us to finalize it. Was an effective technique.

IV. Panel 4: Potential ramifications of Alice—Impact on diagnostics, biotech, and computer software? Feb 11, 1:15-2:15 PM

A. Introduction and Trends

- P: If go back before 2013, you could count on 1 hand number of 101 opinions.
 - Fed. Cir. – has just issued first Alice opinion finding it is patent eligible.
 - Original perception – primary use – business method patents; but now pervading all sorts of biotech patents, networking patents, hardcore tech patents that most thought Bilski etc. were NOT going to touch on.

B. Subject Area Effects: Where Should the Line Be Drawn?

- P: Not many of the cases today are on the “do it on the internet” level.
 - Let’s look at the different subject areas. What types of claim limitations OUGHT to get over the Alice bar?
 - Where should line be drawn btw 101 and 102/103? There’s a lot of conflation of these topics.

1. Software

- P: Let’s start with software
 - First thing I want to know – am I in Texas? Or elsewhere?
 - It depends. One thing re all Alice decisions – judges focus a lot on the specification. This is seen as an admission that some concepts were in the prior art.
 - 19 post Alice Fed. Cir. decisions – only one where Fed. Cir. found it was patent eligible.
 - If just “faster”, “more efficient”, “real-time” – this is not going to cut it.
 - I haven’t seen any case where judge held w/in a single patent that dependent claim is OK if indep. claim was not. Many of the 1990s SW type patents are getting cleaned out. Will need more specificity on claims. In litigation, plf may be best served to focus on dependent claims.
 - Q: at least one judge has said software is inherently abstract. If want to give guidance to judiciary – what’s abstract or not, what would you say?
 - P resp: decisions I’ve seen in favor of validity is when patentee can point to something in the claim that is computer specific – solving a specific problem. Point to DDR. E.g. – packets are sent along a specific protocol. Concrete improvement of a system.
 - If can say this patented technology was done before Internet using pencil and paper, then defendant now has good shot.
- Q: what are you doing when writing patent claims to try to solve the Alice problem?

- P resp: should draft to hardware. Write the software claim into a hardware claim. Write to what you have implemented.
- Everyone used to draft broad claims for all implementations, even though you've only tried in. Alice teaches you to not do this.
- P resp: SW claims used to be very broad disclosure + very broad functional claiming. Not much differentiation btw indep. and dep. claims – there wasn't a reason to do so.
- P resp: read O'Reilly v. Morse. This was case where Supr. Ct. split the baby. The reasoning the court applied is very applicable to today.
- P resp: the Fed. Cir. has applied to Alice – apply the specification-> whatever's left after specification -> then reduce to its most simple concept and analogous it to some long existing human activity. This is the wrong approach. Inverts the proper claim construction process.
- P resp: in the old days – used to look for the “gist” of the invention. Seems we're circulating back to this concept
- P resp: car e.g. – Claims – dynamically controlling variation operations of a car. – shouldn't this be patentable?
 - P resp: before yes; now – likely no.
 - But if you're specific – dynamically controlling X by means of Y – then you'll have more of a chance.
 - P resp: depends on the functionality is. If it's new function, then should be patentable.
 - P resp: many of these patents were calling out a nifty idea. May be nifty, but that's not patentable. You should be specific as to how you achieved the solution. This is how it should be – you're getting a 20 year monopoly.
- Q: what if patent in crowded field, held nonobvious over prior art. Think back to “abstract idea” – it's the breadth of the abstract idea that's objectionable.
 - P resp: this is where conflation of 101 and 102/103 happens a lot. Ought to be relevant. But if claims appear to be covering an abstract idea w/ nothing new – only thing added is an old sensor, then invalid. This dissection means you can kill almost anything.
 - J resp: when I'm trying to figure out if claim is abstract idea, I ask - is there sufficient transformation – am I getting into fact finding?
 - P resp: 101 is issue of law (like obviousness). It's hard though for Mayo step 2 to not be seen as a factual determination.
 - All this is being done w/o resources normally dedicated to these types of questions.
 - J resp: I think I understand “abstract”; “transformation” – but I don't know the technology. But the wind is blowing in direction of – judge – figure it out anyway. If this is fact finding – get deference on appeal.
 - J resp: 12(b)(6) motions – this is why focus is on the spec.... We get very compelling arguments on both sides, and it's difficult.

2. Medical Diagnostics

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- One of first areas post-Bilski outside of business methods space.
- I had very difficult time to find a medical diagnostics claim that's been upheld post Alice. 2 circs:
 - 1.) if separately patent-eligible component – e.g. non naturally occurring cell.
 - 2.) ____
 - Problem – there's a divided enforcement issue – divorcing diagnostic and therapeutic step – most of the type is they're carried out by different actors.
- P resp: Ariosa Diagnostics case – 2 Fed. Cir. judges concurring opinions – we think this is nuts, but Supr Court has mandated.
- P: in diagnostic space – often operating in law of nature space.
 - Big part of mischief in SW is the vagueness of notion of abstract idea – really supposed to be close to a law of nature; but as applied it's anything one could use in an abstract way.
 - This is where we can benefit from and by giving good concrete guidance.
- Q: did the panel consider whether Sedona should advocate for amendment/abolishment of 101. Say all concerns are adequately addressed by other portions of statute? To date – WG10 has focused on procedural side. But here – Alice issues seem to be focused on problems in the law itself. Should this team be exploring changing the law? Would you favor team look into how the law should be changed – at least with medical diagnostics. [About ½ in support. No one opposed.]
 - P resp: there is proposed legislation in this direction. Mayo case was broad, and the public is offended by patents preventing life-saving diagnostic tech. from being readily available.
 - P resp: if reasonable criteria is an uncertain state of the law, then the answer is yes. 3 Fed. Cir. judges saying the law is wrong, this may be indication.
 - Cong. to address this. P resp: if proposed legislation is focused only on medical diagnostics, then it'll be a lost cause b/c could never get passed.

3. Biotech space

- P: Many cases in this space. There's an overlap with diagnostics. You can reduce all biotech or even mechanical patents to some form of natural phenomena. We don't have same number of cases out there as we do in computer space -> not as many signposts.
 - Myriad case – if X -> won't survive; but if cDNA it will.
 - X case – 2014 Fed. Cir. – 2 types of claims:
 - 1.) method claims
 - 2.) DNA primers – there Fed. Cir. said fell into law of nature/natural phenomenon area -> both sets failed.
 - Fed. Cir. judge – after Alice – there's tremendous uncertainty – what constitutes an abstract idea.
 - In biotech – remains to be same; jury is still out; not much guidance.
 - Mayo – biotech-ish + Myriad; that's about it.

- Q: what have others seen in this space? Is anyone lobbying for more 101 usage in biotech?
 - P resp: seeing lots of pushback from examiners – not letting things go thru. Concern they are applying such a broadbrush at gating stage.

C. Procedural Issues

1. Form of Motion (12(b)(6), SJ)

2. Timing of Motion

3. Information Required

a. Claim Construction?

b. Experts?

- P: Guiding principle – it's in everyone's interest that 101 cases be decided as soon as they can be decided, assuming there is appropriate and sufficient amount of info before the court. [2d part is oft missing].
 - How should the court determine when need something beyond complaint, such that a 101 issue can't be decided on 12(b)(6)?
 - Need expert reports to decide Mayo step 2? What add'l info required in some cases?
 - Many of these issues b/c 101 motions arise earlier. There's a sense that this is workable, but could be improved. There are some issues that would benefit from process/development before a 101 motion can properly be decided.
 - Representative claims. Haven't identified asserted claims yet.
 - Accused infringer asserts against its selection of rep claims;
 - Plf denies they are representative.
 - Claim construction issues may be necessary/dispositive.
- Q: what alternative processes have worked in your experience? E.g. representative claims – is it possible to have a productive discussion?
 - J resp: judges oft putting in their standing orders – what should be contained in Rule 26 conferences. Parties will have disagreements about this, but should agree on procedure for court to treat.
 - There are judges who will deny 12(B)(6) as matter of course; others who are open to them. Will be case-by-case.
 - P resp: team BP for inexperienced courts – to ventilate parties' positions at the Rule 16 conference. So court can decide for itself what it thinks the appropriate process will be.
 - P resp: isn't problem that 12(b)(6) happens before any conferences?
 - If it's going to kill the case, it's really in everyone's interests to know this.
 - P resp: whatever 12(b)(6) BP is, you're going to have a dissent. If only 1 claim is identified as infringed but I say this is an Alice claim, then you'll need to have a system – what claims are Alice claims; what are subject to 101? **This and Heightened Pleadings Standard group have important overlap here.**
 - P resp: also have 12(c) option.

- P resp: re representative claims issue. Not all courts treating the same. If parties won't stipulate, in X case, judge decided that the claims the movant briefed were substantially similar to other claims; in other cases, some judges will not go with the movant; will give defendant an opportunity to contest.
- P resp: most courts put onus on patent holder – show how something will make a difference.
- P resp: use plaintiff's claim construction and that's fair? You can see where not fair.
- P resp: with rep claims – if judge going to rule against a patentee, it should be based on patentee's choice as to what should be representative.
 - P resp: but what about plf who says ALL are necessary; none are representative?
- J resp: I don't think you can have a requirement that local rule requires more than fed rules. But can require ...
- P resp: one solution – don't pour all under what Rule 8 covers. But could require meet and confer process/ identify what claims are going to be asserted.
- P resp: another way – if court tells plf – you have an option – you've named only 1 claim; 12(B)(6) has asserted against that 1 claim. You get x days to expand number of claims.
 - P resp: that's fair. Lurking behind – oft dependent claims – 4 different ways to implement; don't know which is infringed yet. So can't Rule 11 on this.
 - P resp: but could have procedure – of all dependent claims, name those that you think may come into play.
- J resp: orderly way to manage 101 motions? Courts don't start them; parties do.
 - Granted motion – I'd assumed they'd picked their best claims; but still gave leave to amend if good cause – distinguishably different.
 - When we do all these ideas, we have to be careful of setting up arbitrary bars that are outside FRCP. Nothing in Fed. Rules saying need permission to file SJ. I have to trust movants are raising in good faith.
- P resp: there's a huge disparity btw districts re handling of early Alice motions. How will BPs help provide some sort of uniformity?
- P resp: goal of BPs is to provide some uniformity and provide guidance to dist ct judges who don't handle these often.

V. *Panel 5: Management of Pharma/Bio Patent Litigations—Understanding their special issues. Feb 11, 2:15-3:15 PM*

A. Project Charter: Top Issues for Exploration

- P: Drafting team has skewed toward
 - Toward case mgmt. issues.
 - Toward addressing established issues (e.g. not biosimilars b/c new statute).
 - away from calls for legislative reform.
- 1. Unique Discovery Disputes and Challenges**
- 2. Jurisdictional Issues**
- 3. Interplay between Statutory Stay and Post-Grant Proceedings**
- 4. Pleadings Differences**

B. Unique Discovery Disputes

- 1. Shifting burden of production to ANDA/aBLA applicant**
- 2. Protective order issues**
- 3. Special discovery issues for different types of claims**
- 4. Scope of discovery**
- 5. Consider adoption of NJ rules?**
- P: The 30 month statutory stay. This speeds up the process and changes parties' behaviors. ANDA applicant is acting more as plaintiff. They're in a different position – they're trying to drive these cases more than normal defendants. Changes what discovery practices should be.
 - All players in this field are repeat customers. Part of the business is getting sued. Different incentives – not dealing with trying to get settlements. It's usually a more business-like transaction. Parties/lawyers/judges see each other over and over again. There's much incentive to streamline the process.
 - Most of important discovery in ANDA cases is from patent holder; not the generic company. Generics obligations are very limited.
 - History
 - Cong. in 1984 passed Hatch-Waxman – it's a bargained for litigation. ANDA applicant knows they certify; branded co. knows they sue.
 - 30 months – in 1984 – most of statute's consideration, the 30 mos was 18 mos. Purpose of this statutory stay was so case could be resolved w/in that framework. At last minute in 1984 – conclusion – can't resolve in 18 mos so extended to 30 mos.
 - There are tensions in burden and incentives. If generic co., you're entirely motivated to move as fast as you can. If you do win w/in the 30 mos, you get an award – you get to go onto the market AND free of competition from other generics. On branded side, you are more on side of a typical defendant.

- 180 days can be a very significant amount of money.
- Proportionality?
 - Production burden on branded company is very significant.
 - Branded company looking for injunction – this is priceless.
 - Fed. Rules proportionality – takes on different flavor here.
- P: In biologics/biosimilar side.
 - Most evidence of infr. is in regulatory filings. But not well defined rules re well should be produced? In what form?
 - Fed. Cir. has said “shall” does not mean “must” re exchange of aBLA.
 - Unlike other tech – we know where evidence of infringement will be found. So should there be a burden shifting?
 - P resp: In vast majority of these cases, infringement is not an issue.
 - P resp: most discussions re proportionality – are on monetary issues.
 - In ANDA – both sides have incentive to get done w/in 30 months.
 - In biologics – used to have no biosimilar route.
 - Still very important for court to engage in active case mgmt.
 - P resp: in ANDA cases, no jury. Judge oft lets all in at trial b/c it’s a bench trial. This can potentially have an impact on proportionality b/c the gatekeeper is not minding the gate.
 - P resp: repeat customer issue helps mitigate against this.
- Q: 12 years of clinical testing -> many docs. Are all docs really relevant? Or should parties and court be applying proportionality – in this case there are these issues; only these docs should be produced?
 - P resp: in pharma, have 2 reg agencies:
 - 1.) FDA
 - 2.) USPTO.
 - It is fertile ground to challenge patent based on what’s in the FDA files. Have research results of ALL stuff re FDA filing. It’s difficult to argue, judge I shouldn’t have to produce any of this. If movant says – they told USPTO X; and I disagree – then it’s hard to push back v. discovery requests.
 - J resp: if incentives are aligned as much as they are, then maybe proportionality not really that important.
 - J resp: you know these cases are coming years in advance. Branded company knows – how can they not be prepared?
 - P resp: here is where Sedona guidelines will be useful. There’s a way for doing these cases to balance both side’s needs.
 - P resp: 30 month stay – but built into the statute – court granted authority to shorten or extend stay depending on cooperation. How abusive can generics be before court says yes, but we’ll then extend 30 months!

C. Jurisdictional Issues

- P: In most cases, can sue infringer where infringe; principle place of business.
 - In ANDA cases – don’t have an infringing act. Only have filing of generic application – has been branded a technical act of infringement that triggers all litigation.
 - Eliminates place of infringement. Before thought could always sue in MD b/c that’s where ANDA leg. started, but no. So left with where incorporated or principle place of business.
 - This creates some difficult issues in today’s world of generic...
 - Today – IP360 – who gets sued the most. #2 is a generic pharma co.
 - “attorneys say they’re seeing more filings for every generic. Before reluctance to be 2nd or 3d filer b/c of 180 day monopoly. Today’s world – more jumping in b/c still incremental money to make.” So now have 4-5 entities filling – maybe all from diff states. So 5 suits in 5 jurisdictions. Is there a way to address what may be a waste of judicial resources/undue burden on litigants
 - MDL historically way to do this; are there other ways?
 - P resp: personal jurisdiction is the issue. You’re suing to enjoin, but there’s not an act of infringement. Could allege imminent infringement in ITC, but not in district court.
 - J resp: why wouldn’t act of filing be an act of infringement?
 - P resp: yes – regarded as technical act of infringement. But some courts have ruled this is petitioning gov’t; and you can’t get personal jurisdiction by act of petitioning the gov’t.
 - P resp: generic cos don’t want to defend against 5 generic suits; generic cos like it!
 - P resp; from generic perspective – there’s a concern of ending up in plf’s choice of jurisdiction all the time.
 - P resp: generic co’s not best friends; don’t want each other to know how their formulations might differ. Can’t necessarily put in bucket as joint defendants. They add different additives.
 - J resp: parties should tell judges – there are sister cases; judge maybe you should talk to these other courts to coordinate. Informal MDLs. Encourage judges to do this. Kind of works. Solves some of the problems.

D. Statutory Stay and Post-Grant Review

1. Coordination of ANDA timeframe and post-grant proceedings

- P: 30 mo. stay + ANDA filers using post-grant challenges as a basis to stay D. Ct. litigation.
- P: what does district court due at this point? Do they stay pending IPR resolution? This starts to eat into the 30 mo. stay. Courts can shorten or lengthen, but only under specific circumstances.
 - Some courts have said – I will not stay b/c of impact on 30 mos.
 - Some have granted stay, but put in corresponding extension if other side viewed as not-cooperative.
 - One example – stayed, but didn’t stay b/c no evidence that proceedings were being dragged out.

- What BPs can we develop to sort these issues?
- P resp: ANDA is unique – no concomitant stay for biosimilar, biotech etc.
 - And there's an orange book. So ANDA applicant knows years before what the patents are that will be litigated. It's a little diff from normal litigation. If you choose not to file IPR, then should you benefit from stay?

E. Pleadings Differences

- P: Rarely is this an issue in my experience in general. But BPCIA may present DJ pleading challenges. Not yet ripe.

F. Other ideas?

- ❖ Remedies – lost profits, injunction [substantive law issues], role of public interest in fashioning remedy
 - P resp: Perhaps could take third one on this topic.
 - P resp: remedy is an injunction against in ANDA context -> moot
 - P resp: but in therapeutics – this is a huge issue.
 - J resp: on generic side – the patent that the brand wins on is a minor improvement, they still on reg side get exclusivity. If patented feature is not what matters on therapeutics, the generics still are off the market.
 - This will come up more in biosimilar side. It's a substantive issue. Public policy are complicated.
- ❖ Reverse payment settlements in ANDA litigation
- ❖ Information asymmetries in BPCIA framework (no Orange book listing of patents; no ready access to aBLA)
 - P: Biosimilars are filing IPRs b/c there's a 10-12 mos. delay – this may be better place to sue. This was not anticipated by the BPCIA.

VI. Panel 6: FRAND/SEP—Effective case management to focus the issues and advance the litigation. Feb 11, 3:30-4:30 PM

A. Staging/Phasing SEP in District Court Action

1. Alternative Approaches to Staging SEP Litigation

- P: when litigating SEPs, one of key issues is what are the damages that will be stake at the end of the day? Have parties with very different damages models depending on 1.) is it actually an SEP? 2.) subject to FRAND obligation? 3.) what other universe of patents look like essential to standard / how should be taken into account?
- Q: would it make sense to approach SEP-FRAND litigation differently?
 - Traditional – liability then damages. Don't need to consider damages issues until first establish liability.
 - In SEP context – should we flip it? Find out what we're fighting about? Ties into Damages Contention idea.
 - Some real world e.g.'s
 - Innovatio (Holderman) – court decided: 1.) were patents SEPs? 2.) what royalty rate was? THEN many parties settled.
 - CSIRO v. Cisco – parties agreed – let's start with the damages.
 - Interesting – both were bench (not jury) decisions.
 - Q: could you approach this by presenting to jury first? Seems would be hard.
 - Maybe this is a way in some cases to get down to what the case is fundamentally about w/o spending a lot of time on extraneous issues.
 - P resp: A N.D. Cal. court did this – jury trial on the RAND rate then did liability.
 - J resp: it would have to be a very cooperative agreement. Otherwise would have 7th Am. Issue. Reverse bifurcation. I'd be surprised if defendants would allow this to be forced to do this and after losing on damages.
 - P resp: I see this come up when both parties ask judge to set RAND right. Blocking mechanism is usually – defendant doesn't want to be bound on that right; just want an advisory ruling.
 - J resp: is interesting approach in a bench trial. When I get 3 SJ motions on infr, invalidity, and damages, oft I think resolving damages will make whole case away. But harder to apply in jury trial.

B. Early FRAND Royalty Assessment

C. Litigating SEPs in the ITC

D. Other Case Management Issues?

1. Addressing Portfolios

2. Addressing Contested Patent Merits in FRAND Actions

- P resp: plf typically asserts infringement etc. Challenge is if portfolio of 1000s of patents. That's when you might want to resort to arbitration. Deal more with economics; not invalidity/infr. contentions.
 - P resp: portfolio license offer. Tough to deal with. We need to stake out issues we can come to consensus on; leave gray area to the courts.
- P resp: depends what's in dispute. In Innovatio – no dispute over whether subject to RAND obl. Was dispute over whether was a Standard Essential Patent in the first place?
 - You can imagine cases where proof of infringement is key.
 - J. Holderman's approach – agreed to by both parties – did provide way to get to core dispute.
- P resp: Often people seek licenses – not challenging validity/infr.; say I want a license – challenge FRAND rate.
 - Other cases – they do challenge infr/invalidity. How to figure out how to manage cases w/ disputed patent issues and resolve in acceptable time frame is a difficult struggle.
- P resp: one client asked to take the SEP-portfolio license for a certain period of time. Then will take issue of royalty rate to arbitration.
- Q: can you force party to choose representative patents in portfolio?
 - Can court do this in a contract action?
 - Can court do this in a patent infringement action?
- P resp: CSIRO, Apple etc. – had 1-7 patents asserted. When larger portfolios at issue, I suspect they are resolved in arbitration.
 - Rep claim selection – always has to be voluntary.
- P resp: there's no way to force defendant to take license on patent they don't think they infringe. But what is a portfolio – it's a group of patents that holder unilaterally decided is essential to a standard.
- P resp: a lot of FRAND obls are treated as agreements to agree.
- P resp: there's no uniform definition of essentiality.
 - In Innovatio – Holderman applied IEEE's standard.

- P resp: re “benchmarks” in WG9 paper.
 - If group can comment on this in the paper, this would be useful. So much of existing benchmarks in practice are portfolio licenses.
- P resp: what’s the industry practice?; should comparability be applied to parts of licenses?; licenses covering patents-in-suit v. not but in same industry?; how apportion?
 - P resp: the challenge – there’s 1000s of patents in handset; everyone can’t get a dollar for each.
 - Value of the SEP? There are some very important patents in the standard. But many are not.
 - P resp: Negotiation of portfolio licenses; suing using representative patents. Parties on both sides pick out best patents. At end – a rep. number. At the end – both sides want license on all of the portfolio b/c don’t want to deal w/ it.
 - Wish could go back in time and ask how you got there to help identify value of individual patents; but can’t!
- Q: can you back out from portfolio valuation if only some found to be valid and infringe?
 - P resp: we went down that path, but ended up settling. Should set out some methodology to back out, or establish that all rises or falls together.
 - P resp: yes – we did this.
 - Re portfolio issue- yes can’t take 1000s of patents to trial. How to assert? Can’t take the benchmark then multiple by 1000.
 - P resp: from caselaw, we get a range of theory possibilities. Stakeholders should try early on to assess this. If you’re talking about SEP cases, there’s tons of data out there- it’s a very transparent marketplace. I try to stay in the middle of this. CSIRO – J. Davis was clear about his view. But Apple v. GPNE – came to different position (under different facts). Every valuation comes back to specific facts and circumstances. Where client wants certainty – it’s not that easy. Can we get WG9 to set more guidance so still so much uncertainty?
- Q: what do we think about license based approach v. apportionment based on component analysis?
 - P resp: one thing clear from CSIRO – apportionment is still req’d in all cases. Can’t reliably do this w/o starting at SSU.
- Q: are there other methodologies – non top-down? And if so, how is apportionment applied?
 - P resp: I’ve heard it said CSIRO is change on SSU. I don’t see that. Just see court holding not going to ignore licenses just b/c not based on same end product. [But in Ericsson v. D-link – said not admissible].
 - P resp: big sales; arg that patents not valuable. Only 5% of customers ever used this function. Held infringed. There are cases when it’s not this clean.

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- P resp: which approach is best? It depends. When there are good comparables, then it's attractive b/c it's easy. In another situation of not comparable licenses, then probably need a diff approach. It's an art not a science.
- Q: Have to consider value of the patent to the standard? How value?
 - E.g. patent re power saving. Very valuable to mobile device. Not so for plugged in device. Patent is valuable to the standard, but not to the particular product.
 - P resp: look at the particular industry. Do people pay more or less depending on use? If not, then not important. If yes, then yes.
 - P resp: flip side to question – to what extent is the value coming from the standard – as opposed to the patented technology itself.
 - P resp: is somewhat analogous to invalidity and infringement.
 - P resp: if it's important to the standard but not to the product, then defendant shouldn't have to overpay for it.
 - P resp: doesn't this go to discriminatory portion of the analysis? Different rate for diff products? – wouldn't this be discriminatory?
 - Discriminate between 15 inch and 45 inch TV if chip equally important? NO.
 - Discriminate between two diff products – one uses the chip but gets no benefit from the patent-in-suit. Non-discriminatory doesn't mean uniform – means you're not discriminating w/o economic justification.
- Q: when talk about discriminatory – if have a technology with a cell phone that 4X battery life; this has great value.
 - But into plugged in notebook – this has little value. Can you discriminate?

VII. Panel 7: International Trade Commission section 337 investigations. Feb 11, 4:30-5:30 PM

- P: Sect 337 subject to Administrative Procedure Act since 1975. Have been ~1000 cases filed. Requires importation. Have to have a domestic industry. Patents are predom.
 - In 1988 statute streamlined it – don't have to prove injury; patents, trademarks, and copyright called out – demo of injury not req'd b/c it is presumed.
 - Of these 1000 cases, the rough estimate is 50% filed at ITC go to hearing. So 50% settle – some b/c before actually gets going. 50% that go all the way -> it's 50-50 who wins. Self-selection process.
- P: ITC cases go to hearing in 8 months. Discovery over in 6 mos. Not much time, especially on defendant's side.

A. Use of the 100-day procedure

- P: ITC instituted pilot program – possible to dispose of certain fundamental issues very early in case?
 - E.g. – no intent to export to the US
 - E.g. plaintiff alleged domestic activity – but plain from allegations in complaint and exhibits that they had little or no domestic activity. 100 day process invoked for first time. J. Essex case. Parties did fast discovery. J. Essex opinion – no domestic industry. Reviewed by commission. Case was over.
 - Sect. 337 orders are subject to presidential review. It's a trade statute; not an IP statute. It's the USTR that does this. Is there something about the remedy that will affect international relations. Only invoked 4 times. In 3 times, commission revised the remedy so ultimately there was still a remedy.
 - But in Samsung v. Apple – ITC looked at conduct in SEP/FRAND negotiations- found not in good faith -> did not give Samsung the exclusion order.
- Q: How can 100 day process be used to bang heads together? Get parties to be realistic about their respective positions?
 - For Samsung – wouldn't have been happier, but would've spent less in legal fees.
 - P resp: ITC didn't give reasons why. What else could ITC have done?
 - P resp: USTR's letter to ITC – did not agree to the exclusion. Said this doesn't mean we're saying you can't take SEP patents to the commission.
 - P resp: ITC also has a mediation program. ITC hasn't had a lot of success of cases settling, but they do have it. If combine 100 day opportunity with mediation capabilities offered by ITC, then you might be able to resolve cases within the 100 days. No one has tried yet.
 - P resp: the 100 day program is e.g. of ITC reaching out in response to criticism – ITC cases are too expensive. Why have to go thru entire case... ITC offers opportunity to short-cut and save resources.
 - Domestic industry?
 - Patent exhaustion?
 - Standing?
 - 101?
 - 100 day decision – is up to the ITC. NOT ALJ, or the parties.

- P resp: there are proposed rules – may give judge the authority to declare 100 day proceeding.

B. Summary determinations

- P: It's a bench trial.
- P: There are new draft Sedona guidelines on these. Please help review and comment.
 - In general – want more supervision.
 - BP - lead counsel should read before filed.
 - BP - early and often meet and confers.
 - BP – refrain from filing SJ if there are disputed fact issues.
- P resp: ITC rule – any summary determination be filed at least 60 days before the hearing.
- Q: Difference between ITC and District re summary determination?
 - In district court – SJ works after Markman
 - Doesn't work as well in ITC – in part b/c ITC judges don't do Markmans; or give early Markman rulings.
- P resp: ITC didn't want to do interlocutory review of early claim construction order.
- Draft WG10 ITC proj charter – 13 topics – very preliminary BPs. One topic is Markman hearings. Not every ALJ conducts a Markman hearing. Claim construction is disputed up until trial -> summary determination is very tough.
 - Now though – have majority of ALJs do conduct Markman process. Moving in this direction. But still doesn't address some of these timing issues.
- P resp: had some success – res judicata
- P resp: all factors in support of 100 day apply to summary determinations. ITC hearings are very expensive – always going to trial.

C. Hearing procedures

- P: How many participants have gone to ITC trial? [majority]
 - ALJs not bound to Federal Rules of Evidence. Can have multiple respondents w/ very different products.
 - Have OUII – third party in ITC headings, representing public.
 - Number of judges have unique procedure – written direct testimony (not in district court).
 - Couple of week wait for initial determination.
 - Exhibits come in after witness came in; parties negotiate if witness actually discussed the exhibit.
- Q: Is there a way to make procedures uniform? There are 6 ALJs.
 - P resp: the plague of written directs has begun to infect federal district courts in bench trials.
 - P resp: before ITC did all live direct; then other judges came over from other agencies and used written direct. Is stale. Oft wonder if they're ever read – cross-examination is very different.
 - J resp: has anyone considered doing direct on video. Put on disk – could then see demeanor. Many judges do tutorials on disk. This might be less stale.

- P resp: there's nothing to prevent party from submitting CD to judge.
- P resp: ALJs don't get their own courtroom. So really have time limitations on trial.
- ITC very strict re POs / protect confidentiality of parties. So client can't see over half of your case. This is hard for client to observe; predict.
 - Input for group would be great. Should rules be amended to allow one corp rep to observe entire proceedings – with settlement authority...?

D. Enforcement of ITC remedy orders

- P: In practice – try stipulated list of accused products – if infr. this claim, then these products are excluded, etc.
 - Does cover future products unless can demonstrate fall outside.
 - This area is critical to the entire process; fraught with problems.
- P: if redesign. Current process is an ex parte process. After win at trial, infringer can apply to customs and get around it!
- Q: should there be a good faith requirement that respondent bring the redesign in to the ITC case? They are better situated than a customs lawyer.
 - ITC has recently announced a pilot program – all parties to go back to the ITC – 3 types of cases – easy, medium (-> OUII), hard (-> back to original ALJ). Hearing in 6-9 mos. No one has used it yet.
- P resp: one of problems re redesign, can come up after the fact. Don't have Markman ruling until hearing.

VIII. *Panel 8: Is the patent system inherently abusive or is the abuse of the patent system (and of the courts) the issue? Feb 12, 8:30-9:30 AM*

A. Is the patent system broken or is there just a need for continuing improvement?

- P: When people talk about IP is important, they're not talking about patents. They're talking about IP.
 - IP is good.
 - Patent monopolies are bad.
 - Meeting materials include a George Mason paper – Stephen Haber. This is 1st economics paper I've seen that tries to fairly make the case that the stronger the patent system, the better the economy is that has it.
 - First time I've seen an economist try to refute idea that patents are inherently bad.
 - P resp:
 - Distinction bet patents and other IP is oft lost in the debate. Many companies who complain about patent rights who still want strong copyright and trademarks.
 - Many portions of many industries do in fact require patents to protect their business models.
 - Haber article – groundbreaking article. Great starting point in the economic literature.
 - If patents are so stifling, then find an example of a patent with weak patent rights that has a lot of innovation.
 - J resp: there's a nice historical review of how Britain started.
 - P resp: have to be careful when saying “strong” patent system. It's not just quantity of patents. It's the quality. When talk about public notice function, Michelle Lee has an interview looking into various initiatives to improve the quality of the patent system. On plf side – it's great to have some ambiguity in it. On defense side it's troubling – what is the invention? It would be beneficial for the system to have clearer definition of scope of patents.
 - P resp: strong patent system – means if advancement in technology, then patent can be obtained and can be enforced.
 - No matter how strong the patent office, we will always have some weaker patents, but should of course continuously try to improve.
 - Q: With startup companies – how important is ability to obtain good patents is to their funding.
 - P resp: Most startups will not get their second round of funding w/o patents.
 - P resp: oft depends on the venture capitalists involved. Some emphasize. Some say don't want their engineers distracted by this.
 - P resp: depends on type of technologies. But in any startup there needs to be some barrier to entry that is property based/right to exclude. Patents serve this role re doing what you do.
 - P resp: for tech companies, if do it too late, then there's no barrier to entry; a first patent can be their crown jewel.

- P resp: I'm surprised how naïve VCs are about patents. They don't know how expensive to enforce.
 - P resp: isn't it a crime that you can get a degree in finance/ accounting/ MBA and not have any idea of what a patent is. This is big source of problems in the system.
- P resp: problem with the written description v. the scope of the claims. Many times the claims are so broad that the patent spec doesn't support it. There's not a great body of case law on 112 defenses. This is where broad scope of patents can end of stifling innovation in that area.
 - P resp: reason for this, USPTO not funded/ encouraged to do its job. Last 15 years have tried to fix, but hasn't done much. We have more extortion than we did before. Key is fixing patent quality issue.
- P resp: angel investors/VCS – factor in – are those patents going to get you that protection. PTAB will be forum for validity challenges for foreseeable future. Invalidation rates still very high across the board.
 - P resp: I've seen a number of angel investors/second level – ask if you have patents, but don't understand what they mean.

B. Should patents only be granted for “pioneering” developments? If so, how define?

- P: First patent law explosion – great article. About 30 companies filing 2000 lawsuits each. Very analogous to what was happening today. One of cases – 1853 – O'Reilly v. Morse. Supreme Court went to great length to complement the telegraph patent. These cases led to DOE.
 - The idea of having patent claims – new to patent law. Purpose – give clarity to the public of scope of patent.
 - P resp: problem of overbroad claims – it's permissible under law but gives perverse incentives – evergreen; continuations. In my mind 112 issue is one half; double patenting is other half to keeping these patents more honest.
- Q: who thinks litigation system is place to solve the problems in the patent system? [1 hand]
- Q: who thinks patent office is the problem [majority]
- P resp: barriers to filing are minimal. No one sorts through pre-filing to file only what is important. Incentive is file as many as you can b/c thicket protects you from everyone else. I do think the USPTO is the place to be the front end. Higher filing fees so people file less. OR should treat diff technology patent applications differently.
- J resp: there is a tension I see that USPTO should address more with continuation practice. What was in the inventor's mind when inventive act? Continuations get further and further away from that. Patentee always claims you're ready limitations in from specification. But there's no way that inventor had that in mind. I don't think courts do enough re enablement. I also think USPTO when they grant continuations, that there should be more pushback against situations where the new claims were never conceived at original filing.
 - In high tech – 17 years don't matter; only 5 years.
- P resp: You have 8,000 examiners; to stop continuation practice would be impossible.

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- J resp: I'm not saying stop it. But it's a doorway to much abuse.
- P resp: USPTO has program for examiners. For them – grammar and interpretation of English language is key. Inability to get engineers, scientists etc. is so bad – they have a program in USPTO – English as a Second Language.
- Q: USPTO – point count. Is there an incentive system motivating examiners to allow claims. Point system?
 - Seems there are simple things you should be able to do. Shouldn't be able to use brand new words tied to nothing in spec.
 - Excellent interview – Gene Quinn and Michelle Lee – 3 initiatives:
 - 1 – better prosecution history and clearer record. When process works properly, the inventor, attorney, and examiner have a meeting of the mind of what the invention is. Our job is to make this clear in the patent.
 - P resp: I don't think many prosecutors view it as a partnership.
- Q: one of purposes of USPTO initiatives is for examiners to state more re reasons for allowance. Courts don't seem to have done much with this so far.
 - should inventor sign off on examiner statements?
 - one potential fix – have the examiner to require applicant to sign off on reasons of allowance.
 - P resp: if examiner rejects b/c the Smith reference shows a connector and claim language shows a connector; etc. Direct connection or indirect connection arguments. Judges can handle this. The problem is when there's a term of art – and no one who doesn't have a degree / battle of experts. It'll go to jury. Then jury will go with whoever they like. This is the problem the office needs to nail down – technical words that people can't interpret comfortably.
 - P resp: many comments – what can patent office do?
 - Let me shift conversation – licensing negotiations are – my stack is this big; yours is smaller -> you have to give me money?
 - How many have seen companies – allow attorneys to charge us \$X per case / go to lowest bidder?
 - Is part of the problem – the people we're putting into the system? Problem first – what goes into the system; then what goes thru prosecution; then licensing/enforcement?
 - P resp: that's not where you can solve the problem. No matter what, you'll have people gaming system. Only check – robust first examination. Need not to incentivize poor quality patents
 - P resp: reasons for allowance aren't required; examiners aren't given any points for giving them. Examiners have zero incentive to make record more robust.
 - Would it help to require a reasons for allowance that has to be reviewed by a second set of eyes?
 - P resp: I agree. I don't know why we don't give examiners more weight/authority.
 - P resp: I don't know how many of you have prosecuted patents. First thing you do – talk about weather and claim. Then attorney says I don't want you to write much in the written record. AIA has supplemental examination – so TPs can add more prior art. No

one uses this opportunity b/c everyone wants to hold back on that reference b/c may want to use in litigation down the road. It's a mutual problem. If you want a change – it takes both sides.

- P resp: can't we give comments of examiner more weight during a litigation?
- J resp: if mindset during prosecution is let's issue the patent w/o putting much in the record, then that patent will end up in IPR who will throw all they can -> will get a much better record of what you really meant. Wouldn't it be better to vet your patent more honestly up front?
- P resp: please don't make a record of this by design. And we accept this as OK?
This should be a Sedona BP to NOT allow this.
- Q: why don't we record the interviews?
 - Litigators pushed against this.
- P resp: PTO works off of application fees. Trying to create a system where USPTO is in an adverse to applications – incentives don't work toward that. Having examiner providing evidence against prosecutor – doesn't seem a likely or productive avenue.
- J resp: It's important to appreciate how much this concern of patent quality has infiltrated public perception. My last 3 patent trials:
 - Used to be that void dire in patent cases was fun and short.
 - In 3 of last 4 trials, at least 1 prospective juror has gotten up and given a speech decrying the patent system.
 - Big stack v. little stack issue:
 - If licensing fees – have budget to avoid liability; but nothing in the budget to

C. Should NPEs be allowed to enforce patents? Patent assertion entities?

D. Is the greater issue not who brings patent suits, but the abusive manner in which they are sometimes litigated?

E. Will the new changes in the Federal Rules and recent court decisions help?

IX. Panel 9: Best practices for USPTO/PTAB proceedings and effective coordination between the USPTO/PTAB and district court proceedings. Feb 12, 9:30-11:00 AM

A. PTAB Statistics and Trends

- P: Trial instituted by fiscal year. Patent office is giving reasonable and thorough review at institution phase. You have a real shot now to defeat institution – 1 in 3 rate. Positive development for patent office. (Before was far higher rate of institution – 87%).
- J: have seen more focus recently; more confidence by PTAB to deny.
 - Stats on settling? Only 25% are going to trial.
 - P resp: as numbers get better, they're writing better papers etc. – bar is getting educated on what's going to work at the preliminary phase – filing of preliminary response.
 - J resp: road show - If you're going to exercise right to file a preliminary response -> focus on reason to combine; focus on time-bar.
 - P resp: one counter-perspective in biosimilar phase – if you prevail in getting it kicked via preliminary response – you don't get estoppel!
 - Q: Can you put in evidence that you defeated institution? It's not a final determination.
 - P resp: yes, but other perspective – you're usually talking about a PI. If looking at success on the merits – if you can show PTAB didn't institute, this is a very helpful point. And once instituted, maybe too late anyway.
 - P resp: PTAB looks at how useful in district court litigation. There are decisions out there saying diff standards -> hard to apply. There's a tension in defining what evidence will get in. In some cases – witness statements can be used. It will be hard to use PTAB proceedings info as evidence for a jury.

B. Claim Construction

1. Cuozzo Speed Techs. LLC v. Lee, No. 15-446 (Jan. 15, 2016)

- P: Big surprise that Supreme Court granted cert.
 - Issue: whether the court of appeals erred in holding that, in IPR proceedings, the Board may construe claims in an issued patent according to their broadest reasonable interpretation rather than their plain and ordinary meaning.
 - WG10 group – we've moved past what is the law. Cuozzo will come out next Apr/June. Right now there are X00 instituted IPRs. Many will be decided in the interim.
 - Sometimes claim construction is not different using BRI or Phillips standard.
 - Standard scheduling order re IPRs – any arguments not raised in response will be waived.
 - There's tensions re waiver.
 - Q: How should WG10 deal with this? Should the PTAB consider Phillips type constructions if presented by the parties?
 - J resp: yes, PTAB likely will, if presented by the parties. PTAB will likely say – this is the BRI and it's not different from the Phillips standard. PTAB will likely apply “plain

and ordinary” meaning. PTAB does everything that Phillips court will do; just don’t have the presumption of validity.

- What is the BP at the PTO given uncertainty of Cuozzo? If party puts it before us, that there’s been a Phillips determination in district court, then the PTAB will likely take into account, but no one-size; can’t give advisory opinion as to what Phillips construction will be.
- When Alice cases came down, the PTAB did give parties chance to rebrief. Imagine PTAB will be open to do the same post-Cuozzo.
- Q: does it really matter so much? In very few decisions does it matter. And if there’s one correct construction, it’s also in practice the broadest reasonable.
 - J resp: I don’t think it’ll make a big difference on what the PTAB is doing. But will affect practice.
 - In PTAB – validity issues are completely divorced from infringement issues. So positions are reversed.
 - Practitioners will need to decide what to argue when and where.
 - P resp: CFAC, PTAB, many practitioners think BRI and Phillips standard are about the same. If Supreme Court does end up switching to Phillips then there will be much conflict – who comes first? Who gets the final word?
 - P resp: I think tactical reasons for filings will shift but won’t decrease. For defense – gives a huge incentive to file IPR. If same standard, then will get much higher chance district court will grant stay.
- Q: What best practices are there for all entities? Is the materially the same standard even met if PTAB only addresses validity.
 - P resp: not same terms need be construed for validity as infringement.
- Q: would judges appreciate having PTAB give a binding claim construction?
 - J resp: claim construction is a matter of law; not looking at underlying facts. So I’m not sure district court should be bound by what the PTAB did. But in reality, judges will look at what PTAB did. Unless something is way off the wall. Presume PTAB would treat district court’s construction the same way.
 - J resp: I envision situation – district court will construe claim to preserve validity; but dist courts could reasonably find a BRI that would embrace that art and get a different result. But if standard has been made the same, and district court did a construction, then not likely PTAB would not follow. District court has more evidence before it – it is more equipped to do Phillips/ Teva hearing.
- Q: does it bother to you to get one claim construction arg in PTAB and a different one in district court?
 - J resp: it’ll look odd; you’ll need to have a pretty good case.
 - J: Once get to final – that’s when estoppel attaches. If there is consistency though....
- Q: audience – who thinks the Cuozzo decision will stay with BRI standard? [3 hands]
 - Who thinks will go to Phillips – [~20 hands]
 - P resp: if does, then won’t this turn into race to get claim construction done first by PTAB v. district court?
- Q: what’s most efficient? What’s in best interests in the stakeholders?

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- P resp: probably would be same result (like with PHOSITA). But petitioners like the comfort to be able to make diff arguments before PTAB and the dist ct.
- P resp: I predict that in 6 mos. we'll be tired about talking about claim construction.
- J resp: PTAB is strange hybrid animal. PTAB is not adjudicatory. Not examination of patents

C. Reviewability of Institution Decisions, Multiple Proceedings and Estoppel

- Cuozzo second issue: Whether the court of appeals erred in holding that, even if the Board exceeds its statutory authority in an IPR proceeding, the Board's decision whether to institute an IPR proceeding is judicially unreviewable?
- P: In Cuozzo – there are 20 claims that Garmin challenged. 3 instituted, but on grounds NOT raised in petition. 1 indep claim; 2 deps. PTAB adopted combination of references against all, even though petitioner never raised re 1st 2 claimed. So PTAB essentially instituted based on grounds it created.
 - Given conflict w/in Fed. Cir. decisions, it makes sense Supr. Ct. will decide.
 - 1 argument – “final and non-appealable” just means no interlocutory appeals. Most agree – this makes sense.
 - But if you do get a final written decision, then all should be reviewable – should this be stretched to the institution decision?
 - Choice of grounds. PTAB right now has wide latitude – what claims go forward. More frequently, they institute some of filed claims on some of the grounds asserted.
 - Q: where do you think this second Cuozzo issue will end up?
 - J resp: I think facts of Cuozzo are very good for the gov't. But more interesting question – we're really asking, what is ultra vires – outside scope of authority? Is it outside my scope when petition comes in, states grounds based on A and B – and I have expert report C but don't insert into ground. And PTAB institutes based on A, B, and C?
 - Some panels are more tolerant to clarifying what the best ground is. Is that really ultra vires?
 - If petitioner's petition based on Claims 1-9 in heading, but in body says Claims 1-10?
 - PTAB can go to final decision on patentability even if no petitioner left. There is an idea of the public interest; this is reflected in statute when says PTAB issues final decision based on patentability (NOT on grounds stated in petition).
 - P resp: but if question presented to PTAB is a sufficiency of evidence?
 - P resp: Supreme Court will probably treat like they did in Versata. Can't take away property rights w/o due process.
 - P resp: everyone is talking about claim construction, but cert. petition in Cuozzo was only a small part. They didn't suggest are asking for interlocutory appeal; but does raise these issues.
 - If institution denied, then is it interlocutory?
 - Is determination a final determination? These issues not briefed.
- Multiple Proceedings
 - P: What's decided in institution? If not instituted, then no estoppel – this is clear.

- Q: But what happens if claim is instituted and you petition on 3 grounds and PTAB accepts on 2 grounds. What estoppel applied to the other 1?
 - P resp: If it's raised or could have raised, then this is not an issue. Obviously petitioners want to preserve.
- Q: what is your recourse w/ PTAB if the redundant ground is not discussed in final determination?
 - P resp: Fed. Cir. should say that PTAB decided to set grounds, then this is a final determination.
 - Q: if ends up not invalidating, shouldn't they have to then rule on "redundant grounds"?
 - [many responded – no].
- Q: what if had system – PTAB's DI was stamp – granted or denied. No guidance. All in or all out. Then we'll talk again at final. Is this an option?
 - P resp: I want some guidance – what issues I'm facing.
 - J resp: if you have a year; each party gets 3 mos. of discovery.
 - J resp: PTAB determination – 102 ground redundant over 103 ground. 1 Fed. Cir. judge vehemently disagreed. But how go back to uninstituted redundant grounds? Statutory limit of 1 year.
- Q: for judges – if part not taken up b/c of non-substantive factors, and issue of estoppel comes up, there's a tension btw estoppel and equity.
 - J resp: last time I read the statute I didn't see much reference to equity.

D. RPI and Privity

- P: most of caselaw on this created by IDs and final determinations. Most nonprecedential.
 - Bar oft argues this is a jurisdictional issue – bad argument.
 - Divided into 3 camps:
 - 1.) Joint Defense Group co-defendants. Almost always lose.
 - 2.) parent-sub – with indemnity agreements. Much success.
 - 3.) third party filers – Unified, RPX, EFF.
 - In re Guan – 3 prongs – direction, funding, control. Fact dependent test. Issue decided almost entirely prior to institution.
- J resp: Nobody thought PTAB would become RPI resolution board. PTAB is not fully equipped to do this at pre-institution where there's no discovery. But RPI is so important b/c of the time bar. Don't want petitioners to get around time bar by hiring a proxy. Patent owners look at this issue like a silver bullet.
 - It's not jurisdictional. Court has discretion to permit amendments to your RPI designation w/o necessarily moving the date. Had some cases that gave the impression that this was an issue of statutory authority. But there's been an evolution – Elekta case – panel got it right – said RPI is not a jurisdictional question; PTAB has discretion – allow to amend under appropriate circumstances.
 - There's room for gamesmanship on both sides. PTAB needs to be sensitive. Under some circs PTAB will likely allow petitioner to keep its filing date.
- P resp: this issue captures why Cuozzo issue 2 is important.

X. Panel 10: When do exceptional case issues give rise to ethical concerns? Feb 12, 11:15-12:30 PM

- J: Patent litigation – particularly difficult to keep things civil.
 - Sedona Cooperation Proclamation – fantastic; I oft referred to attys; oft not followed.
 - Exceptional Case. USC 285 – says can award. Doesn't say what it is.
- P: Octane Fitness – it “stands out from others” – “unreasonable”... What's this mean?
 - If judges handles much patent litigation – can do it. If not much, then what is judge to compare it to?
 - Hasn't become as much of a plague as I'd feared it might; but has had impact.
 - Sanctions.
 - Many judges express idea – before - much effort to grant sanctions; always reversed on appeal so why bother. This has changed.
 - Q: is it clear? Or is it you know it if you see it?
 - P resp: does SJ ruling by itself either way mean exceptional or not? No – must be something more.
 - Misconduct – easy for judges to see.
 - Substantive calls – much harder. But there have been decisions providing some guidance. Supposed to be a totality of circumstances issue.
 - P resp: active malfeasance – easy cases.
 - What if unduly increase as a tactical mechanism. Discovery requests overreaching; excessive motion practice.
 - What about gross incompetence? Or following client's wishes?
 - Q: Exceptional case – has always been premised on affirmative act by counsel/parties. CA Ethics opinion – can atty fees be awarded based on technological incompetence?
 - To mass overproduction? Mass underproduction?
 - P resp: Yes it can in a couple of different ways.
 - All production of ESI. Document dump.
 - Also – if I'm a patent holder and I bring suit v. multiple parties w/o much investigation. It's held early on – there's no infringement. Could've found out by simple search on the web for productive documents. Is this exceptional case? Haven't seen this case yet.
 - P resp: I think so. Falls under Rule 11 too. If it's incompetence – always a closer question. But for active decisions – yes atty fees.
 - Q: bright line? Exceptional – certainly beyond just normal trench warfare. It's if discovery is really abused in a way. Court is irritated by both parties. Hard work to determine. Abusive tactics are being used on purpose. Need courts to be engaged more actively.
 - J resp: idea that we're going to revisit all discovery issues after case ends is very unattractive to judges.

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- If doc request is overbroad and receive doc dump, then whose fault is that?
- Clients need to remember – it's not you win -> you go for and get atty fees.
- P resp: for courts – incompetence and active malfeasance much easier to ID as exceptional. Middle ground is harder.
 - Can be ID'd and dealt with up front – discovery; proportionality. Pay for overbroad requests. If fee shifting more frequently, then abuse will go down.
- J resp: 285 awards atty fees to prevailing party. How determined if not clear who that is?
 - Aren't there some occasions when prevailing party was the one that created the exceptional case?
- P resp: It would be better if took out “prevailing party” and let judges decide which party. There is a dichotomy btw what the legal standard is v. how the equities feel. E.g. if patent atty asserted 30 claims; end up winning one – small money. From legal perspective – it's prevailing; but not really.
 - If sought \$100 mill and got \$100 – are they prevailing party?
- P resp: there have been cases where parties understand liability issues are challenging – go all the way thru.
 - If win on infringement, but lost on damages....
- P resp: rules as written – require court to designate a prevailing party.
- Q: offer for judgment – Def. says I'll pay you \$5K. Patent owner demands \$10M. Ruling is \$400K. Is this exceptional case?
- Q: Discovery. Ethical obls are not just to own client but to other party and the court. Discovery abuse may be exceptional case
 - J resp: should've been handled along way; NOT at the end.
- P: CA bar opinion – No. 2015-193.
 - Advisory only
 - Requires understand ESI, technology, production.
 - If you don't, you don't take the case or you get someone who can do it.
- Q: do you see the type of behavior as deemed ethical violation in your practice?
 - P resp: gross incompetence in that case very interesting. Was clear breach of ethical duty to own client – atty didn't hire IT specialist; allowed other side's vendor to come on site to do searches. Produced much trade secret info. And there was huge gaps in production b/c failure of preservation.
 - BUT through exceptional case rule? This is tough. Now – negotiation in search terms is a big part of the case. None of these conversations were happening in that case.
 - There was harm – spoliation.
 - Can you carve out some level of exceptional case? You don't get all atty fees back – it is tailored to what
 - J resp: Was gross incompetence. Is this exceptional?
 - This was an advisory opinion. Doesn't go to next step of whether this was an ethical violation?

- P resp: I find this to be an important reminder – sophistication re eDiscovery is important part of representing your clients.
- P resp: ITC recent case – spoliation and failure to issue litigation hold -> \$2M sanction v. the firm + default judgment. In today's world – to not issue litigation holds is itself malpractice.
- Q: What if it's something that comes up midway in litigation – not relevant until you got down the road, and then spoliation problem arose?
 - P resp: not relevant then -> no duty.
- Q: what if long-standing rivalry. New issue arises. Trial time fails to update discovery team. Possible ethical breach?
 - P resp: there is usually a diff btw trial team and discovery team. There is an obligation on team lead to make sure when changes have occurred, even if near trial, that add'l searches are run.
 - P resp: if new issues entered the case due to amended pleadings -> need to amend your hold notice.
 - P resp: WG10 Case Mgmt and SJ Chapters – talk about BPs re lead counsel involvement.
- Q: what are duties on in-house counsel?
 - P resp: diff sanctions issued against lawyers v. clients? But not always lawyers' fault.
 - Supreme Court sua sponte asked atty – why not sanctioned for filing this? It was client demand.
 - E.g. – should you let your client review potentially privileged docs before it goes to you?
 - Should you say to client that there's not enough money in budget for atty to do collection, so you client do the collection?
- Q: fixed fee cases? What if rely heavily on in-house counsel to do the searches?
 - P resp: issue when dealing with the client – who is going to be doing the review? If it's in-house attys, then I may feel comfortable. If not
- Q: what if during final trial prep, young associate finds docs relevant to new issues in the case – these docs never produced; goes to trial counsel and provides them the doc, but still not produced. What ethical duty of the associate?
 - P resp: should escalate to someone higher at the firm.
 - P resp: our firm – have system for this; associates told during training – use it.
 - P resp: at our firm – always had someone to talk to and always confidential.
 - P resp: some of this works better at larger firms. How about smaller firms? Which obligation trumps?
 - J resp: when atty swearing in – once you lose your credibility, you don't get it back. If young associate put in this position, if you think your partner is doing wrong, then send e-mail to the client.
 - If client still doesn't want to do it, then what do you do?
 - P resp: I respectfully disagree. Any associate puts that in writing -> you will be unemployable. If you can't do it, then you leave the firm. But don't whistleblow. You do still have duty to the client.

- Q: what about e-mail to partner – to confirm that these docs are relevant to the case in my estimation...
 - J resp: senior members of team have obligation to establish culture to avoid.
 - J resp: raised this hypo in class.
- Q: does this rise to exceptional case?
 - P resp: yes – if not producing relevant docs. But if there's a judgment call
 - P resp: I think it's ridiculous to assume 1st/2nd year associate to make judgment call. Have to offer mentorship.
 - J resp: young associate can call bar hotline.
 - P resp: in-house legal depts. – oft very thinly staffed. All my cases require great amt of e-discovery. I wouldn't know if doc being withheld. I would appreciate that associate reaching out to me.
- Q: when talking about malfeasance – easy to get to exceptional case.
 - Gross negligence – depends on the facts.
 - Simple negligence – may be bad; not exceptional.
 - What about “willful blindness”?
 - P resp: I've seen increasing cases where atty is sanctioned – based on malfeasance. Is this an ethical violation? Duty to report to the bar?
 - J resp: at a certain dollar level – attys have to report sanctions to the bar.
 - J resp: in CA used to be \$1500. Discovery sanctions are excepted from the rule.
 - What if not a monetary sanction?
 - P resp: sometimes attys are sanctioned due to client behavior; sometimes clients sanctioned for atty's behavior
- Q: Rules of Prof. Responsibility – 40 yrs ago no civility codes.
 - Do these codes create more civility?
 - P resp: I think the practice has become more civil since I started in terms of the middle ground. Rare to see overreaching discovery now. But the amt of active malfeasance has skyrocketed b/c the incentive structure has changed.
 - P resp: 40 yo – things were much more civil; smaller IP bar; new more of the people.
 - P resp: Have seen surprising amount of malfeasance. Have had to consider whether ethical obligation to report.
 - We haven't filed a 285 mtn since Octane.
 - But good to have ability to. I'd filed motions pre-Octane that I believe we would win today.