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REDUCING THE HIGH COSTS OF PATENT LITIGATION: A PRACTICAL GUIDE

Duane Burton*

Patent infringement suits may last for years and cost hundreds of thousands of dollars. Several factors that contribute to the high cost of patent litigation, however, can be eliminated or reduced. These cost reducing alternatives can be and usually are overlooked by judges and practitioners. Thus, Mr. Burton discusses some of the specific costs associated with various phases of patent infringement litigation and suggests measures to minimize those costs.

INTRODUCTION

The cost of infringement litigation can vary between $5,000 and $15,000 per month.¹ Included within this estimate are certain factors common to patent infringement suits, such as prolonged discovery proceedings and extensive briefings of disputed motions or issues. These factors cause major delays² and substantially add to the overall costs of patent litigation. Yet, the

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² Additional factors that may contribute to trial delays include a lack of urgency by the parties and their attorneys, delay tactics by the attorneys, a hardline approach by a party with a "deep pocket" who is hoping to wear down the other side, inexperienced counsel, an inattentive court, and a full trial calendar. Pike, Cures Fail: Civil Cases Drag On, Nat'l L.J., Feb. 9, 1981, at 1.

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costs of any patent infringement dispute are directly related to the manner in which both parties litigate the case. If the risk of loss is great, it is only natural that both parties will vigorously contest the issues. In some instances, even though the cost is disproportionate to the risk involved, parties are anxious to take the case through litigation. In either situation, there is a resulting increased cost and delay in resolving the dispute. This Article presents some suggestions that courts and practitioners should seriously consider at each step in a patent infringement suit to reduce litigation expenses.

I. AVOIDING LITIGATION

Infringement Evaluation

The easiest way to reduce litigation costs, of course, is to avoid litigation altogether. For example, in two out of every fifteen cases, the plaintiff fails to prove infringement. The defendant avoids liability either by establishing that the plaintiff’s patent is invalid or that his product or process does not infringe upon the claims made in the plaintiff’s patent. Infringement exists either literally or under the doctrine of equivalents. Literal infringement can be easily established when the defendant has copied the product or process as disclosed in the claims of the plaintiff’s patent. It can be easily established when the plaintiff’s claims read exactly upon the defendant’s product. On the other hand, when infringement must be established under the doctrine of equivalents, the plaintiff must determine the best way to prove infringement. Equivalency is established when a person reasonably skilled in the art

3. Harris & Chuppe, Cost of Enforcement of Industrial Property Rights: An Analysis, 14 IDEA 77, 85 (1970). The authors suggest that the financial stake of each party is the key to determining how much time and money the respective parties will devote to the case. In other words, the possible economic loss or gain resting on the outcome of a case determines the degree of each party’s financial involvement. Id.

4. Schramm, Cost of Enforcement of Industrial Property Rights: A Report of Interviews, 14 IDEA 93, 97 (1970) [hereinafter cited as Schramm]. The suggestion is made that as cases become more expensive, the litigation costs seem to become disproportionate to the amount at stake. One explanation for this occurrence is that at a particular point in a case, the focus changes from how much the client has spent on the case to how much more expenditure is necessary to prevail or maintain his position. Id. at 97-98.

5. One commentator has suggested a number of factors which may lead to a failure by plaintiff to prove infringement. These factors include judicial application of a narrower range of equivalents than that applied by plaintiff, strict judicial construction of the claims after deciding that the patent is valid, and an overemphasis by the plaintiff’s attorney on proving validity to the neglect of the infringement aspects of the case. G. Koenig, Patent Invalidity: A Statistical and Substantive Analysis § 5.04, at 5-25 (1st rev. ed. 1980).

6. For a discussion of the doctrine of equivalents, see Graver Tank & Mfg. Co. v. Linde Air Prod. Co., 339 U.S. 605, 608-09, 85 U.S.P.Q. 328, 330 (1950). The doctrine applies where an invention “performs substantially the same function in substantially the same way to achieve the same result.” Id. (quoting Sanitary Refrigerator Co. v. Winters, 280 U.S. 120, 125 (1877)). Before a court will resort to this doctrine to enlarge the scope of a claim to find an
would have known that the devices in question essentially accomplish the same function in the same manner. Because of the difficulties in demonstrating the interchangeability of the defendant’s device as required under this doctrine, the practitioner should thoroughly evaluate the strength of his infringement allegations before commencing his suit.

**Plaintiff’s Willingness to License**

As part of the initial infringement evaluation, counsel for the plaintiff should discuss with his client the possibility of granting the defendant a license for the product in question. From the plaintiff’s point of view, the desirability of granting a license in lieu of litigation depends upon the strength of the validity of the patent and the economic success of the patented product. A strong patent, a profitable product, or both, will cause the plaintiff to be more reluctant in granting the defendant a license. Normally, these factors will increase the defendant’s receptivity to accepting a license in lieu of risking the total loss of the product and perhaps his entire business to an injunction.

In the event that the plaintiff is willing to license his patent, it is generally recommended that, initially, he not take the hardline approach by demanding that the alleged infringer cease and desist its activities. Rather, the plaintiff can obtain more favorable terms by first offering the defendant freedom from suit and a release from damages for past infringement. The undesirable message that the infringer must discontinue the infringing activity should be conveyed only when the defendant appears to be strongly opposed to the idea of accepting a license. When a license is clearly a reasonable option for both parties, it is a successful means of reducing litigation costs.

**Settlement**

Pre-trial settlement is one of the most effective means of avoiding the high cost of litigation. Settlement also alleviates the adverse publicity which often may accompany a trial. Furthermore, settlement may prevent the disclosure of confidential business matters and avoid a potential increase in outside competition to both parties, which might occur if the patent were to be invalidated at trial. There are usually two factors, however, which inhibit

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8. A strong patent is one in which the presumption of validity has been strengthened by the fact that most of the prior art advanced by the defendant was considered in an interference proceeding, reissue application, or by the Patent Office Board of Appeals. Prior decisions of validity strengthen the presumption of validity in later litigation. G. Koenig, Patent Invalidity: A Statistical and Substantive Analysis § 5.05[6] (1st rev. ed. 1980).
the immediate settlement of the patent dispute. First, a case cannot be
settled until the attorney has discussed the ramifications of the settlement
proposal on his client's business with the client. Second, because the initi-
ation of an infringement suit is probably the result of a deteriorating relation-
ship between the parties, the lines of communication must be re-established
before a settlement can be attempted.

A creative settlement proposal, therefore, should begin with a list of
concessions that each party might be willing to make and a determination of
whether these proposals are feasible. In many instances, the concessions
originally proposed will not actually be agreed upon; rather, a compromise
developed during the course of negotiation will be accepted. Pre-trial settle-
ment compromises often include the cessation of the infringing activity, the
modification of the design of the product to eliminate infringement, and the
monetary compensation for past infringement. Tailoring the agreement to
the particular needs of the parties accelerates the settlement process. Of
course, the speed with which the settlement takes place determines the
amount of money saved.

Creative settlement proposals require proper timing. Although a party
may be able to formulate a creative settlement proposal shortly after com-
mencement of the litigation, he should refrain from presenting any proposal
until ascertaining that his adversary will be receptive to it. Moreover, a party
hoping to negotiate a settlement agreement should closely monitor the busi-
ness operations of the infringer. An infringer may be more likely to settle just
prior to the consummation of a transaction involving the infringing device, a
public stock offering, a merger, or an acquisition.

If the parties agree to a settlement, the patentee must consider the holdings
of Lear v. Adkins9 and its progeny,10 which allow a party to an out-of-court

9. 395 U.S. 653, 162 U.S.P.Q. 1 (1969). The Lear Court held that a licensee was not
estopped by its licensing agreement from subsequently challenging the validity of a patent. The
Court emphasized the important public interest "in permitting full and free competition in the
use of ideas which are . . . part of the public domain." Id. at 670, 162 U.S.P.Q. at 8. The Lear
Court noted that this interest would be hampered if the estoppel doctrine was applied since
licensees may be the only individuals with enough economic incentive to challenge the patent-
ability of an inventor's discovery. Thus, the Court concluded that the technical requirements
of the contract doctrine must give way to the demands of public interest. Id. For a discussion
of the scope of the Lear doctrine, see Jennings & Bryan, The Ever Expensive Scope of Lear v.

10. Lower courts applied the Lear rationale to enable licensees to challenge patent validity
even after a settlement agreement was reached between the parties. See, e.g., Walter-Jenkinson
estopped from litigating validity of patent even though licensing agreement was result of
settlement in earlier litigation); Massillon-Cleveland-Akron Sign Co. v. Golden State Advertising
Corp., 444 F.2d 425, 170 U.S.P.Q. 440 (9th Cir.) (covenant in settlement agreement whereby
defendants agreed not to challenge validity of plaintiff's patent was in direct conflict with strong
federal policy referred to in Lear, and thus was void on its face and unenforceable), cert. denied,
190 U.S.P.Q. 751 (6th Cir.) (public interest in settlement of litigation outweighed any public
interest in allowing licensee a second chance to litigate patent validity), cert. denied, 429 U.S.
settlement to contest the validity of the patent at a future time notwithstanding the settlement agreement. To avoid future litigation on the same issues, the terms of the settlement agreement should include disincentives to future validity challenges by the alleged infringer.11

Arbitration

A final alternative to resolving a patent infringement dispute before trial proceedings is by arbitration. Arbitration of commercial conflicts is a well developed alternative to litigation12 and is favored by strong public policy,13 however, it has limited application to patent disputes.14 Although there are

11. One commentator has suggested several precautions that can be incorporated into the settlement agreement in an effort to diminish future validity challenges by the alleged infringer. First, the owner should have all prior art relied on by the alleged infringer during negotiations incorporated into the settlement agreement. This will prevent the alleged infringer from using Lear to attempt to invalidate the property rights without any new prior art or additional significant evidence that was available at the time of the settlement. Second, the settlement agreement can include a promise by the alleged infringer to confess judgment in any court of law for a large sum of money upon proof that he breached the settlement agreement. Finally, the agreement can provide that any consideration received by the alleged infringer pursuant to the terms of the agreement must be returned upon breach or contesting validity. P. Spremer, INTELLECTUAL PROPERTY MANAGEMENT § 9.04, at 9-34 (1980).


both federal and state statutes governing contractual agreements between parties to arbitrate disputes, many courts have held that questions of patent infringement and validity cannot be arbitrated due to the great public interest in challenging invalid patents and the belief that patent controversies are not commercial disputes.

Similar to patent disputes, antitrust disputes are an exception to the notion that arbitration is a judicially favored procedure for settling commercial disputes. Agreements to arbitrate antitrust claims are not generally permit-

15. See Federal Arbitration Act, 9 U.S.C. §§ 1-14 (1976). The Act applies to matters involving interstate or foreign commerce. It provides that: arbitration agreements are valid and enforceable, Id. § 1; an issue in a proceeding is subjected to an arbitration clause, the proceeding may be stayed until the issue is arbitrated, Id. § 3; arbitration can be compelled by the court, Id. § 4; the court may enter judgment on the arbitration award if the agreement so provides, Id. § 9; the court may vacate the arbitration award under specific circumstances, Id. § 10; the court may make a modification or correction of the award, Id. § 11.


17. See, e.g., Lear v. Adkins, 395 U.S. 653, 162 U.S.P.Q. 1 (1969). In Lear, the Court recognized the public interest "in permitting full and free competition in the use of ideas which are in reality a part of the public domain." 395 U.S. at 670, 162 U.S.P.Q. at 8. The Court went on to say that concern for the challenging of patent validity is further warranted in that the issuance of a patent by the Patent Office often occurs in an ex parte proceeding in which no arguments are proffered by parties interested in the determination of patent validity. Id.

Generally, courts disapprove of the settlement of patent disputes by arbitration because they involve questions of public interest. See note 14 supra. See generally P. ROSENBERG, PATENT LAW FUNDAMENTALS § 16.03[4] (2d rev. ed. 1981). For an example of an arbitration agreement resulting in the successful resolution of a patent dispute, see Resolving Patent Disputes By Arbitration, supra note 16. In considering the suitability of resolving patent issues through arbitration, one court noted that patent issues involve complex and difficult questions and the application of an extremely technical body of law. Such questions are likely to be unfamiliar to arbitrators who may not even be lawyers. In addition, the expertise of arbitrators generally is better suited for resolving contract disputes rather than analyzing the impact of federal legislation on a particular agreement. See Hanes Corp. v. Millard, 531 F.2d 585, 593 (D.C. Cir. 1976).

18. Section 2 of the Federal Arbitration Act provides:

A written provision in any maritime transaction or a contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of such contract or transaction, or the refusal to perform the whole or any part thereof, or an agreement in writing to submit to arbitration an existing controversy arising out of such a contract, transaction, or refusal, shall be valid, irrevocable and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract.


In Zip Mfg. Co. v. Pep Mfg. Co., 44 F.2d 184, 7 U.S.P.Q. 62 (D. Del. 1930), the court stated that the question of patent validity and infringement does not involve a dispute concerning commerce or a maritime transaction. Id. at 186. As a result, the court concluded that an agreement to arbitrate a patent validity or infringement controversy was not the type of dispute the Federal Arbitration Act was intended to encompass. Id.
ted because (1) such claims are not merely private matters, but are part of the national interest in a competitive economy; (2) the evidence is too complex for arbitration procedures; and (3) business arbitrators are not considered the appropriate guardians of antitrust policy. This general rule, however, does not apply if there is an agreement to arbitrate an existing antitrust dispute. This type of an agreement differs from an agreement to arbitrate future disputes because the parties have actual knowledge of the issues to be arbitrated. Therefore, in an antitrust case involving an existing dispute followed by an agreement to arbitrate, the use of arbitration was upheld because "as a claimant is not required to sue and is always free to settle a private treble damage antitrust case, his agreement to arbitrate is in effect an agreement to settle the dispute."

19. See Applied Digital Technology, Inc. v. Continental Cas. Co., 576 F.2d 116, 117 (7th Cir. 1978) (public interest, the complexity of issues and evidence, and the limited ability of arbitrators to render antitrust claims inappropriate for arbitration); Sam Reisfeld & Son Import Co. v. S. A. Eteco, 530 F.2d 679, 681 (5th Cir. 1976) (antitrust claims should go to trial as they generally are inappropriate for arbitration); Janmort Leasing, Inc. v. Econo-Car Int'l, 475 F. Supp. 1282, 1291 (E.D.N.Y. 1979) (antitrust disputes are inappropriate for arbitration and should be resolved by courts); Hunt v. Mobil Oil Corp., 444 F. Supp. 68, 69 (S.D.N.Y. 1977) (public interest in the discovery of antitrust violations makes antitrust claims inappropriate for arbitration). In Hunt, the court declared that the Court of Appeals for the Second Circuit "made it unmistakably clear that it continued to apply the underlying rationale of its earlier cases that arbitration agreements must be subordinated to adjudication by the courts of actions which seek to uphold the public interest although advanced in private litigation." Id. at 71. But see United States ex rel. Capolino Sons, Inc. v. Electronic Missile Facilities, Inc., 364 F.2d 705 (2d Cir.), appeal dismissed, 385 U.S. 924 (1966) (dismissed under Federal Rule of Civil Procedure 60); Evans v. Hudson Coal Co., 165 F.2d 970 (3d Cir. 1948).


21. See Coenen v. R. W. Pressprich & Co., 453 F.2d 1209, 1215 (2d Cir.) (agreement to arbitrate antitrust dispute upheld because the agreement was made after the dispute arose), cert. denied, 406 U.S. 949 (1972); Power Replacements, Inc. v. Air Preheater Co., 426 F.2d 980, 984 (9th Cir. 1970) (agreement to arbitrate existing claims are valid in that parties know what claims are being submitted for arbitration); American Safety Equip. Corp. v. J. P. Maguire & Co., 391 F.2d 821, 827-28 (2d Cir. 1968) (agreements to arbitrate after a controversy has arisen are an exception to the general rule that arbitration of antitrust disputes are inappropriate); Moran v. Paine, Webber, Jackson & Curtis, 389 F.2d 242, 246 (3d Cir. 1968) (voluntary agreements to arbitrate an existing dispute are valid and are not subject to the same arguments which preclude agreements to arbitrate future controversies). See also Pitofsky, Arbitration and Antitrust Enforcement, 44 N.Y.U. L. Rev. 1072, 1079 n.31 (1969) (author recognizes the presumption against the arbitration of antitrust claims, but suggests that there is reason to carve out an exception to this general rule).

If a court finds that the antitrust claims do not have a relatively good chance for success, the arbitration agreement should not be thwarted. Compare N.V. Maatschappij Voor Industriële Waarden v. A.O. Smith Corp., 532 F.2d 874, 876-77 (2d Cir. 1976) (court would not stay arbitration because claimant had not clearly established antitrust charges) with Varo v. Comprehensive Designers, Inc., 504 F.2d 1103, 1104 (9th Cir. 1974) (court stayed arbitration because probability of establishing antitrust violation was so strong).

22. Coenen v. R.W. Pressprich & Co., 453 F.2d 1209, 1215 (2d Cir.), cert. denied, 406 U.S. 949 (1972). In Coenen, the court also intimated that it would be a "pity" if a party could
Analogously, an agreement to arbitrate a patent validity or infringement suit is, in effect, an agreement to settle the dispute. Consequently, if parties enter into an agreement to arbitrate an existing dispute concerning the scope and validity of patents, there is no sound policy reason why the dispute should not be submitted to an arbitrator rather than a judge, as in antitrust cases. The same public interest of resolving disputes before a tribunal exists for both antitrust and patent controversies; therefore, if courts permit existing disputes in an antitrust case to be resolved by arbitration, logic suggests that the same should hold true for existing disputes in a controversy involving the validity or scope of a patent. Patent arbitration is not necessarily more complex than antitrust arbitration.

Patent validity and infringement suits, however, may not always lend themselves to arbitration. Arbitration should not be pursued unless the stakes are low enough so that each side can afford to lose. Moreover, the patentee should be willing to grant a license to the accused infringer, and there must be a mutual trust in the experience and basic integrity of opposing counsel.

If the parties agree to arbitrate, they should also agree on the procedures to be observed (including the selection, payment, and duties of the arbitrator), the rules of discovery and evidence applicable to the arbitration, and the means of enforcing the decision.

Notwithstanding the limitations on the use of arbitration in the determination of patent validity and infringement, parties to patent litigation can beneficially use arbitration to resolve various issues of fact which may lead to an early settlement of the case or, at a minimum, a reduction of the number of issues to be litigated at trial. In addition, many aspects of patent licensing are governed by the general law of contracts. Therefore, an agreement to frustrate an arbitration agreement by simply including in the complaint a dispute that arose after the parties had previously entered into an agreement to arbitrate existing claims. Id. at 1215-16.

It should be noted, however, that Coenen involved a dispute between New York Stock Exchange members, and Congress had demonstrated an intent to promote self-regulation by the stock exchange. See Hunt v. Mobile Oil Corp., 444 F. Supp. 68, 70-71 (S.D.N.Y. 1977).

23. See notes 17 & 19 and accompanying text supra.

24. It should be noted that any agreement between parties to an interference which provides for termination of the interference must be in writing and filed in the Patent and Trademark Office. 35 U.S.C. § 135(c) (1976).


by the parties to submit to arbitration disputes arising from the licensing agreement can be analyzed in terms of contract law, which permits the contracting parties freedom in defining the specific terms and conditions of the contract. As a result of this application of contract law to patent licensing agreements, courts generally uphold agreements to arbitrate controversies that arise in a patent licensing agreement.

II. PRE-TRIAL

Plaintiff's Action

A patent infringement action is initiated by filing a complaint with a federal district court. Although the use of a "notice" type pleading is

(where defendant granted exclusive license to make device patented by plaintiff, failure of defendant to make a "reasonable effort" or use due diligence to exploit the device gave rise to a breach of contract); Deering Milliken Research Corp. v. Textured Fibres, Inc., 310 F. Supp. 491, 498-99, 165 U.S.P.Q. 56, 61 (D.S.C. 1970) (implicit in licensing contract between plaintiff and defendant is the contractual requirement of good faith).


29. See, e.g., Foster Wheeler Corp. v. Babcock & Wilcox Co., 440 F. Supp. 897, 901, 195 U.S.P.Q. 649, 651 (S.D.N.Y. 1977) (questions of patent coverage which might arise in a licensing agreement are frequently determined by arbitration); N.V. Maatschappij Voor Industriele Waarden v. A.O. Smith Corp., 532 F.2d 874, 876, 190 U.S.P.Q. 385, 387 (2d Cir. 1976) (claims that patent licensee failed to perform its obligations stipulated in a patent licensing agreement were proper for arbitration). See generally P. ROSENBERG, PATENT LAW FUNDAMENTALS § 16 (2d rev. ed. 1981) (parties are free to enter into an agreement regarding arbitration in a licensing contract, providing the agreement does not violate antitrust or statutory prohibitions).

In addition, the Supreme Court has ruled that an agreement to arbitrate is treated as independent from the contract in which it is contained so that a decision that may render a contract null and void does not automatically result in invalidity of the arbitration clause contained in the agreement. Prima Paint Corp. v. Flood & Conklin Mfg. Co., 388 U.S. 395, 403-04 (1967).


30. The Federal Rules of Civil Procedure provide: "A civil action is commenced by filing a complaint with the court." Fed. R. Civ. P. 12. The federal district courts have original jurisdiction over patent infringement actions. 28 U.S.C. § 1338 provides:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws.

28 U.S.C. § 1338 (1976). Note, however, § 1498 of Title 28 provides that the Court of Claims has original jurisdiction of patent infringement claims brought against the United States government. Id. § 1498(a). With regard to venue, § 1400(b) of Title 28 provides: "Any civil action for
sufficient, a “storybook” complaint is preferred because it enables both parties to identify the disputed issues quickly and permits the defendant to ascertain the plaintiff’s position on the crucial issues of validity and infringement. Receipt of this information from the complaint will reduce the amount of discovery otherwise required by the defendant. Furthermore, the defendant will have to respond thoroughly to each allegation, and thus, the plaintiff will be more informed as to the defendant’s stand on the issues. The use of a storybook complaint also may give the plaintiff greater leverage when seeking a temporary restraining order or a preliminary injunction because the judge hearing the dispute may feel more comfortable when making those rulings if he has as much information as possible before him.

Although this type of complaint may require a greater expenditure of time and money at the outset of the litigation, it usually will help reduce the overall cost of patent litigation. Because information in a storybook complaint will eventually be required, regardless of whether the case is settled or goes to trial, it should be set forth in the complaint at the outset.

In addition to filing a storybook complaint, it is generally recommended that the plaintiff attach a copy of the patent to the complaint. This gives the defendant immediate knowledge of the patent in controversy, and also affords the judge an opportunity to review it. The plaintiff also should give the

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31. Section 8(a) of the Federal Rules of Civil Procedure provides:

A pleading which sets forth a claim for relief, whether an original claim, counter-claim, cross-claim, or third-party claim, shall contain (1) a short and plain statement of the grounds upon which the court’s jurisdiction depends, unless the court already has jurisdiction and the claim needs no new grounds of jurisdiction to support it, (2) a short and plain statement of the claim showing that the pleader is entitled to relief . . . .

Fed. R. Civ. P. 8(a) (emphasis added). See Mann v. Adams Realty Co., 556 F.2d 288, 289 (5th Cir. 1977) (short and plain statement of claim is sufficient if fair notice is given); Hoshman v. Esso Standard Oil Co., 263 F.2d 499, 501 (5th Cir.) (federal rules require only a notice pleading containing a short and plain statement of a claim), cert. denied, 361 U.S. 818 (1959); United States v. Stull, 105 F. Supp. 568, 570 (D. Conn.) (complaint giving fair notice is sufficient), aff’d, 200 F.2d 413 (2d Cir. 1952); Moore v. Erie County Agr. Soc’y, 12 F.R.D. 6, 7 (W.D.N.Y. 1951) (complaint is sufficient if it contains short and plain statement of claim and fairly gives notice).

32. Reference to a “storybook” complaint is made to describe a pleading which provides the facts and circumstances leading to the infringement suit in narrative form. Through this method of pleading, the plaintiff is able to clearly describe the fact situation which entitles him to relief.

It should be noted, however, that this “storybook” complaint should not include nonessential facts or extensive legal analysis supporting the claim. Such a complaint may violate the “short and plain statement” requirement of the Federal Rules of Civil Procedure. Fed. R. Civ. P. 8(a). See Harzfeld’s, Inc. v. Otis Elevator Co., 114 F. Supp. 480, 485-86 (W.D. Mo. 1953) (lengthy complaint stating many nonessential facts was defective as not complying with “short and plain” requirement); Barnhart v. Western Md. Ry., 41 F. Supp. 898, 899 (D. Md. 1941) (recitation of origin and history of plaintiff’s grievances does not comply with “short and plain” complaint rule), aff’d, 128 F.2d 709 (4th Cir.), cert. denied, 317 U.S. 671 (1942).
defendant a copy of the file history of the patent and the art cited. Furnishing these materials to the defendant will not materially increase the overall cost of litigation, and should actually aid in reducing the amount of time necessary to prepare for trial. Moreover, it should demonstrate to the defendant the basis of the plaintiff's position and foster an attitude of cooperation between the parties that may actually reduce the cost of discovery, and expedite the entire proceeding.

**Defendant's Actions**

The defendant also can play an important role in reducing the cost of litigation before trial. Defense attorneys often feel that to protect their client they must assert every available defense, regardless of whether the alleged defenses are meritorious. This type of a "shotgun" defense, however, may antagonize the opposing party, who may then prolong litigation by refusing to settle even though it would appear to be the most logical and cost efficient course to follow.

To more effectively advance the trial, the defendant should assert a general defense that the patent does not meet the requirements of the patent statutes. This will keep costs down and will not waive the defendant's right to make an inquiry into areas which may reveal facts that would support a more specific defense.

The defendant also may aid in minimizing the cost of a patent infringement suit by keeping disputed issues to a minimum. The defendant should refrain from asserting any permissive counterclaims, particularly when the plaintiff's financial resources are substantially greater than the defendant's. This will make it more difficult for the plaintiff to pursue unlimited and costly discovery.

Many defense attorneys, however, feel that they have an obligation to counterclaim for an antitrust violation. Although a valid counterclaim may exist under the antitrust laws, proof of such claims requires resolution of different issues and the proffer of different witnesses. This necessitates addi-

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33. Viewed in this manner, this approach is not only time-consuming and expensive, but also may be counterproductive. For example, by devoting equal attention to all defenses asserted, the defendant may not dedicate enough time to the one or two critical defenses that, if proven, will dispose of the case in his favor. Similarly, when the defendant pursues all possible defenses with equal vigor, the judge or jury may assign the same amount of importance to each one. Thus, if the trier of fact concludes that certain more readily understandable defenses are without merit, he also may conclude that none of the remaining defenses is valid.

34. For example, the defendant might discover the existence of a sale or public use that occurred more than one year before the patent application was filed, or discover that the patentee filed a corresponding foreign patent application without obtaining the necessary export license. See 35 U.S.C. § 184 (1976).

35. This counterclaim is based primarily on the premise that the patent is invalid and plaintiff knew or should have known of its invalidity. Thus, plaintiff's initiation of a patent infringement suit under these circumstances is asserted to be an unlawful extension of a patent monopoly in violation of § 2 of the Sherman Act. See 15 U.S.C. § 2 (1976).
tional discovery that can materially add to the litigation costs of both parties. If the defendant waits until after the patent infringement suit is resolved, he will not waive his right to sue for an antitrust violation and he will be in a better position to assess accurately the potential antitrust claim.

Further, the defendant should avoid asserting the affirmative defense of fraudulent patent procurement. Most plaintiff's attorneys will go to great lengths to defeat this defense because the plaintiff may feel that he must vindicate himself once this charge has been made. The assertion of this defense may therefore preclude a settlement and substantially increase the cost of litigation.

Another step that the defendant may pursue to achieve a reduction in litigation costs is to identify the prior art before trial. In so doing, both the plaintiff and defendant will be evaluating the same prior art on the question of obviousness. Although the parties may not actually agree what the prior art demonstrates, some facts may be revealed that will focus the attention of the parties upon the disputed issues. The plaintiff also may accelerate the litigation process by including prior art on the issue of nonobviousness in the complaint. To shorten the time for complying with discovery requests and to prepare evidence for trial, the plaintiff should begin searching for evidence of nonobviousness immediately after the complaint has been filed.

**Discovery**

Discovery in patent infringement controversies often comprises from twenty-five to forty-three percent of the total litigation time. For this reason, a reduction in discovery will save a substantial amount of money. There is frequently a lengthy time lag between the filing of the complaint and trial because of protracted discovery proceedings. Although it is contended that effective discovery can significantly reduce the time or complex-


37. Harris & Chuppe, Costs of Enforcement of Industrial Property Rights: An Analysis, 14 IDEA 77 (1970). The authors conducted a survey for the purpose of obtaining cost data of certain work elements in patent infringement cases. Based upon the analysis of their responses, the time allocated to each of the various phases of patent infringement litigation was as follows:
ity of the remaining phases of litigation, it often has the opposite effect. In fact, lengthy discovery procedures may discourage settlement and induce a longer trial.

Because of these problems, the parties should consider limiting the period of discovery. For example, they may agree to obtain a court order requiring discovery to be completed within six to eight months following the filing of the last responsive pleading. Then, only upon a proper showing could either

<table>
<thead>
<tr>
<th>Work Element</th>
<th>Simple Case</th>
<th>Average Case</th>
<th>Complex Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discovery</td>
<td>24.7 %</td>
<td>41.5 %</td>
<td>42.8 %</td>
</tr>
<tr>
<td>Prior art and infringement investigations, legal studies and evaluations</td>
<td>24.7 %</td>
<td>22.4 %</td>
<td>18.8 %</td>
</tr>
<tr>
<td>Cost of preparing briefs and direct expenses of time in trial court</td>
<td>33.7 %</td>
<td>27.4 %</td>
<td>30.0 %</td>
</tr>
<tr>
<td>Cost of appeals, including briefs and argument</td>
<td>9.1 %</td>
<td>5.5 %</td>
<td>4.7 %</td>
</tr>
<tr>
<td>Other expenses</td>
<td>7.8 %</td>
<td>3.4 %</td>
<td>3.5 %</td>
</tr>
</tbody>
</table>

See also Harris, Chuppe & Tri, An Empirical Study of Cost Factors in Patent Litigation, 15 IDEA 523, 526 (1971).

38. See generally Schramm, supra note 4, at 108.

39. Discovery in patent cases often proves to be a source of bitterness, stubbornness, and pettiness. This has led one district court to comment:

So often in patent cases parties want their opponents to admit everything, to answer all interrogatories and to produce all documents, yet they themselves refuse to admit very much, to answer any significant interrogatory, or to produce any telling documents without argument before a court. There is rarely a spirit of cooperation. Nothing is done voluntarily; everything requires an order of court. We realize that important rights are involved in patent suits, rights which protect the most important stimulant to our economy—innovativeness. To a certain extent, however, every lawsuit involves important rights; yet no other segment of cases on our docket produces such consistent examples of bitterness, stubbornness and pettiness. The adversary system need not produce such constant hostility.

Minnesota Mining & Mfg. Co. v. Norton Co., 36 F.R.D. 1, 3 (N.D. Ohio 1964). See also Schramm, supra note 4, at 98 (where discovery costs are high, settlement is unlikely).

40. Harris, The Cost of Patent Litigation Study: Current Status and Future Direction, 14 IDEA 63, 67 (1970). In addition to limiting the period of discovery, many respondents to the survey advocated additional judicial control of all pre-trial procedures. One attorney responding to the survey suggested that the permission for all manner of discovery should come from the same judge, and further, that he should deny it in the absence of good cause. Id.

In accordance with Federal Rule of Civil Procedure 26, the court should order that no discovery be permitted on irrelevant matters and on stipulated or uncontroverted facts. For a discussion of the impact of judicial controls on discovery, see P. Connolly, E. Holleman & M. Kuhlman, Judicial Controls and the Civil Litigative Process: Discovery 52 (1978).
party obtain the court’s permission to continue discovery following the ex-
piration of the court ordered discovery period.

Another problem with regard to discovery is that the attorneys often fail to
comply with the spirit of the Federal Rules of Civil Procedure.\(^4\) Discovery
frequently is used to cause delay or to harass the opposing party.\(^4\) Responses
to interrogatories often are cursory and incomplete. This abuse of the discov-
er process leads to a tiresome repetition of interrogatories, and motions to
compel information that should have been tendered upon the first request.\(^4\)
If the discovery delay tactics are minimized, the expense of discovery can be
greatly reduced. An effective method of discouraging such practices is to
assess attorneys’ fees for motions to compel discovery when the court finds
that the discovery request was unwarranted or that the response did not meet
the standards contemplated by the discovery rules. The granting of attorneys’
fees under these circumstances could be accomplished by a prior agreement
between the parties or by court order.

In some instances, mere discussion of possible sanctions will streamline
discovery. In other cases, even the imposition of a penalty will not deter
undesirable discovery practices. Under section 285 of Title 35 of the United
States Code, however, an attorney who continues to abuse discovery subjects
his client to liability for attorneys’ fees for the entire case.\(^4\) Effective enforce-

\(41\). A number of courts have acknowledged that Congress intended that the broad discovery
provisions of the Federal Rules of Civil Procedure be applied to patent interference actions. See
\textit{In re Natta}, 388 F.2d 15, 156 U.S.P.Q. 289 (3d Cir. 1968); \textit{Natta v. Zletz}, 379 F.2d 615, 153
\textit{aff’d}, 464 F.2d 573, 175 U.S.P.Q. 129 (3d Cir. 1972). In addition, Congress has specified that
the provisions of the Federal Rules of Civil Procedure relating to the attendance of witnesses and
the production of documents and things shall apply to contested cases in the Patent and

\(42\). The problem of harassment is most prevalent in answering interrogatories. Interrogato-
ries tend to be proliferated because very general interrogatories are first propounded and then
followed by questions which vary the circumstances. In one case, eight interrogatories were filed
calling for narrative answers which were proliferated into 875 interrogatories. See \textit{Schramm, supra}
note 4, at 96. Federal Rule of Civil Procedure 26(c) expressly provides for protective orders
to govern the operation of discovery, thus permitting the court to prevent abuse, either acciden-
tal or by design, that might otherwise flow from the ardent use of discovery.

\(43\). \textit{See generally Schramm, supra note 4, at 108.}

\(44\). Section 285 provides that “[t]he court in exceptional cases may award reasonable attor-
ney fees to the prevailing party.” 35 U.S.C. § 285 (1976). With regard to the award of attorney
fees for abuse of the discovery process, see \textit{General Instrument Corp. v. Hughes Aircraft Co.}, 399
F.2d 373, 158 U.S.P.Q. 498 (1st Cir. 1968) (attorney fees awarded because plaintiff failed to
disclose material information in response to defendant’s interrogatories); \textit{Kaehni v. Diffraction
lacked candor in answering interrogatories and requests for admission), \textit{aff’d}, 473 F.2d 908, 178
granted for lack of diligence in responding to relevant pre-trial discovery requests), \textit{vacated and
temanded}, 477 F.2d 818, 177 U.S.P.Q. 673 (7th Cir. 1973); \textit{Aschof v. Paper Mate Mfg. Co.},
159 U.S.P.Q. 410 (C.D. Cal. 1968) (attorney fees awarded because plaintiff concealed facts,
delayed taking of depositions and refused to obey order to produce documents), \textit{aff’d}, 434 F.2d
ment of this statute is likely to control discovery proceedings, thereby reducing discovery costs for both parties.

Finally, during the discovery process the parties should furnish the opposing counsel with the opinion of their experts. Ideally, this information should be exchanged within two months of the close of discovery. This exchange will bring the precise position of the expert into focus, thus enabling both parties to better assess their chances of prevailing on the merits. Furthermore, the exchange of such information may facilitate settlement or reduce the number of issues to be tried.

**Pre-trial Conference**

Another effective method of reducing costs before trial is the pre-trial conference. Within two to four weeks after the defendant has obtained copies of the identified prior art, but not more than six to eight weeks after the complaint has been served, the attorneys should arrange a conference to discuss the facts and issues in the case. At this conference each attorney should identify those critical issues he believes will control the outcome of the case. Although the issues may not actually be resolved, such a conference is useful in clarifying those issues and identifying the positions of each party with respect to the infringement claim. When this procedure is followed, experienced attorneys are often able to substantially reduce the time and money involved in bringing the suit to trial and, in many instances, reach an early settlement.

**Pre-trial Agreements**

If attempts to avoid litigation fail, the parties may take a number of steps before trial to reduce actual trial costs. The most significant factor contributing to the high cost of patent infringement litigation is the slowness of the litigation process itself. Consequently, the attorneys and their clients should consider every factor which might enable the parties to resolve certain factual issues prior to trial. These factual disputes may be resolved in a motion for summary judgment or by submitting them to a neutral third party. If these factual disputes can be resolved before trial, a substantial savings in patent infringement costs can be realized.

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45. The conditions under which there can be discovery of facts known and opinions held by experts are set forth in Federal Rule of Civil Procedure 26(b)(4). See Cold Metal Process Co. v. Aluminum Co. of Am., 7 F.R.D. 425 (N.D. Ohio 1947) (defendant in a patent case was entitled to information from plaintiff's expert concerning tests and photographs of metal samples). See generally 4 MOORE'S FEDERAL PRACTICE ¶ 26.66 (2d ed. 1976).

46. As in arbitration, the parties attempt to procure a settlement through a neutral third party that is satisfactory to both sides. Such a proceeding was used successfully in a complicated patent infringement suit between Shell Oil Company and Intel Corporation involving semiconductor memory patents owned by Shell. For a discussion concerning this proceeding, see Janicke & Borovoy, Resolving Patent Disputes By Arbitration: An Alternative To Litigation, 62 J. PAT. OFF. SOC'Y 337 (1980).
Another effective means of expediting the trial process, and therefore decreasing the costs of litigation, is for both parties to reach an agreement concerning the exchange of a pre-trial statement. Regardless of whether the court asks for a pre-trial statement or order, such an agreement should be exchanged at least thirty days after the close of discovery. Notwithstanding a failure to agree upon all issues in the pre-trial statement, the parties may still sign the pre-trial order and submit it to the court for review.

In addition to agreeing upon a pre-trial order, the parties can obtain permission to postpone briefing on certain motions until the court has informally heard arguments on those motions. Courts may limit the filing of briefs on motions to compel discovery or motions for protective orders. In jurisdictions without rules on this subject, both parties should refrain from filing additional reply briefs on the same motion. Early institution of this procedure will insure that supplemental and responsive briefs will not be submitted continually during the litigation process.

III. Trial

As previously noted, resolution of a patent case prior to trial is the easiest and most efficient manner in which the high cost of patent litigation may be reduced. Parties to a patent suit, however, often are not convinced that pre-trial settlement is in their best interest. If attempts at pre-trial settlement fail, several procedures may be attempted during the trial stage to limit expenses.

Meaningful settlement discussions are often hampered by the litigants' uncertainty about how a jury might view a claim. Such uncertainty can be reduced by using a summary jury trial that involves a half-day presentation of evidence to a six person jury drawn from the regular juror pool. This nonbinding verdict may provide both parties with an estimate of how a jury may view the merits of each case. A summary jury trial may facilitate an early settlement of the case, thereby eliminating the expenses of a full trial.

Although Rule 42 of the Federal Rules of Civil Procedure permits claims or issues to be separated at the discretion of the court, the trial judge should

47. The summary jury trial was instituted on an experimental basis by Judge Lambros, a federal judge for the Northern District of Ohio. The basis for the idea was the uncertainty on the part of litigants and lawyers concerning how a jury might view a claim. Judge Lambros notes that after each side observes its case challenged as part of the appraisal mechanism, more realistic negotiation occurs. Used particularly as a last resort before trial, Judge Lambros reports a 90% settlement rate. See One Judge's Invention: Summary Jury Trials, 67 A.B.A. J. 24 (1981).

48. Federal Rule 42(b) provides:

The court, in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy, may order a separate trial of any claim, cross-claim, counterclaim, or third-party claim, or of any separate issue or of any number of claims, cross-claims, counterclaims, third-party claims, or issues, always preserving inviolate the right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States.

FED. R. CIV. P. 42(b). This rule should not be confused with Rule 21, which provides for severance of claims. FED. R. CIV. P. 21. Severance under Rule 21 usually leads to two or more
guard against allowing the case to be tried in a piecemeal fashion. The separation of issues only reduces the cost of patent infringement litigation when the trial of one issue obviates the need for a trial of other issues. In these instances, the trial of one issue may encourage a settlement of the case before a trial of the second proceeds.

**Conclusion**

There are a number of ways in which parties can reduce the cost of patent infringement litigation. Parties may agree to settle the dispute through arbitration, which is perhaps the most promising way to minimize costs. A decision to submit factual disputes to a neutral third party is another viable alternative. Although technically nonbinding, this course of action enables each party to evaluate more accurately the merits of his case and facilitates an early settlement of the dispute.

If the parties refuse to follow either of the above courses of action, several steps may be taken during the pre-trial phase of litigation in an attempt to reduce the total expense of a patent suit. Some of these steps are designed to encourage a pre-trial settlement while others are suggested as a means of expediting the entire trial process. Since discovery comprises the major portion of the total expense incurred in a patent suit, parties are advised to utilize every opportunity to cooperate during discovery to decrease the amount of time required to complete this phase of litigation. In this regard, the voluntary exchange of essential information is an indispensable factor.

In addition to reducing discovery costs, parties are encouraged to consider creative settlement proposals. An early settlement is, without question, the most effective manner in which to limit the cost of patent infringement litigation.

When attempts of pre-trial settlement fail, however, several procedures can be pursued during the trial stage which may curtail the expense of a patent suit. These procedures include: thoroughly evaluating the alleged infringement; moving for summary judgment in relatively simple cases; limiting or postponing briefs until the court has informally heard the parties' respective arguments; separating issues; streamlining defenses; and refraining from asserting permissive counterclaims or affirmative defenses. While it may not be feasible to follow all of these suggestions in a given case, adherence to any of the suggested procedures will aid in the reduction of the expense of a patent suit.

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separate civil actions and separate judgments while trials under Rule 42(b) usually lead to a single judgment. See 9 C. WRIGHT & A. MILLER, FEDERAL PRACTICE AND PROCEDURE § 2387 (1971).

49. See, e.g., Molinaro v. Watkins-Johnson Cei Div., 60 F.R.D. 410, 413 (1973) (one situation especially conducive to economy of time and convenience is where a single issue may be dispositive of the case and its resolution might make a trial on the other issues unnecessary); Laitram Corp. v. Deepsouth Packing Co., 279 F. Supp. 883, 892 (E.D. La. 1968) (if a separate trial of part of the issues may vitiate the trial of other issues, it is reasonable to hold such a trial in order to save court time and reduce trial expenses).