



Cost-Containment Strategies for Patentees in Litigation

A Lexis Practice Advisor® Practice Note by
Michael Furrow & Zachary Garrett, Fitzpatrick, Cella, Harper & Scinto



Michael Furrow



Zachary Garrett

Patent litigation has become increasingly expensive, to the point that in 2011, then Federal Circuit Chief Judge Randall Rader characterized the expense as “one of the great challenges of our profession[.]” Chief Judge Randall R. Rader, “The Most Pressing Issues in IP Law Today” (2011) at 1. Two years later, the Federal Circuit’s Advisory Council concluded, “Courts and the patent bar have attempted to control the cost and complexity of patent cases with some success . . . [b]ut problems persist.” Federal Circuit Advisory Council, Introduction to [Model] Order Limiting Excess Patent Claims and Prior Art (2013). These sentiments remain true today. This practice note provides guidance for in-house counsel on reducing litigation costs by identifying certain activities that can be moved in-house or steps that can be taken to simplify litigation as early as practicable. We also provide suggestions on how to ensure that you receive early notice of any potential budget adjustments and thereby do not miss opportunities for cost-containment. The note touches on each stage of a case, from the pre-suit investigation through trial.

Selecting Counsel

A significant and obvious factor that impacts litigation costs is choice of counsel. Whatever your reasoning may be for such a decision, here are some points to consider while you are selecting counsel that may facilitate case efficiencies and help you contain costs down the road:

Request a budget that covers the duration of litigation. Unless you are in a fixed or contingency fee situation, we suggest that you request a budget from any potential outside counsel that is projected for each major stage of the litigation (pre-suit, fact discovery, expert discovery, etc.). A full budget can be beneficial in several ways, including facilitating discussions about how to handle unplanned case demands (see, e.g., [Working with Litigation Counsel to Avoid Budget Surprises](#)), as well as providing insight into a counsel’s litigation management preferences (discussed immediately below).

- **Try to get a feeling for litigation style/personality.** As noted, another benefit to obtaining a budget for each stage of the litigation is that it provides a means for evaluating the outside counsel’s litigation style. For example, is this a team that pursues a scorched-earth discovery approach, or is it a team that focuses on avoiding unnecessary costs? Obtaining explanations for the estimates that have been provided for each stage of a case may paint a clearer picture in this regard.
- **Try to understand philosophies behind proposed team composition.** Having a dialog about the budget can also provide important details into the expected composition of the litigation team. Will the same core set of attorneys handle responsibilities for the duration of the entire matter? Will the size of the team be adjusted based on case demands? Are there portions of the case where certain team members are expected to play a major role based on some specific technical or legal expertise? All of these considerations may aid in selecting counsel that matches your expectations for the budget.



Michael Furrow & Zachary Garrett,
Fitzpatrick, Cella, Harper & Scinto



Conducting the Pre-suit Investigation

As the asserting party, your pre-suit investigation can have a significant impact on costs throughout the course of the litigation. The Federal Circuit's Advisory Council has suggested that "[l]ack of discipline by the asserting party in preparing its case is often why excess issues are maintained. . . . Excess issues, unsurprisingly, inflate litigation costs." *Id.*

Conducting a thorough pre-suit investigation, above and beyond what is required by Rule 11 of the Federal Rules of Civil Procedure, will enable more informed discussions with counsel regarding the scope of the case and budget constraints. In addition, a thorough pre-suit investigation may permit you to identify tasks that have not yet been incorporated into the budget, avoiding surprises that may be harder to accommodate later.

In addition, depending on your resources, the pre-suit investigation provides an opportunity to conduct work in-house. Although, if you have already selected counsel, you probably want to keep the key team members plugged in.

Regardless of who carries out the work, digging into certain case-essential tasks early can also facilitate early streamlining of the litigation.

Some pre-suit focus areas to consider include:

- **Infringement.** As preparing detailed infringement charts will be necessary at some point during the litigation (through, e.g., contention interrogatory responses or expert reports), doing so during the pre-suit stage can be considered cost-neutral if outside counsel handles it or cost-saving if some of the work can be moved in house. It also may permit you to identify unexpected steps needed to develop your infringement theories (e.g., product testing) that may be harder to accommodate later. Having these materials ready at the outset of litigation can facilitate the early narrowing of issues in your case by educating you on pros and cons of maintaining patents or claims.
- **Validity.** Your pre-suit investigation may give you a sense of possible invalidity defenses. Depending on the nature of the defense and how likely it is to be raised, it could be prudent to begin developing rebuttal arguments. In addition to possible efficiencies gained by moving work in house, identifying unexpected tasks, and facilitating early narrowing of issues, this exercise permits your team to get a head start with key invention-related documents, witnesses, and art cited during prosecution of the patents (and perhaps overseas counterparts).
- **Claim construction.** Claim construction often turns on the intrinsic evidence, such as the patent specification and prosecution history. Early review of these materials may reveal terms likely to give rise to disputes and begin working on arguments and evidence supporting a particular interpretation. In addition to efficiencies analogous to those mentioned for infringement and validity, this exercise will also allow you to more precisely identify the issues and estimate the costs associated with the claim construction phase of the litigation, such as the need for expert declarations.
- **Real-world evidence of nonobviousness.** If one possible defense is obviousness—you may also want to start developing your case on so-called secondary considerations or objective evidence of nonobviousness (e.g., of commercial success, long-felt unmet need, industry acclaim). This is helpful both in view of potential efficiencies analogous to those mentioned above as well as the likelihood that these positions often must be developed and disclosed early, perhaps even prior to seeing any of the defendant's documents or arguments. See [Obviousness in Patent Litigation — Objective Evidence](#).
- **Invention story.** Understanding the invention story is another mandatory task that can provide benefits if undertaken early, including familiarizing counsel with key documents and witnesses, identifying possible unbudgeted tasks (e.g., rebuilding relationships with former employees), and cost savings by using in-house resources.

- **Identify likely custodians.** As part of the pre-suit, a preservation notice (legal hold) will have to be issued to individuals who may have discoverable information. Some of the preceding exercises will permit identification of primary custodians of discoverable information. Depending on the nature of the case, it may make sense to interview at least the key witnesses with an eye toward identifying likely sources for document collection.
- **Other.** The same rationales—reducing costs, identifying unexpected expenses, and the potential for narrowing of issues—can also justify having an in-house or outside team complete other litigation tasks during the pre-suit investigation. This includes engaging document collection/review vendors, engaging experts, etc.

For more information regarding conducting a thorough pre-suit investigation, see [Pre-suit Considerations for Patent Infringement Litigation](#).

Working with Litigation Counsel to Avoid Budget Surprises

A few simple protocols for litigation counsel can facilitate early identification and management of unexpected or discretionary costs. Such protocols can include:

- **Requesting regular status updates.** The easiest way to stay on top of costs is to stay up to speed with the litigation. Our preferred practice is to have weekly or biweekly calls, or email updates when little has changed since the prior update. Depending on the size of the legal team, it may also make sense to have subgroups dedicated to certain areas (e.g., document collection/review, expert discovery/merits development), and have the updates be specific to these subgroups. Regardless of the makeup, the discussion should cover recent events, ongoing tasks, and upcoming events/tasks.
- **Keeping everyone abreast of billing guidelines.** If your company has billing guidelines (e.g., preapproved billers, preapproved rates, caps on daily hours, restrictions on reimbursable expenses), it is worth making sure you and your outside counsel are familiar with them. At a minimum, this will ensure smooth processing of bills and can guide discussions about how to handle unexpectedly demanding tasks (discussed next).
- **Requesting notice for unexpected high time demands.** The daily demands of litigation naturally vary throughout a case. Experienced attorneys are often able to provide estimated budgets that closely track the actual case demands. However, each matter is different, and unexpected costly issues can arise (e.g., the need to respond to an unexpected invalidity contention). One way to stay on top of unexpected costs is to ask outside counsel to notify you when it appears that billing is going to be significantly higher than anticipated. At a minimum, this will facilitate appropriate budget adjustments, but it may also enable identification and discussion of possible discretionary costs or more relaxed timing for completion of the work in question. These discussions can also help the team avoid headaches associated with violating requirements imposed by billing software with respect to daily hours, approved time-keepers, etc.
- **Requesting notice for certain litigation actions.** Further to the goal of avoiding surprise and ensuring a dialog concerning discretionary costs, it can be helpful to ask counsel for advance notice of certain tasks that may in fact be discretionary, or may not need to occur promptly, thus allowing better matching to the budget. Examples to consider include travel to meet with witnesses or consultants, filing discovery or in limine motions, and noticing and taking depositions related to issues for which you may already have adequate evidentiary support.

Accounting for Other Proceedings

When a U.S. patent infringement action is filed, parallel proceedings challenging the patent before the U.S. Patent and Trademark Office (USPTO) may arise, along with corresponding actions in many other markets. Although this note is focused on U.S. patent infringement actions, those other proceedings can raise similar cost concerns. Whoever is tasked with managing budget expectations across all likely forums will benefit from having budget estimates from counsel for each action, including possible costs if unsuccessful (e.g., paying the winner's litigation costs).

Drafting the Complaint and Selecting Claims to Assert

There are a few simple considerations when drafting the complaint that may permit you to avoid early motion practice. The complaint also presents a good checkpoint to evaluate the breadth of your case.

- **Plead infringement with detail.** If your infringement investigation has been thorough, providing detailed bases for each infringement claim should reduce the risk of having to file an amended complaint or defend the adequacy of the initial complaint. Depending on how far your assessment of the merits has progressed, you may also decide there is no benefit to including certain patents in the suit. Every additional asserted patent has the potential to inflate costs, and many judges take careful note of the number of asserted patents and claims and may require the patentee to start to narrow the asserted claims early in the case. The Federal Circuit's Advisory Council has criticized patentees for the practice of identifying a "problematically excessive" number of claims. *Id.* (noting that cases with over 100 asserted claims are common).
- **Plead venue with detail.** Defendants have taken a renewed interest in challenging venue in light of the Supreme Court's decision in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017). Before suing, investigate the defendant's presence in your preferred district and include evidence of that presence in your complaint. The more venue-related detail in your complaint, the less likely a defendant may be to file a motion to dismiss or transfer for lack of venue.

Discovery

The discovery of electronically stored information (ESI) is often criticized for being enormously costly and unnecessarily burdensome. As former Chief Judge Rader once remarked:

Generally, the production burden of expansive e-requests outweighs their benefits. I saw one analysis that concluded that .0074% of the documents produced actually made their way onto the trial exhibit list—less than one document in ten thousand. And for all the thousands of appeals I've evaluated, email appears even more rarely as relevant evidence.

See Chief Judge Randall R. Rader, "[The State of Patent Litigation](#)" (2011) at 8; see also Chief Judge Randall R. Rader, "[The Most Pressing Issues in IP Law Today](#)" (2011) at 1 ("I think this cost and delay issue is largely attributed to our discovery system.").

The cost and burden of discovery makes it a prime target for parties seeking to reduce expenses. This note organizes discovery-related cost-reducing practices into four subsections based on timing and activity: (1) before the start of discovery, (2) during the collection of your own documents, (3) during the review of your own documents, and (4) when requesting the defendant's documents and taking depositions.

Before the Start of Discovery

Parties often reach agreements before the start of discovery that will limit the scale and scope of their discovery obligations. One common agreement is:

- **Agree to a proposed ESI Order limiting the scope of discoverable materials.** ESI Orders are designed to limit the discovery of electronic documents, and in particular, email communications. A number of district courts have adopted Model ESI Orders, including the Eastern District of Texas, the Northern District of California, and the District of Oregon. You should review these Orders and see if your case could benefit from their provisions.

One provision usually found in ESI Orders is the exemption of emails from document requests under Rule 34 of the Federal Rules of Civil Procedure. A party wishing to obtain an opposing party's emails must propound special, narrowly tailored production requests. Such requests must be limited to "specific issues, rather than general discovery of a product or business," and they must identify a limited number of custodians, search

terms, and timeframes. Federal Circuit Advisory Council, [Model] Order Regarding E-Discovery in Patent Cases (2011) at 2.

Other suggestions include:

- **Limit the privilege log.** Privilege logs are expensive, and eliminating or reducing the scope of the privilege log is an easy way to reduce your costs. For example, if the claims and defenses are likely to turn on the evaluation of art by technical experts, the parties may simply refrain from any log preparation. Even if a log becomes necessary, you may be able to limit the log's contents, for example, by agreeing to log only communications pertaining to a particular topic or falling within a particular date range. Depending on the nature of the case, the opposing party, and opposing counsel, it could make sense to delay this discussion until after it is clear what logging would entail. At the very least, this is a topic worth discussing with your counsel fairly early in the case.
- **Consider narrowing claims and defenses.** Often, courts' default schedules are set up to require early identification of asserted claims and invalidity defenses. If you have had the opportunity to assess the merits prior to this stage, it is worth considering how you may be able to limit the asserted claims, and to have a discussion with the defendants on their willingness to drop certain defenses if you narrow the claims. Even if defendants are recalcitrant, unilaterally narrowing asserted claims can have a large impact on evidentiary burdens and may also render moot certain defenses raised by the defendants. Regardless, the earlier decisions are made to narrow the case, the more streamlined discovery will become.

In general, as the above agreements demonstrate, cooperation between parties is an important aspect of managing your discovery costs. As one court explained, "an attorney's zealous representation of a client is not compromised by conducting discovery in a cooperative manner. Cooperation . . . tends to reduce litigation costs and delay." United States District Court for the Northern District of California, [Guidelines for the Discovery of Electronically Stored Information](#) (2015) at 1.

Of course, discovery disputes often arise between even the most cooperative parties. Exhaust all avenues for resolving these disputes before going to the judge. When court intervention is necessary, see if the judge allows parties to submit short (relatively low-cost) letters instead of requiring full motion briefing.

Collecting Your Documents

Keep the following points in mind when collecting your documents:

- **Limit custodians.** One of the first steps in collecting your documents is identifying which custodians within your company may have relevant files. Patentees sometimes feel pressured to collect exhaustively, but some courts have sought to alleviate that concern and rein in excessive collection through guidance regarding a reasonable number of custodians. Every case is different, but more time put into identifying the top custodians of potentially relevant information may result in overall cost savings due to a smaller universe of documents to review.
- **Craft precise search terms.** Generally, potentially relevant documents within a custodian's files are located by running a set of search terms on the files. The need to craft precise search terms cannot be overstated: poor search terms can exponentially increase the number of documents that will be identified for collection and review.

When crafting search terms, you should (1) get input from the custodian or other employees in the company and (2) test the search terms to ensure they do not hit on an unreasonably large number of documents, which may indicate that a term is overly broad. Here again, the suggestion is to put in the extra time to test terms early.

- **Use company resources.** Your company's IT department may be in the best position to know the most efficient way to search and collect documents within the company. Make your IT department available to your outside counsel as early as possible.

Reviewing Your Documents

An excessively broad document collection not only generates additional costs itself, but will continue to generate additional costs as the collected documents are reviewed. One study by the RAND Corporation, a nonprofit institution, titled "Where the Money Goes: Understanding Litigant Expenditures for Producing Electronic Discovery," found that the review of documents for relevance, responsiveness, and privilege accounts for a whopping 73% of the cost associated with electronic discovery. RAND Corporation, "[Where the Money Goes](#)" (2012) at xiv. Popular practices for reducing these costs include:

- **Engage contract attorneys early.** Large document review projects often utilize contract attorneys to conduct at least a portion of the review. Certainly, this presents the opportunity for savings based on hourly rates, but similar to previous phases of litigation, committing time up-front to arrange the review can pay dividends. For example, starting a review project with a small set of experienced reviewers and putting in the time needed to teach them the case issues can translate into lower billing for a larger group of reviewers as the program progresses. Investing in training up-front like this can also reduce errors (e.g., over- or under-inclusion, privilege, etc.). Extra setup time can be particularly useful if you have a large number of foreign-language materials to review and will need to line up and train bilingual reviewers.
- **Use analytics.** Many document vendors offer tools, often referred to as analytics, that use computer algorithms to aid attorneys during the review process. Two popular analytics that can dramatically increase the rate at which documents can be reviewed are "near-duplicate detection" and "email threading":
 - **Near-duplicate detection.** When your company's documents are collected and processed, they undergo a process known as "de-duplication," wherein any duplicate documents are eliminated such that only a single copy of any given document appears for review. A limit of de-duplication, however, is that it only identifies exact duplicates.

Many documents exist as near-duplicates, for example, drafts of the same document that are only slightly different or copies of a slide deck that differ only by the date on the title slide. A near-duplicate detection tool identifies and groups near-duplicate documents. Usually, the tool can also highlight the differences between the near-duplicates, allowing a reviewer to assess the importance of those changes.
 - **Email threading.** This tool identifies and arranges email threads in chronological order. Without this function, emails from a single thread may be scattered throughout a production, particularly if the emails were located in multiple custodians' files. If a reviewer determines the content of the thread is nonresponsive, it may be appropriate for the reviewer to bulk code all emails in the thread as nonresponsive in a single action.

Requesting Documents and Taking Depositions

A scorched-earth approach to affirmative discovery may not be compatible with your budget. Instead, consider the following practices:

- **Tailor your requests for production.** Attorneys commonly draft purposefully broad document requests. While this tactic may have its advantages, being cost-efficient is not one of them. Broad requests increase the likelihood of discovery disputes and invite the defendant to dump a huge collection of documents on you that are responsive to your requests but largely irrelevant to the issues of the case. You then incur the expense of reviewing these documents.

If you have conducted a thorough pre-suit investigation, as discussed above, you should be able to use your knowledge of the key issues, documents, and issues to craft narrow discovery requests.

- **Skip unnecessary depositions.** Limit the depositions that you take to only those that are needed to advance your case. If you have time in the discovery window, you should also consider whether the evidence you hope to gain from a deposition could be obtained in a more cost-efficient manner, for example, through interrogatories, requests for admission, or stipulations.
- **Discuss which attorneys will handle which depositions.** It may be worth considering the significance of the testimony to be provided by each witness when evaluating the composition of the team involved. Experienced counsel will naturally adjust teams in this light and probably have accounted for such considerations when crafting a budget. This is nevertheless another area where open dialogue with counsel should help avoid surprises.
- **Limit court reporter costs.** Costs from court reporters can add up, especially if your case involves a large number of depositions. Opt to receive only electronic copies of both the transcript and exhibits. You can also save costs by not using a videographer, and if you use a videographer, by not ordering a video that is synchronized to the text of the transcript.

Claim Construction

The parties will negotiate claim construction deadlines early in the litigation, usually as part of the Scheduling Order. With a little foresight, you can schedule these deadlines in a manner that is beneficial to your case:

- **Schedule before significant discovery.** If claim construction is likely to be dispositive of your case, schedule it as early as possible—before you incur significant costs from discovery that may end up being unnecessary.
- **Schedule before expert reports.** It usually benefits both sides for the judge to provide clarity on claim meaning before expert discovery begins. That way, experts can adopt the judge's construction instead of the more arduous task of opining on the dueling constructions provided by the parties. You will likely want to schedule the claim construction hearing several months before the due date for expert reports in order to provide the judge with sufficient time to provide an opinion.
- **Avoid unnecessary expert declarations.** Beyond careful scheduling, you can also limit expenses by reducing the use of expert declarations during claim construction. Claim construction is often resolved on the intrinsic record (e.g., the patent specification and file history), and expert testimony is only properly considered when the judge cannot determine the correct construction based on the intrinsic record. If the intrinsic record supports your construction, consider whether you need an expert to opine on the term.
- **Negotiate agreed constructions for nonmaterial disputes.** Not every dispute that arises over the meaning of a term is ultimately going to be critical to a claim or defense in suit. Courts generally will not decide such disputes, so if an opponent is demanding that such a term be presented to the court for construction, consider whether a stipulation may bypass the expenses of briefing and arguing and provide clarity for the purposes of the action.
- **Use this as another checkpoint for case narrowing.** Claim construction presents another opportunity to evaluate what claims are most likely to be maintained through trial and to narrow the action to reduce costs.

Experts

As with selection of counsel, selection of experts involves a multitude of considerations, including rate, demeanor, experience, etc. Again, sticking with the theme of maximizing efficiencies and avoiding surprise, you should consider the following:

- **Utilize in-house resources when generating an initial list of potential experts.** Whether it will be quick to identify ideal experts or not will vary from case to case. To minimize the time that outside counsel spends on this task, consider reaching out to the inventors, in-house scientists, or perhaps regulatory teams (e.g., FDA team) yourself for their suggestions. Gathering the in-house literature in the area may also assist counsel with this effort.

- **Consider whether fewer experts may be adequate.** Each case is different, and often several experts are needed to adequately address all of the technical issues in dispute. But it is worth considering, at each point in which the case is narrowed, whether each retained expert is still needed.
- **Request that counsel stay on top of expert time.** In the heat of litigation, sometimes experts are provided a task and counsel then moves off to tackle other items, only to learn when checking back in that the expert has committed an inordinate amount of time to the task. A simple way to avoid such surprises is to ask counsel to have the expert check in with them after committing a certain amount of time. We have found that applying this simple and common management technique helps keep inexperienced experts focused and efficient.

Motions

Motion practice is difficult to completely avoid, but you can rein in costs associated with drafting and filing motions by considering the following practices:

- **Create a brief bank.** If your company does not already have one, you should create an easily searchable collection of motions that your company has previously filed. Your outside counsel should have a similar collection with its own motions.
- **Be selective.** District court judges often have hundreds of cases on their dockets. They may not look kindly to any motion on a dispute that they believe could have been resolved between the parties. Indeed, depending on the district and judge, some motions may not be regularly available. See, e.g., [District of Delaware Chief Judge Stark's ANDA Patent Scheduling Order](#) at 10 ("Absent agreement between the parties, the Court will generally not hear case dispositive motions in ANDA cases."). Carefully assess the merits of your arguments before bringing any motion.
- **Consult local counsel early.** Local counsel may have insight into what issues your judge may or may not entertain. Getting some general guidance on this early in discovery can prevent your team from heading down paths that are likely to prove fruitless.

Trial

Trial is usually a nonstop sprint that sometimes permits little room for reflection on efficiencies. Given that reality, to the extent possible, consider taking steps to streamline things:

- **Reach out to opposing counsel early to attempt to narrow issues.** It is likely that the parties have been discussing avenues to narrow issues in dispute throughout the case, but the period leading up to trial presents a perfect opportunity to do so, given that each parties' case should be fully developed by that point. The sooner this conversation starts, the more likely the parties will move this ball forward.
- **Reach out to opposing counsel early to attempt to arrive at a list of undisputed facts.** This is another item where advance work can facilitate agreement; the sooner you are able to propose facts not in dispute, the more likely the opponent is to provide you with their views.
- **Consider direct examinations by affidavit.** Some judges allow parties to submit witness testimony by affidavit instead of hearing the witness testify live. At trial, the witness may take the stand for a brief introductory direct, and then sit for cross-examination. This process can be less expensive, especially if the witness already has expert reports that can serve as a template for the affidavit.
- **Avoid unnecessary expenses on demonstratives.** The purpose of demonstratives may vary from case to case. For example, if your case is being presented to a judge (rather than a jury), he or she may prefer simplicity and focus, and may even dislike flashy animations. This is another area where local counsel may be able to provide helpful insight.
- **Use in-house resources to create demonstratives.** Consider whether you can utilize in-house resources to assist the trial team in creating demonstratives. This can range from offering graphics the company may already have that were created for other purposes (e.g., marketing) to enlisting someone from within the company capable of designing tailor-made graphics for the trial.

- The earlier you begin the process of creating your demonstratives, the more value they can provide by being incorporated into other stages of the case (e.g., expert reports). In addition, starting the process early will allow you to better estimate the extent that third-party graphic designers will be required.

Learn more

[LEXISNEXIS.COM/PRACTICE-ADVISOR](https://www.lexisnexis.com/practice-advisor)

This document from Lexis Practice Advisor®, a comprehensive practical guidance resource providing insight from leading practitioners, is reproduced with the permission of LexisNexis®. Lexis Practice Advisor includes coverage of the topics critical to practicing attorneys. For more information or to sign up for a free trial, visit [lexisnexis.com/practice-advisor](https://www.lexisnexis.com/practice-advisor). Reproduction of this material, in any form, is specifically prohibited without written consent from LexisNexis.



Michael Furrow & Zachary Garrett,
Fitzpatrick, Cella, Harper & Scinto 