

TOP 10 Litigation Wins of 2008

Defendants saved from disaster,
inventors striking it rich
(sometimes their law firms, too).

TOP 10 Litigation Wins of 2008

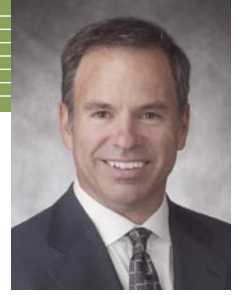
In the landscape of civil litigation, where only a tiny fraction of disputes are concluded in open court, it's sometimes difficult to divine who are the winners and who the losers.

But victors do emerge from courtrooms. If those wins stand up on appeal, they become part of an ongoing dialogue that changes the law—and the way we live. The decisions of judges and juries on IP can guide the direction and pace of scientific research, act as a powerful blessing for a new product, or be the death knell for a company. Those decisions, slowly but surely, move the lines that balance the rights of creators, businesses, and consumers.

The ten cases here remind us what a wide and sometimes unwieldy umbrella “intellectual property law” can be. There was no exact science informing our choice, other than wanting to have an even split between plaintiff and defense wins. *Saf-
fran* had to be on the list, combining the classic confrontation of “sole inventor versus big corporation” with one of the biggest patent infringement awards in history. *Jacobsen*, *Cablevision*, and *eBay* stand out for their likely broad impact on the open source software, digital content, and e-commerce industries, respectively. Cox's win against Verizon may have stopped cold a long chain of patent lawsuits that we'll never see. How could Microsoft have earned a place when it is appealing a \$500 million judgment against it? Because it dodged other potentially devastating patent allegations by Alcatel-Lucent that would have cost it billions.

In order to be on our list, litigators had to win a meaningful courtroom victory for their client in 2008 at district court, at an appellate court, or, as in *Quanta*, at the U.S. Supreme Court. Several of the cases are presently on appeal, and the victories could therefore turn out to be short-lived.

*By Pamela Sherrid, Editor, IP Law & Business
Illustrations by John Ueland*



John Gartman

Fending off an epic assault on MP3 and DVDs

Alcatel-Lucent v. Microsoft

Winning team: Microsoft senior attorney Steve McGrath and Fish & Richardson's John Gartman

For a while there, it appeared that Microsoft Corporation had suffered the most stinging defeat ever in a patent case: a staggering \$1.5 billion jury verdict, which found that the Seattle software giant had infringed two core Alcatel-Lucent patents covering audio coding for Windows Media Player and other MP3 devices.

The trial, held in early 2007 in federal district court in San Diego, was one of the biggest battles in the long-running conflict between the two companies over 13 patents, mostly on critical MP3 and DVD technology, that was waged in six different lawsuits. The controversy erupted in 2002, when Lucent (before its merger with Alcatel) sued Gateway Inc. and Dell Inc., claiming that the Microsoft Windows software on their computers infringed. Microsoft promptly stepped in to defend its customers with a countersuit against Lucent, setting off an all-out war.

The February 2007 verdict seemed to spell major trouble for Microsoft—and for Fish & Richardson partner John Gartman, one of Microsoft's main patent litigators and the lead trial counsel in the case. But Microsoft senior in-house attorney Steve McGrath says he was confident the verdict would be reversed, either by the district court or on appeal. "There was simply no proof of infringement at all," says McGrath, who notes that one of Alcatel-Lucent's expert witnesses effectively conceded that during trial. How the jury still managed to find for Alcatel-Lucent remains a mystery to McGrath. "We'd all love to know what happened in the jury room," he says.

As it turned out, Gartman engineered a dramatic reversal. In August 2007 he convinced federal district court judge Rudi Brewster to set aside the verdict, with a finding that Microsoft hadn't infringed one of the patents and that Alcatel-Lucent had no standing to sue on the other. Alcatel-Lucent, which was represented by Kirkland & Ellis partner John Desmarais, appealed. But last September the U.S. Court of Appeals for the Federal Circuit upheld Brewster's decision. The biggest infringement award ever in a patent case turned out to be one of the most short-lived.

The stakes in the appeal were high for digital music. Had Microsoft not prevailed, "Alcatel wouldn't have stopped with Microsoft," says computer industry consultant Rob Enderle,

predicting that dozens of companies that sell MP3 devices would also have been hit with infringement suits.

The appeals court decision wasn't Microsoft's only big win last year against Alcatel-Lucent. In the first half of 2008, the pair faced off in two separate back-to-back trials—one beginning in February, the other in April. Each involved a critical patent covering video encoding that's now standard in DVD and Blu-ray movies. The result: Juries in both cases found that Microsoft hadn't infringed the patent—an outcome that, according to Gartman, spared a lot of litigation headaches for moviemakers, YouTube, and many other potential Alcatel-Lucent targets. "They claimed that their patents literally covered every DVD," says Gartman.

The bad news for Microsoft was that the jury in the February trial did find that it had infringed on another patent at issue—related to a feature in its Outlook calendar and appointment book—and awarded Alcatel \$367 million in damages, later boosted by the judge to \$500 million to include interest.

Microsoft's appeal of the award to the Federal Circuit is one of the most closely watched patent cases of 2009, because it will focus that court's attention on the issue of how juries calculate damages, one of the most contentious in the

ongoing debate over patent reform. Some experts speculate that the Federal Circuit will decide *sua sponte* to hear the case en banc, lessening the chances of the dispute going to the U.S. Supreme Court.

Carter Phillips of Sidley & Austin is representing Microsoft in the appeal. Since the jury verdict, Gartman points out, the PTO has invalidated key claims in Alcatel's patent in the course of a reexamination initiated by Dell.

Meanwhile, the two companies announced a confidential settlement in December, bringing an end to all outstanding lawsuits in the epic battle, except the Outlook appeal. Microsoft had already succeeded in knocking out the most critical and consequential infringement claims related to the MP3 and DVD patents.

Gartman, for his part, says he is just happy it's over. "It's been my life for the past six years," he says, speaking late last year from Park City, Utah, where he got in a lot of snowboarding.

Gartman engineered a dramatic reversal in the appeals court and then won back-to-back trials on Alcatel-Lucent's DVD patents.