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CORPORATE

Seven ways companies can cut costs in patent litigation

By Ben Davidson

Corporations around the country today are experiencing a rise in patent infringement litigation that could not only deride a solid strategy for growth in a seesaw economy, but could also hurt a firm's bottom line. The trend can be seen in the recent "patent wars" over smartphone technology, with Google acquiring Motorola and its 25,000 patents and Nokia licensing 2,000 patents to Mosaid Technologies, a Canadian company that enforces patents through litigation.

But all companies, small, middle market and large, need to be aware of how to minimize legal costs while defending against patent infringement lawsuits or protecting their own patents. Managing intellectual property correctly before, during and after litigation can make the difference between a company with a future and a company that sinks into oblivion on empty promises and dreams. The bottom line is that you have to protect your company, not only against infringement, but also against runaway costs of patent litigation. Why?

Patent litigation can be expensive. To assert or defend a patent case, you need lawyers with specialized expertise in patents with a background in science and technology. You also need technical experts to explain the case to a judge and jury, and damages experts who can say how much the patents were worth. You can also expect even a small patent case to generate thousands of documents that have to be reviewed and explained. All this can mean that a team of expensive lawyers and experts can spend many months and years working on your case. Whether you are being sued or enforcing your patents, you should manage your litigation costs by following a checklist:

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A buyer tests Motorola's Droid Bionic 4G phone at the Consumer Electronics Show, in Las Vegas.

As Yogi Berra once said, "if you don't know where you are going, you will wind up somewhere else." That's true in patent litigation as in anything else. When you're about to fight about patent infringement, you need to know how you define "success" for your case and how you plan to get there. That means an early and realistic assessment of your goals, the merits of your case, and your best arguments. It also means planning what you need to accomplish to prove your case, identifying the witnesses you'll need, and making sure any company representatives you may use to prove your case can speak in plain English and explain difficult concepts to a judge or jury. Create a storyline that positions your side of the argument in a simple, but convincing process.

To keep costs affordable in a patent litigation, make sure outside counsel and general counsel agree on a realistic budget in advance — with realistic deliverables that will make the case compelling and winnable. Monthly updates and daily and weekly contacts will help in communicating any unexpected issues early. Nobody benefits when law firms give unrealistic "flat fee" budgets that they can only meet by cutting corners. But once a realistic budget is set for each phase of a case, there must be a good reason for departing from it.

Use a team of lawyers who are committed and focused on your case. A smaller team of lawyers who really know your case will be more effective than a big team that periodically changes. If your law firm adds new lawyers to your case every few months, you will pay for them just to learn what the case is about. And the new lawyers will never know the case as well as they would have if they were there from the start. Adding more people to the case also can mean paying for lawyers just to talk to each other about the case or to have many people unnecessarily reviewing the same case developments. Once you pick the right team to handle your case, make sure they stay focused on it.

Control costs of electronic discovery using the right technologies and proactive litigation strategies. The cost of producing electronic documents is the biggest driver of litigation costs in every case. Even the most frivolous patent case filed against you can be expensive if electronic discovery is not managed the right way. Doing that starts long before litigation by having an appropriate document retention policy in place. Documents should be kept only as long as they are necessary for business purposes but no longer. Holding onto outdated documents on projects that were completed years ago, by employees who may have left or been fired, will only increase the costs of document production. These documents may also easily be taken out of context years later because the people who created them are no longer around or have faded memories. When litigation on a particular issue is on the horizon, you need to make sure all potentially relevant documents are preserved. And your outside lawyers have many software tools available at their disposal now to reduce costs of reviewing and producing those documents that are actually relevant to your case.

Make sure your outside counsel manages expert costs. Experts are a resource to your outside counsel. While you want them to have sufficient time and independence to do their jobs effectively, they have to work on a budget like everyone else. Damages experts can be particularly expensive in patent litigation because of the need to review thousands of documents that explain the history of a technology and what it is worth. You need to understand how much these experts charge for time spent by associates to review your documents early in the process, when you prepare your litigation budget.

Use contract attorneys effectively. There are a wealth of contract attorneys available in every major city who specialize in reviewing and producing documents in litigation. They are available at rates that are a fraction of what associates charge for the same work. You should insist that your lawyers put the right number of contract attorneys on the case from the beginning, explain the case to them, and use them to review and flag important documents in the case, while bringing down the average billing rate of your team.

Use U.S. Patent and Trademark Office reexaminations. If you are being targeted for patent litigation, consider asking the Patent Office to take a second look at your opponents' patents. Reexaminations have become faster and more reliable in recent years. For patents filed after November 1999, you have the right to actively participate in reexamination and convince the Patent Office that it made a mistake in issuing the patent. In most cases involving complex technology, your chances of convincing a patent examiner that the patent is invalid are better than your chances with a jury. If you're able to get the Patent Office to take a second look at a patent early enough, you may delay and ultimately avoid expensive patent litigation.

Enforcing patents can provide value to a company's bottom line, and an effective defense against infringement allegations can save your company from financial disaster. By using common-sense ways of managing litigation, you can make sure that the costs of litigation don't become a bigger problem than the patent dispute you're fighting about in court.

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