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Multi-Defendant Patent Litigation: Controlling Costs and Pooling Resources

Strategies for Joint Defense Groups, Joint Defense Agreements, and Privilege Issues

A Live 90-Minute Teleconference/Webinar with Interactive Q&A

Today's panel features:

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Thursday, August 19, 2010

The conference begins at:

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Multi-Defendant Patent Litigation:

Controlling Costs and Pooling Resources: Strategies for Joint Defense Groups, Joint Defense Agreements, and Privilege Issues

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Panelists



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The opinions expressed herein are solely those of the speakers and not their law firms or clients.

Joint Defense Groups

- Two or more defendants jointly defending a litigation
- May be “forced” upon the defendant group by being sued in the same action or court consolidating actions (MDL)
- May be formed prior to suit, or after one potential target is sued
- May involve each parties’ separate counsel working together, one counsel jointly representing multiple defendants, or a combination of both
 - each scenario has its own costs and benefits
 - When representing multiple parties, terms of the retention letter are important including regarding settlement and admissions of validity

Joint Defense Group Background

- The idea of common interest or joint defense agreements is *not* novel or recent
- The increasing prevalence of such groups in patent cases, however, is newer
- This is likely due to several factors, including
 - increased infringement claims being pursued by non-practicing entities as opposed to the one competitor suing another
 - use of patents against entire industry/field
 - willingness/need of defendants to aggressively defend, as opposed to settle, cases
 - increased defense costs patent litigation
 - increased cost pressures on in-house legal departments

Why Patentees Sue Multiple Defendants

- The Non-Practicing Entity changes the calculus of bringing a patent infringement action
- Suing multiple unrelated parties has perceived strategic advantages
 - may help to support patentee's choice of venue
 - may save time and cost (*e.g.*, one 7-hour deposition of the plaintiff, one Markman)
 - patentee may hope that co-defendants will be unable to coordinate positions or will be unwilling to cooperate
 - ◆ A single proposed claim construction from a patentee may carry the day over complex, varying positions of multiple defendants

Why Defendants Enter JDAs

- Necessity
 - avoid multiple claim construction positions, to the extent possible
 - multiple (or bad) experts and positions hurts all defendants
- Desire
 - view case as an “attack” on their industry
 - cost savings

Effective Joint Defense Groups Provide Advantages Making Them Worth the Effort

- A coordinated joint defense group allows parties to:
 - coordinate consistent legal positions (most important reason)
 - share costs of common tasks (e.g., prior art searches, discovery of patentee and 3rd parties, development of claim construction and non-infringement for similarly situated parties, experts)
 - provide additional resources to potentially push back on the plaintiff's claims

Strategies for building an effective Joint Defense Group

- It can be helpful for one law firm (with one key day-to-day attorney) to take the lead on the matter
 - Joint representation or joint defense group?
 - If possible, having a leader helps avoid “too many cooks in the kitchen”
 - ◆ The principal attorney can manage tasks for the group and, if appropriate and helpful, the work can be subdivided (*e.g.*, different firms can be responsible for certain patents, defenses or discovery tasks)
 - ◆ Ultimately, the principal attorney should be given the opportunity to reconcile the group’s contributions into coherent substantive positions that all can accept
 - All members in the group need to work cooperatively and collegially with each other, respecting one another’s proposals while reaching the most effective strategy for the common legal interests
 - Don’t let background indemnity or cost sharing issues detract from common interest

Practical Tips For Managing Joint Defense Groups

- Wrap-up the Joint Defense Agreement and cost sharing relatively promptly, but allow all parties to weigh in on the terms
- Communication
 - Regular discussions
 - Coordinating different viewpoints
 - Drafting and revisions to filings
- Recognize that each case deadline will require additional time for all participants to review a draft or understand the strategy for an event.
 - But, balance the need for promptness with the need for quality when setting deadlines

Complexities – What to Share

- Common legal interest permits counsel to share privileged information to coordinate common legal positions. To remain privileged:
 - all participants must be pursuing a common defense in existing or anticipated litigation
 - the protected communications must relate to a common issue
 - the communications must further the existing or potential legal representation in pursuit of a common defense
 - the communications must be made with the expectation of confidentiality
 - and, there cannot be a waiver of the privilege by one party

What to Share -- II

- Be mindful to not step into antitrust areas inadvertently, especially when dealing with competitors
- Some materials may need to be kept on an outside counsel basis due to competitive concerns (*e.g.*, damages or non-infringement materials)
 - need a clear distribution process recognizing this concern
 - consider having a plan in place to redact promptly portions of draft expert reports, motions or other materials to permit contribution to the group's legal positions

Settlement Issues

- Helpful to have clear provisions up-front to avoid issues later
- “What comes around goes around”
 - If you are the lead party in the joint defense group and considering settlement, make sure not to leave the group in the lurch
 - For example, have your outside counsel prepared to provide the key brief or work product that was underway to the group in good form or some other plan in place to transition, or give others an early “heads up” if you can
- Always make sure your client is protected
 - As a group member, if you are not leading the charge, keep tabs on how the case is developing, so you will not be prejudiced if the responsible party settles out
 - Consider the lead party’s track record – does that party usually fight or settle and when?
 - Make sure that key work product is regularly shared
 - Participate in key strategic decisions

Conflicts Issues

- Default rule in some jurisdictions: JDAs automatically create an implied attorney-client relationship between all attorney and co-defendant participants (*See, e.g., United States v. Henke*, 222 F.3d 633 (9th Cir. 2000))
- Even in other jurisdictions, there is the risk of an implied relationship between one attorney and another client
- Creates problems for the pending action and future actions
 - Don't upset your partner or firm management!
 - Recommendation: Even with proper provisions to avoid creation of attorney-client relationship, flag the JDG in conflicts system, to the extent possible

Avoiding Conflicts

- Provisions (in writing!) should be put in place that counsel for a member of the JDA is not counsel or agent for other members and only represents its own client
 - With growing number of large JDAs, most outside counsel need these provisions as a practical matter to take on this type of work
 - Further, parties may want their outside counsel to be able to represent them with respect to issues involving other members
- Helpful to have provisions that require a counsel to withdraw promptly in the event it learns of a conflict or, as is more common, settlement
- If you think counsel in your group may have a conflict, raise it promptly and before receiving any additional information

Handling Experts

- Managing experts is key to the group because it is rarely the case that more testifying experts is better than less testifying experts
 - Judge (nor allocated trial time) will permit multiple overlapping experts
 - Increased likelihood of defense experts contradicting each other
 - The issues of “common interest” should permit consolidation of experts
 - A single non-infringement or damages expert report may encompass a number of different parties’ products, requiring extra time for the expert to prepare and extra processes to protect information – always be on the alert for potential conflicts
- Need to carefully manage expert communications
 - Don’t want privileged and/or work product protected materials to be communicated to a testifying expert
 - Care needs to be exercised in comments relating to experts because a single group member’s conduct can impact the whole group
 - But, each party needs to retain and work with expert

Sample Joint Defense Agreements

- Two sample joint defense agreements are provided
 - Many similarities even though different styles
 - Provisions taken from different agreements so they may not be integrated perfectly – provided for illustrative purposes only (and not in lieu of legal advice)
- The agreements are not representative of any particular client or matter on which counsel has worked, and often include provisions that are/may be heavily negotiated
- We will now principally proceed through the Sample #1 Agreement and discuss the reasoning behind the provisions



THANK YOU.