

CLAIM CONSTRUCTION CONTINGENCY PLANNING

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The Problem

Claim construction is one of the most important, if not the most important, events in a patent infringement case. The claim construction defines the boundaries of the claim for purposes of validity and infringement. It settles (at least until an appeal) the debates the parties have about what the patent owner really owns. A defendant winning a claim construction hearing is primed for summary judgment; the plaintiff winning on its claim construction points may find the only issue to be tried is damages.

That claim construction is important is an obvious point. More subtle questions arise, however, when you consider what impact winning or losing has on the other aspects of the case. Because claim construction is so critical, it calls for a party to make delicate judgments and to balance conflicting issues in preparing its case. For example, a party must balance its infringement and validity positions, deciding whether to seek broad or narrow constructions. A party must consider how to use claim construction in its expert reports and its positions on infringement. A party should also consider how to leverage claim construction to facilitate settling the case. And finally, a party should consider the effect of favorable or unfavorable constructions on its position at trial and for an appeal.

In planning its claim construction positions, a party might want to consider:

1. The timing of the claim construction hearing.
2. How timing relates to expert reports.
3. Deciding whether to primarily advance infringement or invalidity positions.
4. Deciding which claim terms to construe.
5. How to manage claim construction to facilitate settlement.

6. Dealing with an unfavorable construction or maintaining a favorable construction at trial.

1. Issues on Timing of Claim Construction

A. When Local Rules Govern Timing

In jurisdictions with patent local rules, claim construction generally comes in the midst of discovery and is separate from summary judgment. *E.g.*, N.D. Ga. Local Patent Rule 6.1 (claim construction process begins 90 days after Joint Preliminary planning report); E.D. Tex. Local Patent Rule 4.1 (claim construction process begins 10 days after service of invalidity contentions); N.D. Ca. Local Patent Rule 4.1 (same as E.D. Texas). While the rules may allow for changing of the timing for good cause shown, in practice they are rarely if ever modified.

The result is that discovery is not close to complete, and expert reports on infringement and validity are not submitted when claim construction is briefed. This requires patent owners to get sufficient discovery early to know what constructions they need in order to prevail on infringement, and it requires defendants to have a full grasp of obviousness or anticipation arguments early in the case as well.

B. When Local Rules Do Not Govern Timing

When local rules do not set the timing, claim construction is rarely earlier than the midst of discovery. As a general matter, a judge may be unwilling to invest the substantial amount of time required by claim construction proceedings in a comparatively new case. Indeed, it is more likely than not that if the local rules do not specify a process, the claim construction can occur at the time of summary judgment or even when jury instructions are being prepared. The former generally favors the defense; the latter the plaintiff. Each side should consider how timing will affect their overall case strategy.

2. How Timing Relates to Expert Reports

A. When Expert Reports Are Due Before Claim Construction

It can be particularly awkward to require an expert to express an opinion on whether a claim is valid or infringed before claim construction because of the risk that the opinion will be based on a rejected claim construction. For example, a patent owner's expert may base infringement opinions on the assumption that the patent owner's constructions are the correct ones. If the court rejects any of those constructions in any meaningful way, the patent owner will have to seek leave to file an amended expert report. If leave is not granted the expert report may be rejected on an in limine motion as based on a faulty legal assumption, or the expert may be faced with embarrassing impeachment at trial. The same can be true for an expert report on validity as well.

One solution – that may not work for every case – is to have the expert express alternative opinions, using each proposed claim construction. Another is to build into an agreed schedule the right to amend an expert report after the *Markman* order. Each side may be amenable to such an agreement at the outset of a case, because neither side can predict who will need the benefit of a revised report. If possible, one should avoid resting on the assumption that the judge will be kind-hearted and grant a requested supplemental report.

B. When Expert Reports are Due After Claim Construction

This problem is not present when the expert reports on validity and infringement are not due until after a claim construction ruling is received. This is the approach taken by the Northern District of Georgia local rules, which provides for expert reports only after the claim construction order has been issued. N.D. Ga. Patent Local Rule 7.1(b). This should be contrasted with the practice in the Eastern District of Texas, for example, where the timing of expert reports is not tied to the issuance of the *Markman* order.

A patent owner receives a particular benefit from the Georgia approach with respect to the doctrine of equivalents. In many expert reports issued prior to claim construction the doctrine is treated cursorily, often because the patent owner simply does not contemplate what will happen if the claim is not construed favorably. A cursory expert opinion risks

exclusion. When the expert has the construction in hand, however, it is more likely that the expert and counsel will pay attention to the problematic claim terms and address the doctrine in a thorough and comprehensive way.

Also bear in mind that the damages expert report is affected by the claim construction ruling as well as validity or infringement experts. The claim construction is relevant, for example, to whether there are feasible design-around alternatives (which can place an important limitation on damages). Damages experts are usually called upon to consider the scope of the patent coverage in determining its value, and the outcome of the claim construction can often change that scope.

3. Whether Invalidity or Non-Infringement is the Primary Defense

From the defense side, decisions before and after the *Markman* ruling call for thoughtful analysis of the substantive merits of the available defenses before making decisions about when and how to pursue claim construction. The following are some factors to consider when weighing claim construction issues:

- A. Factors to Consider in Selecting Primary Defense
 - (1) The strength of non-infringement arguments
 - i. Difficult to perfect non-infringement arguments until *Markman*.
 - ii. If patent claims are straightforward and your literal non-infringement case is strong, consider MSJ pre-*Markman* (seeking relevant claims to be construed as part of the summary judgment process).
 - (2) The strength of invalidity arguments
 - i. Presumption of validity
 - ii. Clear and convincing standard
 - iii. Patents and printed publications v. public use prior art
 - iv. Strength of § 112 arguments
 - v. Possibility of Re-Examination
 - (3) Which is the best story – a patent owner or an accused infringer should always be planning for the trial of the case, and should select the arguments most

likely to be persuasive (arguments the jury cannot understand are generally not persuasive)

- (4) Strategic considerations
 - i. Effect of finding of invalidity or noninfringement on competitors
 - ii. Applicability to joint defense groups – there is some authority for the proposition that there is no joint interest among defendants on infringement, because each accused infringer has different products. There is a joint interest, however, in *claim scope*, and joint interest agreements should be crafted to recognize that distinction.

4. How To Select Disputed Claim Terms

Overall strategic considerations also play a critical role in selecting claim terms for construction. As a general principle, claim terms should not be construed simply because they are in the patent or even because the parties disagree about them. Claim terms should be selected for construction (again speaking generally) because the construction will make a difference to the outcome – principally infringement or validity. Judges will become vexed with a side that seeks to unduly complicate a patent case with unnecessary claim construction disputes. An accused infringer risks being classified as obstructionist, and a patent owner puts at risk the possibility of a prompt trial. Both sides have an interest, all other things being equal, in streamlining the process. This requires, of course, analysis of the impact of claim construction disputes in the other issues in the case. Some useful principles:

- (1) Select the terms that materially affect your theory at trial: non-infringement or invalidity.
- (2) Do not select every term that could possibly be construed; focus on the terms where the parties advance very different constructions.
- (3) Select terms on which you can win your construction; you risk your credibility on claim terms you should win by taking unreasonable positions on claim terms you have no chance of winning.

5. Planning For Settlement

Claim construction unquestionably will have an impact on settlement, and you should be prepared for it well in advance. Because of its importance in the case, the “winner” of the

claim construction ruling obtains a settlement momentum that is difficult to the “loser” to overcome. The terms “winner” and “loser” are used in quotes deliberately, because in many cases it is not clear from the order which side actually prevailed. Most claim construction orders have mixed outcomes, with the patent owner winning some and the accused infringer winning others.

What affects settlement dynamics most is who is *perceived* to have won the claim construction battles, and the perception is often formed well before the *Markman* order is issued. If a defense settlement position is premised entirely on the merits of a specific non-infringement defense, then it may be very difficult for a defendant to take a strong position in settlement if a key claim term has been decided adversely.

Settlement dynamics are affected by both what the client thinks are the strengths and weakness of the case, *and* by that the adversary thinks the client’s strengths and weakness are. If the adversary thinks that your client no longer believes in the case, then your adversary’s settlement position will harden substantially. This requires counsel to manage the expectations of both the client and the adversary. Again, like many other aspects of the claim construction process, this requires thought, analysis, and action before the claim construction order issues.

6. Dealing With the Court’s Constructions

As discussed above, selecting constructions, preparing expert reports, and even talking over the merits of the case with the client, all require consideration of the consequences of losing on one or more claim terms. Careful counsel will have already prepared to this alternative, and will have plans in place to deal with this outcome.

Likewise, counsel need to plan for what to do with a favorable construction. The following reviews both scenarios:

A. Dealing With Unfavorable Construction

(1) Amend infringement or invalidity contentions

Some local rules allow the parties to amend their invalidity and/or infringement contentions in response to the court’s claim construction.

- i. *See* P.R. 3-6(a)(1) Local Rules for the Eastern District of Texas: If a party claiming patent infringement believes in good faith that the Court’s Claim Construction Ruling so requires, not later than 30 days after service by the Court of its Claim Construction Ruling, that party may serve “Amended Infringement Contentions” without leave of court that amend its “Infringement Contentions” with respect to the information required by Patent R. 3-1(c) and (d).
- ii. *See also*, P.R. 3-6(a) Local Rules for the Northern District of California.

(2) Consider Doctrine of Equivalents

Freeman v. Gerber Prods. Co., 450 F. Supp. 2d 1248 (D. Kan. 2006).

- i. Court’s claim construction: required a *snap fit*, essentially a groove on the exterior of a wall and a ridge. *Id.* at 1264.
- ii. The plaintiff’s expert opined that the defendant’s *friction fit* product was equivalent to the court’s construction of a snap fit. *Id.*
- iii. The defendant moved to exclude the opinion as being contrary to the court’s construction.
- iv. The court refused, holding that the plaintiff had the burden to prove equivalents and the expert’s opinion “goes directly to the heart of that issue inasmuch as he explains why there are only insubstantial differences between the...structure in [the defendant’s] products and the ‘snap-fit structure’ identified by the court.” *Id.*

LP Matthews LLC v. Bath & Body Works, Inc., 458 F. Supp. 2d 198, 210 (D. Del. 2006) (excluding the trial testimony of both parties’ experts “to the extent that the court’s claim construction and related decisions are inconsistent with the opinions expressed in their respective expert reports....”).

- (3) Revisit Expert Reports. Look at both your reports and those of your adversaries to determine what changes should be made to the report in light of the construction. As noted above, you may already have built into your schedule the right to revise. Otherwise, timely seek leave under Rule 26 to amend the report based on the recently issued construction.

B. Preserving a Favorable Construction

- (1) Where your adversary’s report relies on a rejected claim construction, you can seek to have the report stricken:

Liquid Dynamics Corp. v. Vaughan Co., No. 01 C 6934, 2004 WL 2260626 (N.D. Ill. Oct. 1, 2004)

- i. Court’s claim construction: “all flow patterns that are *generally spiral* and fill *much, though not necessarily all*, of the volume.” This construction expressly rejected any claim construction requiring the perfect pattern in Figure 6. *Id.* at *4.
 - ii. The defendant’s expert opinion on non-infringement “clearly relied on Figure 6” – the very figure the court expressly rejected. For example, one of the expert’s opinions construed the disputed term to require a flow pattern throughout *most of the volume*. At his deposition, the expert testified that the disputed term implies something like Figure 6, he compared the defendant’s product to Figure 6, and his ultimate opinion relied on Figure 6 to determine non-infringement. *Id.* at *5-6.
 - iii. The plaintiff argued that the expert’s opinions were contrary to the court’s claim construction, and moved to exclude the expert’s opinions at trial.
 - iv. The court agreed, holding that “any probative value of [the expert’s] opinion is outweighed by the danger of unfair prejudice and jury confusion.” *Id.* at *5.
- (2) Do not forget that the case can be appealed and the claim construction reversed.

Very often, an accused infringer will take the position that the patent in suit is invalid if construed to read on the accused device, but valid if the claims are construed narrowly.

In *Odetics v. Storage Technology*, the defendant prevailed at trial on infringement due to a narrow construction, and the patent was ruled to be valid but not infringed.

The plaintiff appealed the judgment, but the defendant filed no cross appeal on validity. The claim construction was reversed, but the defendant was precluded from re-litigating validity because of the failure to file a cross-appeal. The defendant paid a judgment of more than \$70 million as a result.

Conclusion

Claim construction is an issue that is intertwined with many of the other issues in a patent case. Accordingly, the questions arising in claim construction should be carefully considered from the outset of the case, with all “what if” questions addressed as thoroughly as possible. The substance of the infringement claim and any invalidity defenses will be affected by what claims construed and how they are construed. Expert reports can be

damaged – even fatally – by not considering all possible outcomes. Settlement, the presentation of the case to a jury, and even the appeal can turn on how well counsel prepared for differing outcomes on claim construction.