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TRENDS™

IN LITIGATION



BUILDING SUPERSTARS: NOTES FROM THE BENCH

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We are pleased to present this edition of *TRENDS*. Each article highlights important aspects of our litigation practice, which now includes over 300 attorneys.

The first article is entitled “Building Superstars: Notes from the Bench.” It features two of our current superstars – Gino Brogdon and Johnny Stephenson. Judge Brogdon’s talent as a trial lawyer and experience on the bench have added enormously to our litigation practice. Johnny, one of the country’s very best trial lawyers, interviews Judge Brogdon on topics ranging from developing young litigators to his exploits on the football field (and the similarities between the two).

Our next article, “Closing the Door on Expansive Section 10(b) Liability Theories,” was written by Oscar Persons and Susan Hurd, members of our nationally prominent Securities Litigation Group. Among other things, Oscar and Susan discuss their very significant victory in a recent Eighth Circuit case.

Kristy Brown and Stephanie Driggers have done an excellent job in addressing key developments in the area of electronic discovery in “The Federal Rules of Civil Procedure Move Into the Electronic Age: The Supreme Court Approves Electronic Discovery Amendments.”

Our other two articles involve intellectual property law, an area in which Alston & Bird excels. Paul Brinkman explores the hot topic of “Section 337 and IP Enforcement at the ITC.” Mark Wilson provides solid advice in his article “Patent Litigation Against a “Patent Troll”: Use Caution When Crossing the Bridge.”

We think you will enjoy this issue. If you have any questions about any of the articles or would simply like to discuss the topics further, we invite you to contact the authors.

Peter Kontio
Todd R. David



Peter Kontio
Co-Chair
Litigation Groups
peter.kontio@alston.com



Todd R. David
Co-Chair
Litigation Groups
todd.david@alston.com





*M. Gino Brogdon, Sr., Partner
Litigation and Trial Practice
gino.brogdon@alston.com*



*John E. Stephenson, Jr., Partner
Litigation and Trial Practice
john.stephenson@alston.com*

BUILDING SUPERSTARS: NOTES FROM THE BENCH

Judge Gino Brogdon grew up playing football. He went on to play in college. After all the years of sweat and hard work, he was still surprised by one of the first things he learned when he got to law school – how much playing a football game had in common with trying a case in the courtroom. As he moved from his position as a litigator to his position as a Fulton County Superior Court Judge, the similarities were even clearer. Preparation is everything – superstars are made in the dark. Preparation is the key ingredient to success on the playing field, in the courtroom, and in life at large. Recently Judge Brogdon returned to Alston & Bird to join the Litigation and Trial Practice Group in Atlanta. Alston & Bird’s Johnny Stephenson, a veteran of many tough courtroom battles himself, talked with Judge Brogdon about building superstars. Listen in.

Johnny:

So many trial lawyers have competitive sports in their background. Tell me about the relationship between sports and trial law in your life.

Gino:

I was a public school kid, and I was an athlete, which paved my way to Oberlin College. Then I went to Indiana University Law School and fell in love with trial law largely because it resembled football!

It’s a love of competition and an appreciation for strategy. Football is a big machine with lots of moving parts – much like a lawsuit. In addition, both rely heavily on teamwork. In football I enjoyed blocking or tackling for somebody, and I can still do that as a trial lawyer!

Johnny:

Does the preparation for both have anything in common?

Gino:

The similarities are striking. In football, they say that superstars are made in the dark hours of the morning; it’s the same with trial



lawyers. You win a case long before you stand up and make your first statement; the win is in the preparation.

Johnny:

I know that as a judge you were very involved in the community.

Gino:

When I was on the bench I started a program I called the “Knights of the Roundtable,” for which I selected young men with criminal backgrounds who showed some promise. I thought – and maybe this is my ego speaking – if I could help start a small flame, then maybe they could make a change. Frankly, I was passing on to them what others had given to me.

Johnny:

How did it go?

Gino:

I would say very successfully. I met with these small groups of men over 12 weeks. They’d come to my chamber after I’d finished court for the day, and we’d talk about important issues: what it means to be a man; what we all owe to society. They’d never thought about most of these things. They had never thought, “What do I owe to the world?” Instead they thought, “What does the world owe to me?” I’m a big personal responsibility person and believe change starts inside. I wanted them to realize that you have power over your life. You have the power to be a good man; you have the power to be a good husband; you have the power to be good to yourself. So I brought in members of the community – black, white, old, young, male, female – people with a healthy perspective – to talk to them, tell their stories. And, we visited a maximum-security prison.

The Roundtable helped guys become better fathers, better partners and better people. Some went back into the system, but some became cops. I’ve got a stack of family pictures from the guys who got married and got jobs. They’ve stopped by my house over the years to show me what I had invested in.

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■

Johnny:

What changes have you seen in Alston & Bird since you were here as an associate and now, as your return from the bench, as a partner?

Gino:

The firm has grown tremendously in size, but it hasn't lost any of the warmth or feeling of teamwork and personal caring. It was quite a shop to be trained in. I learned at the feet of some extraordinary litigators – Bernard Taylor, Jud Graves, Kip Kirkpatrick. They and others at A&B taught me the value of details: that you have to understand the case better than *anyone* else. Then when I left to practice on my own and began to handle cases in the courtroom, I quickly developed a vision of what a good judge should embody – being fair, being decisive, coming into court prepared – and before I knew it, I was sitting in the Governor's office telling him why I should be sitting on the bench!

Johnny:

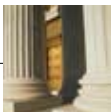
From your perspective what do you think are the hallmarks of a great trial lawyer?

Gino:

Well, without question, one of the hallmarks is preparation. The preparation will show you the soft spots in any case, and you need to know the case file better, and in more depth, than anyone else. Another hallmark of a good trial lawyer is zeal for the law. It's like watching Michael Jordan or Kobe Bryant play basketball – you can see the love – they're not just performing. A great trial lawyer is also circumspect and caring. Most cases tell a story – part of trial preparation is figuring out the message each case sends to the world, because the litigator has to communicate that message to the jury.

Johnny:

Do you use technology in the courtroom? As a judge, did you see it used to good effect?



Gino:

Technology in the courtroom now is becoming a necessity because we live in a world where people are stimulated nearly every waking hour. With juries, you've got to keep them alert and stimulated; they're sophisticated, or think they are! In one of my cases, I asked, "Does anybody on the panel have any training in law or medicine?" A couple of doctors and a nurse raised their hands. And then there's this little old lady in the back with her hand up, and she said, "I've had a lot of training." And I said, "Where'd you study?" She said, "I didn't graduate from high school." "Okay, where'd you get your training?" She said, "I watch CSI." She was serious! "I know about fingerprints. I know about blood work." Really, she thought that she had an understanding of these complex scientific tools. That told me that you had to work really hard to get this lady away from whatever she saw on CSI! But more importantly, jurors are expecting cases to be complex and, frankly, entertaining. They love demonstrations. Gone are the days where you can just stand up in front of the jury and tell your story.

Johnny:

It seems to me the jury selection process is perhaps the hardest and one of the most important aspects of trial work. Do you agree?

Gino:

I absolutely agree. And it's also one of the most neglected. Trial lawyers tend to prepare more for cross-examination and closing arguments than any other part of the trial. Many pay lesser attention to opening statements, direct examinations and, certainly, to jury selection. Effective jury selection reflects your understanding of the issues in the case, and it's difficult because you're limited on the types of questions you can ask and your goals are much more complex. Jury selection is like a first date – you want to get to know a whole lot about somebody because you may spend a lot of time together and share some intimate things. There's nothing more intimate than taking a matter of importance to you and placing it in the hands of someone else to decide the results.

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The most effective lawyers get prospective jurors to talk about important issues in the case because they want to get the issues out there to see how the juror responds. Yet, I've seen lawyers cross-examine prospective jurors and try to change their minds. But you don't want to *change* their minds – you want to know *what's on* their minds. People are what they are. That's one lesson that I learned from my daddy, who was a third-grade-educated genius. He always said that you have to learn how to meet people where they are. If this person is a blue-collar mechanic and he believes that heart surgery is just like changing a transmission, you've got to get in there and talk on his terms. For the lawyers who can get those potential jurors talking and can take those jurors' experiences and weave them into the theme – then the case is yours.

Johnny:

Is there a case that stands out in your mind that has had a lasting impact on you personally or professionally?

Gino:

As a judge, the cases with the strongest impact involved child molestation, and I have also represented some of the victims, too. Those cases made me see that there's a whole world out there that most of us don't have any contact with – there's a whole subculture of living that when I drive home in my fancy car – I probably drive through it, but I don't smell the stench. And probably brush against some of the actors but never know that they're that close. I learned so much in those cases about myself and about the existence of evil, and I dealt with the basest human emotions; it will forever be part of my psyche. Those cases also taught me about suffering. This may sound hokey, but it really comes from my heart – those cases taught me that we need to try hard to be good people, because there's enough of the bad stuff out there. So we have a responsibility to be professional and to be the *best* at whatever the best is that you can be.

Johnny:

Tell us what you see in the future related to litigation generally.



Gino:

I think we are seeing an upturn, certainly, in the number of lawsuits generally. And, I think we are starting to see more businesses become plaintiffs – more businesses in spite of the fact that courtrooms are one place most businesses would rather not be. And we’re seeing the judicial process as a critique of business executives, as well as a public check on the powers of corruption. Businesses are now willing to open their books and show their bonus structures for the world to evaluate. Whether these cases will have the desired effect is still unknown. But I think, generally, you can expect to see businesses in the courtroom more often as defendants and in the courtroom more frequently as plaintiffs, too. And that’s going to be interesting.





Oscar N. Persons, Partner
Securities Litigation
oscar.persons@alston.com

CLOSING THE DOOR ON EXPANSIVE SECTION 10(b) LIABILITY THEORIES

In *Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.*, the Supreme Court held that there is no private cause of action for aiding and abetting claims under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. Recently, courts have been called upon to apply *Central Bank* to new categories of defendants – i.e., those who are not accused of making any false or misleading statements to the plaintiff-shareholders, but who are sued based on their business dealings with a customer or client who allegedly did make such statements.

The recent decision by the Eighth Circuit Court of Appeals, *In re Charter Communications, Inc. Securities Litigation*, 443 F.3d 987 (8th Cir. 2006), reflects this trend.¹ This decision effectively closes the door on recent attempts by the plaintiffs’ bar to circumvent *Central Bank* through novel theories of “scheme liability.”

The federal district court in *Charter* had dismissed claims under Section 10(b) and Rule 10b-5 brought against two equipment suppliers that engaged in arms-length business transactions with a customer that the customer failed to account for properly. It was undisputed that the suppliers did not make any statements directly to the customer’s shareholders nor did they owe a duty to speak to those shareholders. Also undisputed was the fact that these suppliers accounted for the transactions properly on their books and were not involved in nor had any control over any accounting decisions or related public statements made by that customer. The plaintiffs, however, contended that they had actionable claims against the suppliers because the suppliers allegedly knew or should have known that the customer intended to engage in the improper accounting.

Instead of pursuing claims against these suppliers under subpart (b) of Rule 10b-5, which speaks in terms of liability for making a false or misleading statement or omission, the plaintiffs focused their claims on subparts (a) and (c) of that rule. Subparts (a) and (c)

¹ Mr. Persons and Ms. Hurd represented one of the defendants in the *Charter* case, and Mr. Persons argued the appeal before the Eighth Circuit.



make it unlawful to employ a device, scheme or artifice to defraud or to engage in any fraudulent or deceptive acts in connection with the purchase or sale of a security. Because the plaintiffs could point to no statements attributable to the suppliers, they argued that these entities could have primary liability under subparts (a) and (c) for allegedly participating in a “scheme” to assist the customer in making its misstatements. In this respect, the plaintiffs attempted to create a new theory of liability – i.e., a scheme to help another company make misstatements or omissions to its shareholders. The district court, however, dismissed the complaint finding that the allegations were, at best, a claim for aiding and abetting the customer’s purported violations of the securities laws and, therefore, barred by *Central Bank*.

In a unanimous decision written by the chief judge, the Eighth Circuit Court of Appeals affirmed the lower court’s decision, refusing to endorse the plaintiffs’ tortured interpretation of *Central Bank* and Rule 10b-5. The court found that *Central Bank* and other binding Supreme Court precedent set forth three governing principles that were dispositive of the issues on appeal.

First, the Supreme Court had previously stated in *Central Bank* that Section 10(b) prohibits only the use of “manipulative or deceptive” devices or contrivances and that a private plaintiff may not bring a claim under Section 10(b) for conduct not prohibited by the text of that statute. This directive applies with equal force to *all* subparts of Rule 10b-5. In this respect, the Eighth Circuit rejected plaintiffs’ argument that *Central Bank*’s prohibition against aiding and abetting claims did not apply to subparts (a) and (c). Second, in an earlier line of cases, the Supreme Court defined “deceptive” conduct for purposes of Section 10(b) as involving either a misstatement, or a failure to disclose by one who has a duty to disclose. Third, the Supreme Court has recognized that the word “manipulative,” as used in the securities context, is a term of art and, therefore, has limited contextual meaning. Accordingly, that term has been interpreted to apply to conduct in purchasing or selling securities that significantly affects market activity, such as wash sales, matched orders or rigged prices.

The circuit court held that dismissal was proper because the plaintiffs’ claims failed to fit within these three basic principles. The



*Susan E. Hurd, Partner
Securities Litigation
susan.hurd@alston.com*

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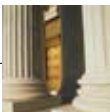


supplier defendants were not alleged to have made any statements to shareholders whatsoever and actionable omissions were impossible due to the lack of any duty to speak. Thus, the plaintiffs failed to identify any “deceptive” conduct by these defendants as that term had been defined by the Supreme Court. Similarly, the specific conduct alleged by the plaintiffs, which involved the sale of goods and services, not the sale of stock, fell outside of the limited factual context recognized by the Supreme Court for “manipulative” conduct. The circuit court thus concluded that the claims were properly dismissed because “any defendant who does not make or affirmatively cause to be made a fraudulent misstatement or omission, or who does not directly engage in manipulative securities practices, is at most guilty of aiding and abetting and cannot be held liable under § 10(b) or any subpart of Rule 10b-5.”

In *Charter*, the Eighth Circuit rejected a handful of district court cases often cited by plaintiffs that appear to embrace a more expansive interpretation of subparts (a) and (c). The Eighth Circuit wisely concluded that such theories were inconsistent with the Supreme Court’s prior directives on the proper interpretation of Section 10(b) and Rule 10b-5.

OUR EXPERTISE

*A*lston & Bird’s Securities Litigation Group has a broad range of experience in representing and counseling clients in derivative and class actions, SEC and other regulatory proceedings, internal investigations, D&O, E&O and other complex commercial and transaction-based litigation.



THE FEDERAL RULES OF CIVIL PROCEDURE MOVE INTO THE ELECTRONIC AGE: THE SUPREME COURT APPROVES ELECTRONIC DISCOVERY AMENDMENTS

In recent years, discovery of electronic data has changed the face of civil litigation. Unfettered by any specific limitations in the Federal Rules of Civil Procedure (which were drafted before electronic discovery was commonplace), litigants often seek to impose significant costs on their adversaries through electronic discovery. Document requests are routinely drafted in an attempt to require review of a company's disaster recovery backup tapes, as well as all emails and documents found on the company's server and each individual employee's hard drive. To make matters worse, the review of electronic documents can be even more time consuming than the traditional review of paper documents. That is because many electronic documents contain metadata – not plainly visible – which could reveal privileged information or even contain the proverbial “smoking gun.”

Without rules expressly governing electronic discovery, litigants have been left without direction in navigating the electronic discovery minefield. And the consequences of getting it wrong can be substantial. For example, in *Zubulake v. UBS Warburg, LLC*, 229 F.R.D. 422 (S.D.N.Y. 2004), the court granted the plaintiff an adverse inference instruction when the defendant's employees destroyed relevant emails and backup tapes were lost. The court imposed this sanction even though both in-house and outside counsel instructed employees to preserve records and outside counsel instructed IT personnel to stop recycling backup tapes. Similarly, in *Coleman (Parent) Holdings, Inc. v. Morgan Stanley & Co., Inc.*, Case No. CA 03-5045 AI, 2005 WL 674885, (Fla. Cir. Ct. Mar. 23, 2005), the court issued “death penalty” sanctions for electronic discovery abuses, including entering a default on most liability issues, reading plaintiff's complaint to the jury as findings of fact, and reading a statement to the jury regarding discovery abuses in the punitive damages stage.

The enormous burdens and high stakes associated with electronic discovery have led to a growing perception that the Federal Rules should be amended to address electronic discovery.



*Kristine McAlister Brown,
Partner
Litigation and Trial Practice
kristy.brown@alston.com*



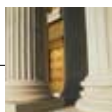
*Stephanie B. Driggers,
Associate
Litigation and Trial Practice
stephanie.driggers@alston.com*



On April 12, 2006, the United States Supreme Court approved electronic discovery amendments to the Rules that will take effect December 1, 2006 (absent further action). The significant changes effected by the amendments are as follows:

- Parties must discuss at the Rule 26(f) conference any issues relating to electronic discovery, including the form in which electronic data should be produced. Amend. Fed. R. Civ. P. 26(f). Counsel should be familiar with its client's IT system before the conference. [Advisory Committee's Note to Rule 26].
- Parties are not required to provide discovery of electronically stored information that "is not reasonably accessible because of undue burden or cost."¹ On a motion to compel production, the responding party bears the burden of proving lack of reasonable accessibility. Even if the responding party carries this burden, however, the court may still order discovery of the information for good cause. [Amend. Fed. R. Civ. P. 26(b)(2)(B)].
- Limited discovery may be allowed regarding whether particular electronic information is "reasonably accessible." That is, discovery regarding discovery may now be required. [Advisory Committee's Note to Fed. R. Civ. P. 26]. Such discovery could include a sampling of information contained on the sources identified as not reasonably accessible, inspection of such sources, or depositions of witnesses knowledgeable about the responding party's IT systems. [*Id.*]
- If privileged information is inadvertently produced, the receiving party must – upon notification – return or destroy the information or sequester it pending a court ruling on applicability of the privilege. [Amend. Fed. R. Civ. P. 26(b)(5)]. The Advisory Committee encourages parties to consider protocols that allow for prompt production of electronic information without the significant delays that

¹ A party's determination that particular sources of electronically stored information are not reasonably accessible "does not relieve the party of its common law or statutory duties to preserve evidence." [Advisory Committee Note to Fed. R. Civ. P. 26].



can be associated with reviewing metadata for privilege, such as agreeing to a “quick peek” review or entering into a “clawback” agreement.² [Advisory Committee Note to Fed. R. Civ. P. 26].

- Sanctions may not be imposed on a party for failing to produce electronic information “lost as a result of the routine, good-faith operation of an electronic information system” absent “exceptional circumstances.” [Amend. Fed. R. Civ. P. 37(f)]. There is a good-faith requirement to this safe harbor. Good faith may require a party to modify or suspend its routine IT procedures to prevent the loss of information. [Advisory Committee Note to Fed. R. Civ. P. 37].
- Parties are not required to produce the same electronically stored information in more than one form. [Amend. Fed. R. Civ. P. 34(b)(iii)].

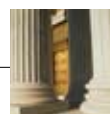
The amendments do not impose any hard and fast rules regarding the production of electronic documents, and they leave many questions unanswered. The amendments do, however, make two points abundantly clear:

First, the scope of electronic discovery should be negotiated between the parties early on in the discovery process. At a minimum, a party receiving discovery requests calling for electronic information should attempt to negotiate: (i) limitations on the sources that must be searched; (ii) agreements regarding the manner in which documents will be produced; and (iii) appropriate cost-sharing arrangements. The parties should also consider the use of search terms and de-duplication software to cull the universe of potentially responsive documents.

Second, courts have the discretion to limit the scope of electronic discovery and should be cognizant of the significant financial burden electronic discovery can impose. To successfully limit the sources that must be searched, litigants should be prepared to make their case at the Rule 26(f) conference regarding any claim that particular

² Under either approach, documents are produced without a thorough review for responsiveness or privilege, and a waiver does not occur with respect to any privileged information inadvertently disclosed. There are significant strategic consequences to any such agreement that litigants should carefully consider.

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sources are not reasonably accessible. Boilerplate objections regarding burden are not likely to suffice.

OUR EXPERTISE

*A*lston & Bird's Litigation and Trial Practice attorneys regularly handle complex litigation involving sophisticated electronic discovery issues. Our attorneys are well versed on these issues and are recognized experts in the field. As a result, we are often retained to provide advice regarding enterprise-wide electronic discovery issues that are not restricted to particular litigation matters. We approach each case armed with our extensive experience and a creative strategy to handling matters that allows us to seek and obtain successful results for our clients.



SECTION 337 AND IP ENFORCEMENT AT THE ITC

Section 337 investigations at the U.S. International Trade Commission (ITC) are the hottest thing in intellectual property enforcement for some very compelling reasons. Leading technology, pharmaceutical and industrial companies are increasingly turning to the ITC to resolve their most important patent disputes. Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337) was originally drafted as one of our many trade protection laws to combat “unfair competition” from foreign imports. This statute has come to be construed to protect domestic industries’ intellectual property rights – typically patents and trademarks – from imports of infringing merchandise. It affords domestic patent holders additional speed and remedial options not offered by the federal court system.

The ITC can offer many substantive and procedural advantages over the district courts to holders of U.S. intellectual property rights.

Speed. The ITC typically resolves cases within 12-18 months from their institution, which means discovery is compressed into a very short window and trial can occur as early as six months after the case begins. The timing can be particularly important in high-tech industries with short product life cycles.

Efficient discovery. The administrative law judges (ALJ) at the ITC often resolve discovery disputes on the day they arise. For example, it is not unusual for a judge to rule on a discovery dispute during a deposition, even one being conducted abroad. The formalities of conducting foreign discovery are also bypassed, with foreign plant inspections and depositions often occurring in ways that would never happen in district court litigation. The ITC also claims nationwide subpoena powers over third parties.

Unusual remedies. Complainants cannot seek damages at the ITC, but Section 337 does provide for two powerful remedies – cease and desist orders against U.S. persons found to violate its provisions and “exclusion orders” to U.S. Customs and Border Protection that deny entry into the United States of infringing devices or products incorporating the infringing device. This can result in enforcement



*Paul F. Brinkman, Partner
International Trade and
Regulatory Group
paul.brinkman@alston.com*



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against non-parties to the ITC proceeding, such as manufacturers that incorporate infringing components into their products, and even “general exclusion orders” that impact products from foreign sources that were never reviewed by the ITC. This can be particularly effective with knock-off products that are difficult to trace back to their manufacturer.

In rem jurisdiction. Section 337 gives the ITC in rem jurisdiction over imported articles. This unique attribute eliminates disputes over service or jurisdiction over respondents – particularly foreign entities. If a respondent declines to participate in the investigation, the ITC has no difficulty in entering default judgments and issuing an exclusion order against its products.

Seasoned judges. The ALJs at the ITC hear nothing but patent and trademark infringement cases. Two of the ALJs have been on the bench for more than 20 years. Their decisions on claim construction, which are reviewed by the full commission before becoming final, are reversed far less frequently by the Federal Circuit Court of Appeals than district court decisions. Moreover, without a jury to perform before and with a compressed time to present one’s case, the ALJs focus the parties on the true areas of dispute.

Impartial OUII staff. In addition to the complainant and respondents, the ITC’s Office of Unfair Import Investigations (OUII) staff participates as a full party to the proceedings. The staff lawyer takes discovery and a position on every contested issue, including the ultimate issues of violation and remedy. His or her opinion may be highly persuasive to the ALJ, and the staff’s view on violation is also a good backstop for assessing the merits of one’s own case, which may lead the parties to an early settlement, especially since there is no early claim construction (*Markman*) hearing due to the investigation’s speed.

Concurrent district court litigation. Section 337 complaints are often filed in conjunction with district court proceedings. The respondent to an ITC proceeding has the option to stay the district court proceedings until the conclusion of the ITC investigation, after which the record of the ITC proceeding is transmitted to the district court. Although the district court is not bound by any of the ITC’s findings or conclusions, they can be highly persuasive to a busy district court judge.



Section 337 is not for everyone. Its investigations are fast-paced and challenging, meaning that a complainant must be prepared (including having its experts up to speed) before the complaint is even filed. The ITC's speed also makes the opportunities for early resolution through motions and settlement more difficult than district court litigation. The complaining party also must show its entitlement to use the ITC by demonstrating its active use of the patent or trademark in the United States. However, some patent holders can find very effective relief at the ITC – relief unlike anything available in the courts.

OUR EXPERTISE

Successful Section 337 representation requires skills in both intellectual property litigation and specialized skills unique to the International Trade Commission and Section 337. Alston & Bird's lawyers possess significant depth in both skill sets. The ITC is a quasi-judicial federal agency in Washington that administers several U.S. trade laws. The rules of civil procedure and evidence common to federal court proceedings do not always apply. Instead, each judge issues his own ground rules to augment the commission's general rules of procedure. OUII staff attorneys, the ALJ's law clerk, the ITC secretary's office and the commissioners and their counsel each play a role in investigations. Our lawyers are well known at the ITC, ranking second among respondents' counsel in a 2005 *IP Law & Business* survey. Moreover, our lawyers' track record, winning all four of their Section 337 investigations in 2004-2005, has garnered us a significant reputation for success.

Alston & Bird's Section 337 team combines seasoned intellectual property trial lawyers, many of whom have advanced degrees in the electronic, chemical, mechanical and biotech arts, with experienced trade litigators skilled in the ITC's procedures. Calling upon the skills of our Washington-based International Trade and Regulatory Group and the firm's 130 lawyer-strong IP groups, the firm is capable of handling Section 337 investigations of any magnitude and in virtually any technology.

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J. Mark Wilson, Partner
Intellectual Property -
Litigation
mark.wilson@alston.com

PATENT LITIGATION AGAINST A “PATENT TROLL”: USE CAUTION WHEN CROSSING THE BRIDGE

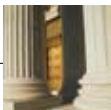
If you are not familiar with the phrase “patent troll,” welcome to the latest phenomenon of patent litigation. Several years ago, Intel’s then assistant general counsel Peter Detkin coined the phrase “patent troll” to describe “somebody who tries to make a lot of money off a patent that they are not practicing and have no intention of practicing and in most cases never practiced.”¹ Regardless of whether the “patent troll” label is appropriately used in all circumstances, there seems to be an ever increasing number of entities whose primary business consists of enforcing their patent portfolios. Litigation against these entities can be challenging, given the risk of large monetary verdicts and availability of injunctive relief.

Whether the patent troll is a creature worthy of existence is the subject of debate among members of the patent bar. On the one hand, the United States patent laws provide a patent owner the right to *exclude others* from making, using and selling the claimed invention.² There is no requirement that patent owners must exploit their inventions to maintain their patent rights. On the other hand, considering the billions of dollars that patent trolls have garnered over the last several years, one might ask what has been achieved by these companies? This debate is likely to continue for quite some time as the number of patent holding companies trolling for licensing dollars continues to rise. The strategy for dealing with and defending against a patent troll is something every potential target should consider.

Seek legal assistance before becoming a target. The best strategy for avoiding an infringement claim is to seek out the assistance of legal counsel before becoming a target. Patent attorneys can search for and analyze issued patents, and even published patent applications, to determine whether there is a patent that might cover what you plan to do. Such work is of relative minimal expense compared to the often high costs of defending a patent infringement lawsuit

¹ Brenda Sandburg, “Trolling for Dollars,” *The Recorder*, July 30, 2001.

² 35 U.S.C. § 271.



and may help your company avoid getting caught by surprise if it is accused of patent infringement.

Take action. If your company becomes a target, you must take action. It is imperative that your company do what it can to remove the risk of an injunction and quantify the potential loss in the event infringement is found. In many cases, the product or process at issue can be redesigned in a way that will allow your company to cap the potential damages it could face and eliminate altogether the threat of an injunction. Patent attorneys can help with the design-around process. Another advantageous action is to inform potential indemnitees that the product or process they supplied to your company is being accused of infringement. Suppliers that must indemnify many actual and potential targets will often get involved and resolve the matter on behalf of their customers.

Put the patent on the line. In many situations, an accused infringer cannot use potential counterclaims as leverage against patent trolls because trolls do not conduct any business other than enforcing their patents and often have few assets other than their patents. But your company can and likely should put the scope and validity of the patent at issue. Patent trolls are notorious for asserting patents that appear to have very broad claim scope. The scope and meaning of the patent is provided by a court in its construction of the patent's claims, which are the words that describe the metes and bounds of the patented invention. There is no right to a jury trial on the interpretation of patent claim terms.³ The court's claim construction ruling frequently indicates whether you do or do not infringe, and often then the case can be decided on summary judgment. For these same reasons, the claim construction ruling often forms the foundation for a settlement of the case.

The court's claim construction also is in most cases determinative of whether a patent will be ruled invalid in light of what existed before the patent, which is called the prior art. Prior art consists of information that has been disclosed to the public showing what was known as of a given date. Pursuant to U.S. patent laws, only new, useful and non-obvious inventions are entitled to patent protection,

³ *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) *aff'd*, 517 U.S. 370 (1996).

■
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enforcing their patents... .*

■



■
Patent trolls are notorious for asserting patents that appear to have very broad claim scope.
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meaning that if the invention was known or used by others before it was allegedly invented by the patentee then the patent can be held invalid.⁴ Prior art can be used to invalidate a patent, thus ending the enforcement efforts of the patent owner.⁵ An early investment in prior art searching can uncover helpful references that can be used to show that the patent troll is not entitled to patent protection.

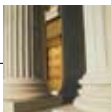
Do what is best for your company. Last but certainly not least, it is important to recognize that patent trolls most likely do not want to go to trial or even have extended battles involving their patents. This is why many of them offer a license for a fee that is roughly equivalent or slightly less than what it would cost to litigate the case. While that may appear as an attractive alternative, the settlement payments will add up and the company may end up with a reputation for paying off trolls, moving it to the top of the list of another patent troll lurking under the next bridge. Companies that develop a reputation for fighting trolls are much less likely to be viewed as easy targets.

OUR EXPERTISE ■

Alston & Bird's Intellectual Property – Litigation Group has experience litigating a broad array of patent cases in virtually every technical field, including cases against patent holding companies like those mentioned in this article. We regularly represent our clients in patent, trademark and copyright infringement actions, patent interferences and trademark opposition proceedings, as well as trade secret, false advertising, right of publicity, unfair competition and IP-related antitrust actions in many forums, including before the USPTO, ITC and AAA.

⁴ 35 U.S.C. §§ 101-103.

⁵ 35 U.S.C. § 282.





Atlanta

One Atlantic Center
1201 West Peachtree Street
Atlanta, GA 30309-3424
404-881-7000

Charlotte

Bank of America Plaza
101 South Tryon Street, Suite 4000
Charlotte, NC 28280-4000
704-444-1000

New York

90 Park Avenue
New York, NY 10016-1387
212-210-9400

Research Triangle

3201 Beechleaf Court, Suite 600
Raleigh, NC 27604-1062
919-862-2200

Washington, DC

The Atlantic Building
950 F Street, NW
Washington, DC 20004-1404
202-756-3300

www.alston.com

