Avoiding IP Litigation:
10 Pitfalls That Will Sink Your Company in IP Litigation (Regardless of the Merits)

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IP litigation can present extremely complex technical and legal issues for juries and judges. For example, a jury may have difficulty assessing the infringement or validity of a complex patent. Juries, however, want to do what is fair, and a sense of fairness may be colored by evidence far removed from the merits of the claims and defenses. Some example pitfalls are outlined below:

1. Be Wary of Emails, IM, and Social Media

Many winnable cases have been lost based on electronic communications, such as email, that colored the jury's impression of the company or inadvertently (and incorrectly) established a disputed fact. Now that employees communicate business-related messages through instant messaging (IM) and other social media, it is likely that such communications will be discoverable and admissible in litigation. Once email, IM, and other electronic communications are sent (and ultimately discovered in litigation), it will be difficult for the company to disprove whatever was said in those communications. Outside counsel should be consulted to prepare a policy and training procedure for email use by company employees to, for example, teach employees not to discuss former employers, competitors, or legal disputes in such electronic communications.

2. Non-privileged Assessments of Claims by Employees

Companies (and their employees) often become aware of IP litigation claims within a day (or even a few hours) of a lawsuit being filed. Employees may exchange damaging emails assessing the strength or weakness of the claims. Unless such communications are requested by or directed to counsel, the communications may not be privileged and may be discovered by opposing litigants. Trial counsel can do very little to explain away these assessments even if they are based on an incorrect or incomplete legal basis.

3. Aggressive Threats Against Competitors

A company's aggressive threats by management against a competitor (whether verbal or written) can be fatal in litigation. Often, such threats arise in transactional negotiation (and may be considered part of an aggressive negotiation strategy), but opposing litigants will use the threats to make the jury feel that one party is a bully or is anti-competitive. Indeed, verbal and written communications, even from counsel, that demand more than the law allows or seek anti-competitive "settlement" terms may provide the recipient with powerful legal ammunition against your company. Your company's IP rights should be defended, but they should not be used as an intimidating threat to shut down a competitor.

4. Post-Claim Destruction of Relevant Documents

Once a potential claim is known to the company, even if no lawsuit has been filed, the company must issue a document hold memo to all relevant employees and ensure that relevant documents are not destroyed. A spoliation instruction is difficult to overcome in front of a jury.

5. Failure to Produce Relevant Documents

It is important to produce all relevant and responsive documents in litigation. Failure to do so may cause the company to face sanctions and harmful instructions at trial. Further, many plaintiffs hunt for any evidence of "discovery abuse" to put additional leverage on defendants.

6. Failure to Own the Asserted IP

Many cases are lost because the plaintiff does not actually own, or does not have full standing to assert, the IP on which the claims are based. Ensure that all of the company has rights in all key IP. For IP that employees contribute, confirm that the company either has ownership of the IP through assignment or an exclusive license to the IP. Confirm that the company has secured ownership through the assignment of any IP contributed by an independent contractor. For IP that is being licensed or otherwise obtained from a third party, confirm the company's rights in the IP through an exclusive license to the IP or IP purchase, if possible.

7. Know Your Contracts

A contract for even a small project or short evaluation period may include intellectual property terms that could undermine future litigation. Counsel should carefully review every contract that involves intellectual property prior to execution. In addition, ensure that your company has a process through which relevant employees are informed about unusual IP terms—for restrictive license terms, terms requiring only limited internal disclosure, and the like—and adapt their everyday behavior accordingly.

8. Failure to Prove Independent and Internal Development

Juries will often think that there are only three possibilities when defendants are accused of infringing IP: the defendants either developed it themselves, paid for it, or stole it from the plaintiff. Use of public-domain prior art can be difficult for a jury to understand. Thus, the defendants' inability to prove independent development or license of IP may lead the jury to the incorrect conclusion that it was taken from the plaintiff. Thus, documentation and proof on these points are critical.

9. Lack of Notice Prior to IP Lawsuit

Although providing notice of an IP claim (such as patent infringement) is not a prerequisite to filing a lawsuit, juries often feel that the failure to do so puts the plaintiff in a bad light. Failure to provide pre-suit notice may make a plaintiff look like a bully who is more concerned with putting someone out of business than actually defending their IP rights in good faith. Of course, pre-suit notice creates the risk of the infringer filing a declaratory judgment action, so these risks must be balanced.

10. Ignoring Pre-suit Notice of IP Claims

The flip side of the previous issue (failing to provide pre-suit notice) is that jurors often look unfavorably on companies that ignore repeated attempts by an IP owner to resolve the dispute without litigation. Many companies have a policy of ignoring threat letters or offers to license, but this policy can backfire at trial. If a company ignores threats, the jury may believe the company engaged in infringement and did so willingly. Remember, the jury may not have an opportunity to see (or understand) evidence that the company receives such letters on a regular basis or that responding to all of them may be impracticable. Also, the plaintiff presents evidence first at trial and will use failure to respond to argue willful infringement. Thus, your company should respond in writing to all IP threat letters in reasonable detail, with a reasonable tone, as the letter may end up as a trial exhibit.

For more information, please contact:

CRAIG TYLER
PARTNER, AUSTIN

+1.512.542.8440 (office)
+1.512.236.3256 (fax)
ctyler@velaw.com