

# Intellectual Property



## Note from the Editors

Welcome to the Winter issue of our *Intellectual Property Quarterly Newsletter*.

In this issue, we examine current topics involving patent law, including:

- a summary of the national Patent Pilot Program;
- an overview of the recently-released Federal Circuit Advisory Board e-discovery model order in patent disputes;
- a look at Hatch-Waxman, the new U.S. Patent and Trademark Office post-grant review procedures, and resulting changes to the litigation landscape for the pharmaceutical industry;
- a brief summary on recoverable electronic discovery costs in patent cases.

We hope you find the articles interesting and helpful to you and your company.

## In This Issue

- 
- 2** Patent Pilot Program Takes Shape
- 
- 4** The Very Model of a Modern E-Discovery Order
- 
- 6** Hatch-Waxman and the New Patent Office Post-Grant Review Procedures: A New Litigation Landscape?
- 
- 8** *In re Ricoh Company, Ltd.* Patent Litigation: Electronic Discovery Costs May Be Recoverable to Prevailing Parties in Patent Cases
- 

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# Patent Pilot Program Takes Shape

By Michael P. Kniffen and Jason A. Crotty

The national Patent Pilot Program is underway in participating district courts. Enacted under Public Law 111-349 on January 4, 2011, the pilot program is a 10-year project designed to enhance expertise in patent cases among district court judges. Congressional sponsors hope the program will “decrease the cost of litigation by increasing the success of district court judges.”<sup>1</sup> To that end, each participating district court has designated several “patent” judges to hear patent cases. The hope is that these designated judges will be more efficient in handling patent cases and their decisions will fare better on appeal. Chief Judge Rader of the Federal Circuit has invited the designated judges to a conference in Washington, D.C. to share their patent expertise. The program will objectively assess disposition times and reversal rates between specialized patent judges and non-specialized judges over the 10-year period to see if such specialization produces better results.

## Participating District Courts

To be eligible for the program, courts had to be among the 15 district courts with the largest number of patent and plant variety protection cases in 2010, or had to have in place (or certify an intention to adopt) local rules for such cases. Fourteen district courts have been selected to participate in the program. These courts are:

- Central District of California
- Northern District of California
- Southern District of California
- Southern District of Florida
- Northern District of Illinois
- District of Maryland
- District of Nevada
- District of New Jersey
- Eastern District of New York
- Southern District of New York
- Western District of Pennsylvania
- Western District of Tennessee
- Eastern District of Texas
- Northern District of Texas

## Participating Judges

Here is a list of participating district court judges in the Patent Pilot Program:

District	Judges
<b>Central District of California</b>	<ul style="list-style-type: none"> <li>• District Judge Andrew J. Guilford</li> <li>• District Judge S. James Otero</li> <li>• District Judge Otis D. Wright II</li> <li>• District Judge George H. Wu</li> </ul>
<b>Northern District of California</b>	<ul style="list-style-type: none"> <li>• Chief District Judge James S. Ware</li> <li>• District Judge Edward J. Davila</li> <li>• District Judge Lucy H. Koh</li> <li>• District Judge Jeffrey S. White</li> <li>• Senior District Judge Ronald M. Whyte</li> <li>• Magistrate Judge Laurel Beeler</li> <li>• Magistrate Judge Jacqueline Scott Corley</li> <li>• Magistrate Judge Nathanael M. Cousins</li> <li>• Magistrate Judge Elizabeth M. Laporte</li> <li>• Magistrate Judge Paul S. Grewal</li> <li>• Magistrate Judge Joseph C. Spero</li> <li>• Magistrate Judge Donna M. Ryu</li> </ul>
<b>Southern District of California</b>	<ul style="list-style-type: none"> <li>• Chief Judge Irma E. Gonzalez</li> <li>• District Judge Roger T. Benitez</li> <li>• District Judge Marilyn L. Huff</li> <li>• District Judge Dana M. Sabraw</li> <li>• District Judge Janis L. Sammartino</li> </ul>
<b>Southern District of Florida</b>	<ul style="list-style-type: none"> <li>• District Judge Donald M. Middlebrooks</li> <li>• District Judge K. Michael Moore</li> <li>• District Judge Patricia A. Seitz</li> </ul>
<b>Northern District of Illinois</b>	<ul style="list-style-type: none"> <li>• Chief Judge James F. Holderman</li> <li>• District Judge Ruben Castillo</li> <li>• District Judge John W. Darrah</li> <li>• District Judge Gary S. Feinerman</li> <li>• District Judge Virginia Kendall</li> <li>• District Judge Matthew F. Kennelly</li> <li>• District Judge Joan Humphrey Lefkow</li> <li>• District Judge Rebecca R. Pallmeyer</li> <li>• District Judge Amy J. St. Eve</li> <li>• District Judge James B. Zagel</li> </ul>
<b>District of Maryland</b>	<ul style="list-style-type: none"> <li>• District Judge Marvin J. Garbis</li> <li>• District Judge William D. Quarles, Jr.</li> <li>• District Judge Roger W. Titus</li> </ul>
<b>District of Nevada</b>	<ul style="list-style-type: none"> <li>• Chief Judge Robert C. Jones</li> <li>• District Judge Gloria M. Navarro</li> <li>• District Judge Philip M. Pro</li> </ul>

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# Pilot Program

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## Conclusion

Because the Patent Pilot Program impacts the most popular venues for patent litigation, most companies that file or face patent actions will be affected. This means that more cases will be handled by judges with greater understanding of the law and procedures for patent cases. While the impact of the program remains to be seen, it will be felt by many litigants and bears watching.

1. "Pilot Program to Enhance Expertise in Patent Case," Feb. 2011, available at [http://www.uscourts.gov/News/TheThirdBranch/11-02-01/Pilot\\_Program\\_to\\_Enhance\\_Expertise\\_in\\_Patent\\_Cases.aspx](http://www.uscourts.gov/News/TheThirdBranch/11-02-01/Pilot_Program_to_Enhance_Expertise_in_Patent_Cases.aspx).
2. The Western District of Pennsylvania and the Northern District of Texas are among the outliers, giving judges only seven days to decide whether to keep the case. See W.D. Penn. Misc. Order No. 11-283, ¶ 3; N.D. Tex. Special Order No. 3-287. The Southern District of California gives judges 28 days to decide whether to keep the case. See General Order No. 598, ¶ 3. In the Northern District of California, judges must make a declination *before* the patent case would have been assigned.
3. "Patent Pilot Program Becomes Active January 1, 2012," available at <http://www.cand.uscourts.gov/news/63>.
4. The Eastern District of New York has taken a similar position and also designated magistrate judges for the program.

District	Judges
<b>District of New Jersey</b>	<ul style="list-style-type: none"> <li>• Chief Judge Garrett E. Brown, Jr.</li> <li>• District Judge Renee M. Bumb</li> <li>• District Judge Claire C. Cecchi</li> <li>• District Judge Stanley R. Chesler</li> <li>• District Judge Noel L. Hillman</li> <li>• District Judge Faith S. Hochberg</li> <li>• District Judge Joel A. Pisano</li> <li>• District Judge Peter G. Sheridan</li> <li>• District Judge Jerome B. Simandle</li> <li>• District Judge Susan D. Wigenton</li> <li>• Senior District Judge Mary L. Cooper</li> <li>• Senior District Judge Joseph E. Irenas</li> </ul>
<b>Eastern District of New York</b>	<ul style="list-style-type: none"> <li>• District Judge Brian M. Cogan</li> <li>• District Judge John Gleeson</li> <li>• District Judge Kiyo A. Matsumoto</li> <li>• District Judge William F. Kuntz, II</li> <li>• District Judge Joanna Seybert</li> <li>• Senior District Judge Jack B. Weinstein</li> <li>• Chief Magistrate Judge Steven M. Gold</li> <li>• Magistrate Judge Marilyn D. Go</li> <li>• Magistrate Judge James Orenstein</li> <li>• Magistrate Judge Ramon E. Reyes, Jr.</li> <li>• Magistrate Judge A. Kathleen Tomlinson</li> <li>• Magistrate Judge William D. Wall</li> </ul>
<b>Southern District of New York</b>	<ul style="list-style-type: none"> <li>• District Judge P. Kevin Castel</li> <li>• District Judge Denise Cote</li> <li>• District Judge Katherine B. Forrest</li> <li>• District Judge John G. Koeltl</li> <li>• District Judge Colleen McMahon</li> <li>• District Judge Laura Taylor Swain</li> <li>• Senior District Judge Thomas P. Griesa</li> <li>• Senior District Judge Jed S. Rakoff</li> <li>• Senior District Judge Shira A. Scheindlin</li> <li>• Senior District Judge Robert W. Sweet</li> </ul>
<b>Western District of Pennsylvania</b>	<ul style="list-style-type: none"> <li>• Chief Judge Gary L. Lancaster</li> <li>• District Judge Joy Flowers Conti</li> <li>• District Judge Nora Barry Fischer</li> <li>• District Judge Arthur J. Schwab</li> </ul>
<b>Western District of Tennessee</b>	<ul style="list-style-type: none"> <li>• Chief Judge Jon P. McCalla</li> <li>• District Judge S. Hardy Mays</li> </ul>
<b>Eastern District of Texas</b>	<ul style="list-style-type: none"> <li>• Chief Judge Leonard E. Davis</li> <li>• District Judge Ron Clark</li> <li>• District Judge David Folsom</li> <li>• District Judge Rodney Gilstrap</li> <li>• District Judge Richard A. Schell</li> <li>• District Judge Michael H. Schneider, Sr.</li> </ul>
<b>Northern District of Texas</b>	<ul style="list-style-type: none"> <li>• District Judge David C. Godbey</li> <li>• District Judge Ed Kinkeade</li> <li>• District Judge Barbara M.G. Lynn</li> </ul>

# The Very Model of a Modern E-Discovery Order

By Christopher J. Wiener and Brian M. Kramer

The Federal Circuit Advisory Council recently released a model order for e-discovery in patent disputes that could radically alter the landscape for litigants—for the better. Runaway expenses tend to force parties into less favorable settlements. Responding to this growing complexity and cost, the council's model order changes both the timing and scope of production for emails and other electronically stored information (ESI). No one knows whether district courts will embrace the Federal Circuit's model. Although the future remains murky, the rising tide of ESI production requests and accompanying costs threatens to drown both bar and bench unless costs can be contained.

## Much Spent, Little Gained

It should come as no surprise that e-discovery is expensive, especially in patent disputes. Indeed, intellectual property cases cost almost 62% more than other categories of litigation.<sup>1</sup> The goal of the model order, according to Chief Judge Randall Rader of the U.S. Court of Appeals for the Federal Circuit, is to focus litigants on the information gathering aspect of discovery and discourage “unlimited fishing expeditions.”<sup>2</sup> The vast majority of ESI produced is basically useless—only 0.0074% of ESI documents produced ever make their way on to trial exhibit lists.<sup>3</sup> This disparity between costs incurred and relevant documents produced often adversely impacts settlement negotiations and forces many non-meritorious claims to settle merely to avoid the huge expense of e-discovery.

## A Model for Reform

Recognizing these challenges, the advisory council sought to balance the need for discovery with the reality of litigation budgets. The result is a model

order that reigns in escalating burdens through limitations on the extent of production, while at the same time allowing a party to seek additional discovery if it is willing to bear the costs. The order is short and worth reading in its entirety. This article will address the five key practices that the model order would change the most.

First, the model order implements a two-phase discovery process. Parties exchange core documentation about the patent, accused product, prior art, and finances. Only after these disclosures may the parties request email production requests.<sup>4</sup> The advisory council concluded that gathering and producing huge amounts of information at the beginning of a case, before the issues emerge, “has come under increasing question.”<sup>5</sup>

Second, the model removes email from the scope of general ESI requests under Federal Rules of Civil Procedure 34 and 35. Parties seeking email discovery “must propound specific email production requests.”<sup>6</sup> The exponential growth in volume of email has forced it into this second-class status. While finding the “smoking gun” is every litigator's dream, the reality of producing, reviewing, and redacting millions of pages of painfully mundane emails is no longer sustainable. Litigants seeking email discovery must, under the model order, be more targeted with their requests.

The third, and perhaps most dramatic change involves limitations on the number of search terms and custodians. Under the model order, each requesting party may by default seek email production from no more than five custodians, with five search terms per custodian.<sup>7</sup> Preemptively striking at creative lawyers, the order prohibits broad keywords (such as a product name, or the name of the company) unless they are combined with a limiting modifier. Conjunctive keyword

searches (“gizmo” and “GadgetTech”) count as a single keyword, while disjunctive keywords (“cell phone” or “telephone”) count separately.

Fourth, despite these limitations, parties are free to mutually agree to an increased ceiling without leave from the court. If the parties cannot agree, then the requesting party must show good cause to deviate from the ceiling. All is not lost if the requester has a disagreeable opponent—emails from additional custodians, or based on additional keywords, may be sought under a cost-shifting framework. The requesting party bears the burden of all reasonable costs associated with discovery in excess of the defaults or any mutually agreed upon limit. “This will help ensure that discovery requests are being made with a true eye on the balance between the value of the discovery and its cost.”<sup>8</sup>

The final important change introduced by the model order affects waiver of privilege. The advisory council noted that a “large source of e-discovery cost” involves preproduction review aimed at avoiding inadvertent disclosure and waiver. In an effort to combat this cost-driver, the model order established strong non-waiver protections. Recipients shall not use ESI that the producer asserts is privileged, inadvertent production does not waive privilege in any pending case or proceeding, and mere production of ESI in litigation does not constitute waiver “for any purpose.”<sup>9</sup> These changes were implemented to “minimize human preproduction review” and reign in the fear-driven costs associated with avoiding inadvertent waiver. This change also formalizes the already common practice of “claw back” agreements, thus institutionalizing a solution that many parties already agreed to voluntarily.

These five changes create a phased, more deliberate and less expansive discovery process that manages to provide sane

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# E-Discovery Order

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defaults while granting the parties freedom to modify the order by joint agreement, or through unilateral assumption of the excess costs. Most discovery in patent litigation revolves around the patent itself, the products, and the prior art—“far reaching e-discovery . . . is often tangential to adjudicating these issues.”<sup>10</sup> The advisory council clearly believes that refocusing on the core issues, and placing limits on both the scope and means of ESI production, is the most effective solution to the growing e-discovery tsunami.

## Everything Old is New Again

Reining in excessive discovery with strict, and some would argue arbitrary, limits is not without precedent. Indeed, Chief Judge Rader has compared the model order to the limit imposed by Federal Rule of Civil Procedure 30 on the number and duration of depositions. When the rule was first imposed, “veteran lawyers panicked that these limits were arbitrary and would prevent the discovery of critical information.” Few would now question the wisdom of such limits, and most would agree that “the era of the endless deposition is fortunately over.”<sup>11</sup>

So far the model order has been used in two cases, both of which were before Magistrate Judge Paul Grewal in the patent-heavy Northern District of California. In *DCG Systems, Inc. v. Checkpoint Technologies*, the defendant Checkpoint Technologies moved for the court to adopt a discovery plan based on the model order.<sup>12</sup> DCG Systems objected to the use of the model order, arguing that its purpose was to prevent non-practicing entities from seeking disproportionately burdensome discovery from their practicing defendants, and should not apply in a case like this where both parties are practicing competitors.

The court disagreed. Nothing in the model order restricts its utility or purpose to only cases involving non-practicing entities. More importantly, “there is no reason to believe that competitor cases present less compelling circumstances in which to impose reasonable restrictions on the timing and scope of email discovery.”<sup>13</sup> In fact, the model order is *most* useful in disputes where the discovery burden is equally high for both parties—double the burden equates to double the benefit from reduced discovery. The court closed by noting that the model order is just that—a model—and only through experimentation can the courts “address what has to date been a largely unchecked problem.”<sup>14</sup>

The second case adopting the model order, *In re Google Litigation*, involved plaintiff Software Rights Archive seeking discovery from nonparty venture capital firm, Kleiner Perkins Caufield and Byers.<sup>15</sup> While acknowledging that the model order was directed at discovery between parties, the court reasoned that the order’s logic was as applicable, if not more so, to discovery burdens imposed on those who are not party to the case in the first place. The court imposed a limit of five search terms, and followed the model order’s conjunctive/disjunctive definitions for what constitutes a term. If plaintiff served requests for more than five search terms, the court would shift all costs related to those excess terms.<sup>16</sup>

As knowledge of the order becomes more widespread, other magistrates and district court judges will surely begin adopting part or all of the model order when handling e-discovery. The first two cases have cut a wide path. While the model order likely arose in response to nonpracticing entities, the first two uses of the model order involved competitors with equal resources in one case and third-party discovery in the other case. This shows that the model order is useful in a wider arena of cases than might first meet the eye, and indeed seems to parallel the reform of depositions in FRCP 30.

## Conclusion

In an address to the Eastern District of Texas Judicial Conference, Judge Rader argued that “the modern electronic age has rendered old discovery processes obsolete or, at least inappropriate for the vast complexity and volume of large patent disputes,” and it threatened to turn the judiciary into an “unhealthy tax on innovation and open competition.”<sup>17</sup> Patent cases routinely generate tens of thousands of pages of electronic information that must be categorized for relevance, checked for privilege, and potentially redacted. Steps to curb the expense—by using contract attorneys or even off-shoring the task—address only the end result and not the root cause of the problem. The model order attempts to balance litigants’ needs with the onerous burden of e-discovery. The order is unlikely to be perfect, and its particularities may not be the ideal solution. Nevertheless, the order has and will encourage courts to experiment with their management of e-discovery. This publication will follow up later this year to determine exactly how judges are implementing the order. Expect experimentation. Be prepared for changes to the status quo.

1. Introduction, An e-Discovery Model Order, at 1.
2. Rader, *The State of Patent Litigation*, at 9.
3. Rader, *The State of Patent Litigation*, at 8.
4. Model Order, at ¶ 8.
5. Introduction, An e-Discovery Model Order, at 3.
6. Model Order, at ¶ 6.
7. Model Order, at ¶ 10-11.
8. Introduction, An e-Discovery Model Order, at 4.
9. Model Order, at ¶ 12-14.
10. Introduction, An e-Discovery Model Order, at 2.
11. Rader, *The State of Patent Litigation*, at 9.
12. 2011 U.S. Dist. LEXIS 142293 (N.D. Cal. Nov. 2, 2011).
13. *Id.* at \*5.
14. *Id.* at \*6.
15. 2011 U.S. Dist. LEXIS 140656, at \*6 (N.D. Cal. Dec. 7, 2011).
16. *Id.* at \*13-15.
17. Rader, *The State of Patent Litigation*, at 7-8.

# Hatch-Waxman and the New Patent Office Post-Grant Review Procedures: A New Litigation Landscape?

By Scott C. Moore, Stephanie Hsieh, and Brian F. McMahon

The new patent office post-grant review procedures introduced in the recently enacted Leahy-Smith America Invents Act (“AIA”) have left many in the pharmaceutical industry—particularly those who frequently participate in Hatch-Waxman litigation—wondering whether these new mechanisms will alter the litigation landscape. Existing post-grant review procedures, such as *ex parte* reexaminations, are not commonly utilized by generic pharmaceutical companies to challenge the validity of Orange Book-listed patents. Many feel that the existing procedures take far too long to be worthwhile; others are leery of submitting their disputes to review by another patent examiner, believing an examiner would be hesitant to overturn the decision of his or her colleague: the examiner who originally allowed the patent.

Aspects of some of the new post-grant review procedures created by the AIA, particularly the post-grant review (PGR) and the *inter partes* review (IPR) procedures, may address these concerns. Unlike *ex parte* reexaminations, which are conducted by patent examiners, PGRs and IPRs will be conducted by three-member panels of the newly formed Patent Trial and Appeal Board (PTAB).<sup>1</sup> The new procedures may also prove to be significantly faster with the AIA requiring PGR and IPR final determinations to issue within one year (plus six months for good cause) of the date the reviews commence.<sup>2</sup> Additionally, in contrast to existing procedures, the patent holder will not have a right to an appeal within the Patent Office; rather, final written decisions

of the PTAB in a PGR or IPR will be immediately appealable to the U.S. Court of Appeals for the Federal Circuit.<sup>3</sup>

The complexities of ANDA litigation require that parties consider a constellation of factors before committing to a course before the patent office in lieu of, or in addition to, litigation. ANDA litigants may find the new procedures warrant addition to their considerations. Both generic companies and branded companies would be well-served to give careful thought as to the potential effects of these new post-grant review procedures on their business and/or litigation strategies.

One important issue a company should consider before using these new procedures is the estoppel that may apply in the event the patent at issue is litigated in court. The AIA provides that petitioners for PGR and IPR, and the “real party in interest” or “privy” to the petitioner, will be estopped from raising in subsequent litigation any argument that was raised, or reasonably could have been raised, before the patent office.<sup>4</sup> And parties may no longer be able to delay the effect of estoppel by appealing a patent office decision to the courts, as is possible under the current *inter partes* examination procedure.<sup>5</sup> The AIA provides that estoppel will attach in a PGR or IPR once the PTAB issues a final written decision<sup>6</sup>—something that will occur before an appeal.<sup>7</sup> Thus, estoppel is likely to be a much more important consideration under the new PGR and IPR procedures.

Because of the estoppel that will attach to decisions of the PTAB, ANDA applicants expecting imminent suit will likely need to decide whether their invalidity arguments are best presented to the patent office

or a district court for initial determination. Factors that should be considered include the bases for the invalidity arguments, the strength and complexity of the arguments, the availability and need for specific discovery to support the arguments, and the relative burdens of proof in each forum.

For example, district courts of course entertain all statutory and equitable invalidity and/or unenforceability arguments. The same is not necessarily true of the new post-grant reviews. While a PGR petition (which may only be filed within nine months of the date a patent issues or reissues) may raise any statutory ground for invalidity,<sup>8</sup> petitions for IPRs will be limited to invalidity arguments under 35 U.S.C. §§ 102 or 103 that are based on prior art patents or printed publications.<sup>9</sup> Invalidity arguments based on other types of prior art, or on defects in the patent’s specification or claims, will generally be off-limits in an IPR. Also, though the new PGR and IPR procedures permit discovery, the scope of discovery permitted before the patent office may well be narrower than what is typically allowed by district courts. In addition, the burden of proof to show invalidity in the patent office is lower than the burden that applies in district court.<sup>10</sup> And members of the three-member panels of the PTAB may be more fluent in the technical aspects of the subject matter at issue than would be a district court judge or jury.

ANDA applicants also should consider the effects that post-grant review mechanisms, and any potentially accompanying estoppel, might have in the context of multiple defendant Hatch-Waxman litigations. For example, if competing ANDA applicants who are defendants in

(Continued on page 7)

# Post-Grant Review

(Continued from Page 4)

the same lawsuit enter into a joint defense group, and one defendant petitions for PGR or IPR, the brand company might want to argue to the district court that the resulting estoppel should not be limited to the petitioning party, but should instead extend to the entire joint defense group on the theory that the entire group is the “real party in interest.” Whether such an argument would be successful could well depend on the extent to which the defendants coordinated to submit the review petition, which may in turn raise issues concerning privileged communications and attorney work product. ANDA defendants would be well-served to consider these potential issues when organizing joint defense groups and drafting joint defense group agreements.

ANDA applicants will also want to consider a variety of other factors before utilizing one of the new post-grant review mechanisms. For example, if a generic drug company believes that a lawsuit involving a plurality of ANDA filers is imminent, the relative strength of that company’s non-infringement positions vis-à-vis its co-defendants might influence its decision regarding whether to challenge a patent before the patent office. In other instances, a generic company that is the first to file its ANDA (potentially entitling it to 180 days of generic market exclusivity) may also view these procedures differently than a later-filing defendant: the

expediency of the new procedures, in that decisions are immediately appealable to the Federal Circuit, may provide a later filer with an opportunity to trigger a forfeiture of the first filer’s 180-day market exclusivity. Further still, in circumstances where ANDAs contain paragraph IV certifications as to multiple Orange Book listed patents, litigants will need to determine whether all, some, or no patents, or perhaps merely the latest-expiring patent, should be the subject of a patent office post-grant review procedure. That decision will hinge at least in part on whether the subject matter of the patents can be grouped into categories, as well as on a number of other factors discussed above.

**WHEN SELECTING LITIGATION COUNSEL, . . . CONSIDER WHETHER ITS POTENTIAL LAWYERS ARE QUALIFIED TO HANDLE BOTH LITIGATION AND CHALLENGES IN THE PATENT OFFICE.**

These are just a few of the considerations ANDA litigation defendants should weigh *before* deciding to pursue post-grant patent office review and ANDA litigation plaintiffs should evaluate in determining whether to brace themselves for such a challenge in the patent office. Of course, litigants also need to consider issues of timing,

and whether money and other resources dedicated to post-grant review may impact their ability to litigate effectively. When selecting litigation counsel, a pharmaceutical company should keep all of these factors in mind, and should also consider whether its potential lawyers are qualified to handle both litigation and challenges in the patent office. Because of the estoppel issues described above, extensive coordination between post-grant review counsel and litigation counsel will be required.

In the end, decisions about the new post-grant review procedures will be made on a case-by-case basis, but in order to make the correct decision, a drug company will need to have a full appreciation of the potential benefits and consequences of its actions. It seems likely that the new post-grant review procedures created by the AIA will be used more frequently by pharmaceutical companies than have been existing procedures. Time will tell whether that is actually the case.

1. 35 U.S.C. §§ 316(c) and 326(c) (AIA § 6).
2. 35 U.S.C. §§ 316(a)(11) and 326(a)(11) (AIA § 6).
3. 35 U.S.C. §§ 319 and 329 (AIA § 6).
4. 35 U.S.C. §§ 315(e)(2) and 325(e)(2) (AIA § 6).
5. Under the existing inter partes reexamination procedure, estoppel does not apply until after all appeal rights are exhausted. *Bettcher Indus., Inc. v. Bunzl USA, Inc.*, 661 F.3d 629, 649 (Fed. Cir. 2011).
6. 35 U.S.C. §§ 315(e)(2) and 325(e)(2) (AIA § 6).
7. See 35 U.S.C. §§ 319 and 329 (AIA § 6).
8. 35 U.S.C. § 321(b) (AIA § 6).
9. 35 U.S.C. § 311(b) (AIA § 6).
10. Compare 35 U.S.C. §§ 316(e) and 326(e) (AIA § 6) with 35 U.S.C. § 282.

# In re Ricoh Company, Ltd. Patent Litigation: Electronic Discovery Costs May Be Recoverable to Prevailing Parties in Patent Cases

By Gabrielle R. Holburt

*In re Ricoh Company, Ltd. Patent Litigation* (Fed. Cir. 2011) concerns a dispute between Ricoh, a patent owner, and Synopsys, the manufacturer of allegedly infringing software. Synopsys won summary judgment of non-infringement and the Federal Circuit affirmed. On November 12, 2010, the district court in the Northern District of California entered a judgment awarding costs in the amount of \$938,957.72 plus post-judgment interest. Ricoh appealed. Of particular note was the court's holding that electronic database costs may be recoverable.

The Federal Circuit applies regional law to interpret 28 U.S.C. § 1920, which grants the district court authority to tax as costs "(4) [f]ees for exemplification and the costs of making copies of any materials where the copies are necessarily obtained for use in the case . . ." Ricoh argued that the district court erred in its

award of \$234,702.43 for costs incurred through Stratify, a third-party database service. Ricoh argued that because it was a "document review database" as opposed to a form of document production, Stratify did not fall under Section 1920(4). However, the Court stated that "[t]he act of producing documents is not so narrowly construed as to cover only printing and Bates-labeling a document" and "[i]n the era of electronic discovery, courts have held that electronic production of documents can constitute 'exemplification' or 'making copies' under section 1920(4)." Slip Op. at 6 (internal citations omitted). The parties had agreed that the production of native email files via the electronic database satisfied the production requests. *Id.* at 5. The Court thus held that "the costs of producing a document electronically can be recoverable under section 1920(4)." *Id.* at 7.

Although this holding is limited to the Ninth Circuit, given the expense of document

discovery in patent litigation, it is an indication that parties might be able to recover significant electronic discovery costs. Ultimately, in *Ricoh*, it was found that a fee-splitting agreement between parties was controlling. As a result, the court did not address whether "additional challenged items related to the database were improperly allowed." *Id.* at 7. However, the Court did note that it "[did] not consider any of the Stratify database costs to fall into the unrecoverable category of 'intellectual efforts.'" *Id.* at 7. This leaves open the question of whether certain costs regarding electronic databases are recoverable.

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## About Morrison & Foerster's Intellectual Property Practice

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Morrison & Foerster maintains one of the largest and most active intellectual property practices in the world. The IP practice provides the full spectrum of IP services, including litigation and alternative dispute resolution, representation in patent and trademark prosecution, and business and licensing transactions. Morrison & Foerster's IP practice has the distinguishing ability to efficiently and effectively handle issues of any complexity involving any technology. For more information about the IP practice, please visit [www.mofo.com](http://www.mofo.com).

This newsletter addresses recent intellectual property updates. Because of its generality, the information provided herein may not be applicable in all situations and should not be acted upon without specific legal advice based on particular situations. If you wish to change an address, add a subscriber, or comment on this newsletter, please write to: Jason Rosenthal at Morrison & Foerster LLP, 2000 Pennsylvania Avenue, NW Suite 6000, Washington, DC 20006-1888 or e-mail [jrosenthal@mofo.com](mailto:jrosenthal@mofo.com).

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