

NPE Litigation: Trends & Strategies

April 29, 2020



Phillip Goter



Ricardo Bonilla

FISH.
FISH & RICHARDSON

Agenda

- **Trends in NPE Litigation**
 - What to expect (demand amounts, patent quality, etc.)
 - Sophistication of NPEs and counsel
- **Identifying NPEs**
 - Litigation history
 - Interested affiliates
- **Responding to NPEs**
 - Checking their work (sued proper entity, accused product exists, etc.)
 - Using declarations
 - Section 101
 - Mechanics of moving to dismiss
 - Letter campaigns
- **Agreements with NPEs**
 - What to ask for and what you might get



Trends in NPE Litigation

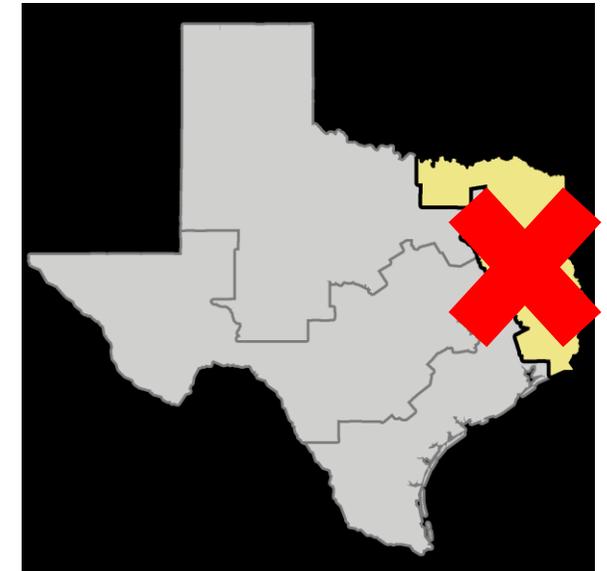
Trends: Think “Lower”

Lower barrier to entry

- *TC Heartland*
 - Harder to get into patent-heavy districts, like EDTX → Greater regional diversity in filings
 - More cases filed before judges without significant patent experience
 - More cases filed in districts without Local Patent Rules

Lower opening demands

- Many demands in the \$75k-\$150k range, or less
- Repeat players tend to stick to the same numbers
- **Counsel your clients against a quick settlement** because other entities will soon come calling



Trends: Think “Lower”

Lower-caliber asserted patents

- Often susceptible to early § 101 challenges

NPE counsel with less litigation experience

- Patent prosecutors
- Personal injury litigators
- Substantively less-experienced attorneys
 - E.g., attorneys who voluntarily dismiss cases with prejudice prior to defendant’s answer





Identifying NPEs

Identifying NPEs

What is the NPE's litigation history?

Who represents the NPE?

- High-volume complaint filers

Who is behind the NPE?

- Senders of licensing demand letters



Responding to NPEs

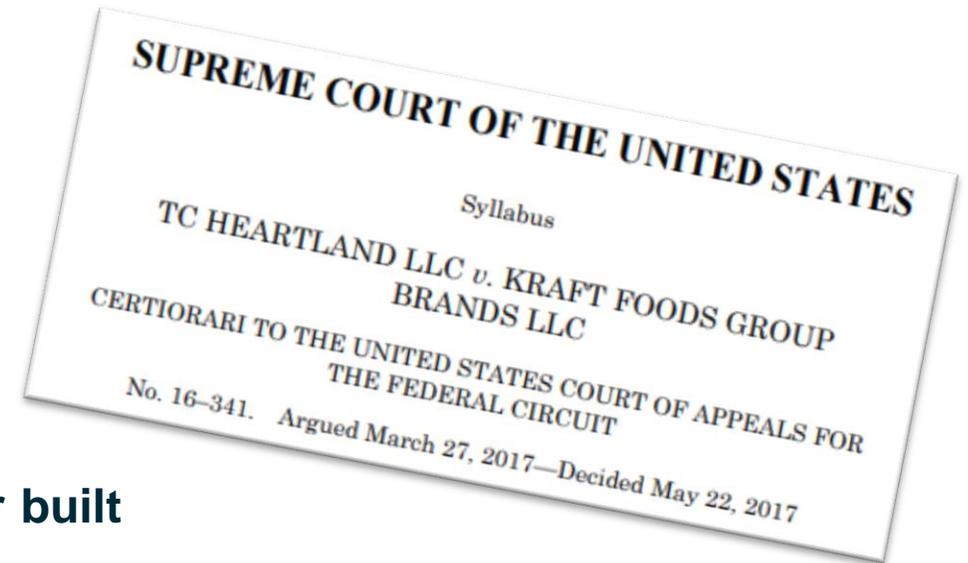
Responding to NPEs

Did they sue the right party?

- Non-operating entity, subsidiary, etc.
- Proper venue (for either the named or proper party?)

Does the accused product exist?

- NPEs have sued over
 - **Mockup materials online**
 - **Brochures boasting prototypes that were never built**
 - **Exaggerations in online resumes**



Responding to NPEs

Can a declaration be procured to support dismissal?

- Low volume of sales
- Inescapable non-infringement position
 - **Accused product does not operate as alleged in the complaint**
 - **Do not focus on claim construction issues**
- Invalidity arguments work less well for this
 - **Exception: client's own prior art**

Are the claims susceptible to Section 101?

- Be well aware of *Berkheimer*, *Aatrix*, and *Cellspin*

Responding to NPEs

Motions to dismiss along with an answer

- Filing motion to dismiss without answer risks:
 - **Dismissal without prejudice**
 - **Delays getting a scheduling conference**
 - **Inability to pursue fees (see *O.F. Mossberg & Sons, Inc. v. Timney Triggers, LLC* (Fed. Cir. Apr. 13, 2020))**
- Some NPEs will dismiss a case after simply finding out Fish (or other strong counsel) is involved
 - **FRCP 41(d) is your friend**
 - *But see Esposito v. Piatrowski*, 223 F.3d 497, 501 (7th Cir. 2000) (holding that attorneys’ fees are not “costs” recoverable under 41(d) unless the underlying statute so provides)
- Extensions on oppositions to motions to dismiss
 - **Be clear that extension does not affect the Rule 15 deadline**
 - Other side may use any extra time to find an expert and draft a declaration

Letter campaigns

- Consider Section 285—there is case law to back you up
 - **Some opposing counsel are especially sensitive to this**



Agreements with NPEs

Agreements with NPEs

Ask for everything

- Cover entire patent portfolio, current and future-acquired
- Cover principals and managing entities
 - **It is unlikely but it has happened**
- Protect customers
- Protect those in the supply chain

Be careful with tricky provisions

- Definitions of “Affiliate” and “Control”
- Scope of “Licensed Patents” or “Covenant Not To Sue”
- Terms of dismissal (with prejudice vs without prejudice)
- Confidentiality terms

Conclusion: NPE Strategies At Work

Opal Run v. Overnightprints

- Plaintiff was seeking (and obtained, in many cases) quick settlements
- But 3 strategic positions allowed Overnightprints (“ONP”) to win the case and recoup all of its fees
 - **Filing an answer (preventing possible dismissal without prejudice)**
 - Another defendant was unilaterally dismissed without prejudice after a failed mediation because that defendant had not yet answered in the case (though it had filed a motion to dismiss)
 - **Pushing for the opportunity to seek fees**
 - Plaintiff several times offered to dismiss the case in exchange for agreement ONP would not seek fees
 - Sensing the weakness of the case and observing Plaintiff’s lackluster attempts to prosecute, ONP refused
 - **Using Plaintiff’s refusal to drop claims to support the exceptionality finding**
 - Effective use of declarations to show the Plaintiff’s conduct persuaded the court that the case was exceptional under § 285

Thank You!



Phillip Goter
goter@fr.com



Ricardo Bonilla
bonilla@fr.com

© Copyright 2020 Fish & Richardson P.C. The opinions expressed are those of the authors and do not necessarily reflect the views of Fish & Richardson P.C., any other of its lawyers, its clients, or any of its or their respective affiliates. This presentation is for general information purposes and is not intended to be and should not be taken as legal advice and does not establish an attorney-client relationship.

These materials may be considered advertising for legal services under the laws and rules of professional conduct of the jurisdictions in which we practice.. Legal advice of any nature should be sought from legal counsel. Unsolicited e-mails and information sent to Fish & Richardson P.C. will not be considered confidential and do not create an attorney-client relationship with Fish & Richardson P.C. or any of our attorneys. Furthermore, these communications and materials may be disclosed to others and may not receive a response. If you are not already a client of Fish & Richardson P.C., do not include any confidential information in this message. For more information about Fish & Richardson P.C. and our practices, please visit www.fr.com.

FISH.
FISH & RICHARDSON