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5 Tips For Managing A Joint Defense In Patent Suits

By Ryan Davis

Defendants facing an infringement suit brought by a patent-holding company may band together in a joint defense group to save money and reduce inefficiency. But working with competitors presents its own set of challenges, which firms will need to take into account when building a defense strategy, attorneys say.

Lawyers who have participated in joint defense groups, some involving hundreds of companies, shared their tips for mounting a successful defense with Law360.

1. Make sure your client's business objectives are served by a joint defense

In multidefendant patent cases, a joint defense is usually the best course of action, lawyers say.

"It makes sense for groups to form in patent litigation because, unlike in other disputes, there are some issues that are not merely similar, they're actually identical, such as validity and enforceability," said Jeffrey Dean, a partner at Marshall Gerstein & Borun LLP.

Each defendant can have its own counsel or one firm can represent multiple defendants (not necessarily all of them). In deciding whether it makes sense to have a single firm represent more than one client in a group, defendants and counsel should consider the business interests as well as the legal interests of each company.

"Two companies may have diametrically opposed business objectives, so it may not make sense to represent both," said Blair Jacobs, a partner at McDermott Will & Emery LLP.

Matthew Moore, a partner at Latham & Watkins LLP, said that companies themselves are rarely at odds on defense strategy, so disagreements within defense groups are often the result of differences among counsel. Having one firm represent several companies with common business interests can eliminate that possibility, he said.

And joint defense groups need not contain only companies that have been sued, according to Dean.

"A nonpracticing entity will typically sue something less than an entire industry, but that shouldn't



Matthew Moore
Latham & Watkins LLP

prevent counsel for the defendants from reaching out to nonsued entities for assistance," he said. "Just because you haven't been served with a complaint doesn't mean you're outside the crosshairs."

Lawyers say that a joint defense group may not be always be the best way to go.

The largest companies with the most at stake will sometimes decline to join a joint defense, Jacobs said. Since their exposure is greater than the other defendants, they may want to have more control over their defense than the group can offer.

Also, if two companies are suppliers to each other, it may not make sense for them to be in a joint defense group together because of indemnification issues, Jacobs said.

Nevertheless, "in most cases, there is very little downside to sharing information," said Michael Markman, a partner at Covington & Burling LLP.

2. Identify potential conflicts up front

The most important thing to keep in mind about joint defenses is that they are a team effort, said Moore, who served as liaison counsel on behalf of 270 defendants in a suit over call processing patents asserted by inventor Ronald Katz.

"Joint defense agreements should be very positive things that allow parties to share costs, but if they're not on the same page, you spend a lot more time coordinating positions than planning the defense," he said.

To ensure cooperation, all of the potential issues involved in a joint defense need to be discussed and clearly laid out at the beginning of the litigation, lawyers say.

"If you do that, it takes care of a lot of the potential downside," Jacobs said. "Planning for different scenarios ahead of time makes sure everyone is on the same sheet of music."

One of the issues that should be discussed up front is the defense strategy the group plans to undertake, such as whether to devote more energy to invalidating the patent or proving that damages are very low.

While defendants are likely to be on the same page with regard to ways to invalidate the patent, they may have different views on infringement due to differences in their products, Jacobs said. The defendants' varying infringement views should be discussed early on so that the group can work out the best way to defend each company against the claims, he said.

The group should also plan for a scenario in which one member has a strong disagreement later on and wants to leave the group, Jacobs said. For instance, the group could agree in advance that in such a situation, the remaining members will help the dissident find its own alternative counsel.

3. Make sure the work is divided up fairly

It is also important to make clear to each member of the group that they are expected to stay on top of the case and not allow a few parties to take a dominant role, lawyers say.

While the parties can divide some responsibilities among themselves, each defendant needs to have a working understanding of all aspects of the case. If one defendant was doing all the work on a certain aspect of the case and settles, the others could have trouble getting up to speed.

“You can't just draft behind everyone else,” Markman said. “There is a tendency among some defendants not to want to contribute much, but if everyone else settles, you're left holding the bag.”

Even if there is some friction behind the scenes, members of a joint defense group need to present a unified front in court, Moore said.

“If defendants take inconsistent positions, the differences will be perceived by the judge or jury as weaknesses in the defense, since even the defendants can't agree,” he said.

4. Create ground rules for sharing privileged information

When competitors share counsel, documents and information, there is always a potential for conflicts over privileged information.

The members of a joint defense group must have tight confidentiality agreements to ensure that they can share privileged information without waiving the privilege, Dean said. In most cases, it's best to define this “common interest privilege” by contract to show that the parties were diligent in protecting the information and to build trust among group members.

Once the ground rules of sharing information are established, a joint defense group can be a rich source of useful evidence, said Patrick Ertel of Marshall Gerstein, who worked with a group of over 100 major retailers in a case by inventor Jerome Lemelson over bar code scanning patents.

Competitors can have bits and pieces of information and prior art that can be used to invalidate a patent and might otherwise be inaccessible without a joint defense agreement, he said, and the group can also provide insight into how the plaintiff is dealing with the other defendants.

5. Come up with a workable fee structure

Dealing with litigation expenses can be a tricky issue in joint defense groups, and the parties need to negotiate whether to apportion costs equally or come up with another arrangement, lawyers say.

For example, in the bar code suit, many of the defendants were very large, but some were small, so the parties agreed to apportion costs based on the gross revenue of the company, Ertel said.

The large companies in that case were willing to pay more, he said, because they still paid relatively low fees since the group was so large.

Since the trend toward multidefendant cases and joint defense groups began several years ago, few of the cases have gone to trial. The situation is still evolving, so there will be a clearer sense in the future of best practices for such cases, according to Jacobs.

“Over the next five years, there will be more and more of these, and there will be a more developed body of law for handling them,” he said.