

# **WHY YOU SHOULD DOCUMENT PREFILING INVESTIGATIONS**

Rob McRae  
Gunn, Lee & Cave, P.C.  
700 N. St. Mary's Street  
Suite 1500  
San Antonio, Texas 78205  
[rmcrae@gunn-lee.com](mailto:rmcrae@gunn-lee.com)

State Bar of Texas  
Annual Convention, Intellectual Property Law Section CLE  
June 26, 2009

© Robert L. McRae 2009

**TABLE OF CASES AND AUTHORITIES**

**Cases**

*Antonious v. Spalding & Evenflo Cos.*, 275 F.3d 1066 (Fed. Cir. 2002)..... 2, 5

*Brooks Furniture Mfg. v. Dutailier Int’l, Inc.*, 393 F.3d 1378 (Fed.Cir. 2005)..... 3

*Digeo, Inc. v. Audible, Inc.*, 505 F.3d 1362 (Fed. Cir. 2007) ..... 3, 4

*Eon-Net, L.P. v. Flagstar Bancorp, Inc.*, 239 F.R.D. 609 (W.D. Wash. 2006)..... 8, 9

*Eon-Net, L.P. v. Flagstar Bancorp, Inc.*, 249, Fed. Appx. 189, 2007 WL 2818634 (Fed. Cir. Sept. 27, 2007)..... 9

*Epcon Gas Sys., Inc. v. Bauer Compressors, Inc.*, 279 F.3d 1022 (Fed. Cir. 2002)..... 10

*International Automated Sys., Inc. v. IBM, et al.*, 595 F.Supp.2d 1197 (D.Utah 2009). 3, 4

*Hoffmann-LaRoche, Inc. v. Invamed, Inc.*, 213 F.3d 1359 (Fed. Cir. 2000) ..... 7, 8

*Judin v. United States*, 110 F.3d 780 (Fed. Cir. 1997) ..... 2, 5, 6

*Medtronic Navigation, Inc. v. BrainLAB Medizinische Computersystems GMBH, et al.*, Civ. A. No. 98-cv-01072-RPM, 2008 WL 4452137 (D. Colo. Sept. 30, 2008)..... 4, 10

*Network Caching Tech. LLC v. Novell, Inc.*, No. C-01-2079-VRW, 2002 WL 32126128, (N.D. Cal. Aug. 13, 2002)..... 9

*Q-Pharma v. Andrew Jergens Co.*, 360 F.3d 1295 (Fed. Cir. 2004) ..... 2, 3, 5, 6, 7, 8

*S. Bravo Sys., Inc. v. Containment Techs. Corp.*, 96 F.3d 1372 (Fed. Cir. 1996) ..... 2, 5

*Triune Star, Inc. v. Walt Disney Co*, No. 07-1256, 2008 WL 5068943 (C.D. Ill. Nov. 25, 2008) ..... 9

*View Engineering, Inc. v. Robotic Vision Sys., Inc.*, 208 F.3d 981 (Fed. Cir. 2000). 2, 5, 6, 7

**Other Authorities**

AM. INTELLECTUAL PROP. LAW ASS’N, AIPLA REPORT ON THE ECONOMIC SURVEY 2007 pg. 25 (July 2007). ..... 1

**Rules**

Fed. R. Civ. P. 11 ..... 2, 4

# WHY YOU SHOULD DOCUMENT PREFILING INVESTIGATIONS

## I. Introduction

The American Intellectual Property Association's Report of the Economic Survey for the year 2007 reports that a typical patent infringement lawsuit with less than \$1 Million at risk will cost a party approximately \$350,000 in legal fees and costs through the end of discovery and approximately \$600,000 through the end of trial.<sup>1</sup> In patent infringement cases with \$1 Million to \$25 Million at risk, those numbers jump to \$1.25 Million through discovery and \$2.5 Million through trial.<sup>2</sup> If more than \$25 Million is at risk, attorneys' fees and costs escalate to \$3 Million through discovery and \$5 Million through trial.<sup>3</sup>

With the rising costs of litigating patent cases, the investigations performed prior to filing the lawsuit draw the attention of both plaintiffs and defendants with higher frequency. The patent infringement plaintiff has a heightened interest in thoroughly evaluating the likelihood of success on the issue of infringement prior to filing suit and incurring substantial legal fees and costs. On the other hand, the patent infringement defendant who prevails on the issue of infringement has an interest in recouping the costs and legal fees incurred in being forced to defend the infringement lawsuit.

Prevailing defendants typically look to two avenues to recoup at least the legal fees incurred in defending the

lawsuit. Specifically, the "exceptional case" under 35 U.S.C. §285 and sanctions under Federal Rule of Civil Procedure 11 typically come into play. In many cases, the facts alleged by a defendant under each theory of recovery are substantially the same if not identical, and often involve allegations that the plaintiff as well as the plaintiff's attorney(s) failed to perform adequate pre-lawsuit investigations. It should be noted, however, the burden of proof on a defendant under each theory is quite different.

Under either theory, success by a defendant may subject not only the plaintiff, but also the plaintiff's attorneys and/or their law firms<sup>4</sup> to attorneys' fees, costs, expenses, sanctions, compensatory damages, and maybe even punitive damages. Although §285 explicitly provides for the award for attorneys fees, in Rule 11 cases, costs and attorneys' fees may, and often do, serve as at least a starting point in assessing damages for the sanctionable act(s) regardless of the nature of the damages themselves. In fact, Rule 11 (c)(4) limits the sanction to that which suffices to deter repetition of the conduct, but also provides that a court may direct payment of reasonable attorney's fees and other expenses

---

<sup>1</sup> AM. INTELLECTUAL PROP. LAW ASS'N, AIPLA REPORT ON THE ECONOMIC SURVEY 2007 25 (July 2007).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

---

<sup>4</sup> See, e.g. *Medtronic Navigation, Inc. v. BrainLAB Medizinische Computersystems GMBH*, Civ. A. No. 98-cv-01072-RPM, 2008 WL 4452137 (D. Colo. Sept. 30, 2008) (awarding attorney fees, costs and expenses jointly and severally against plaintiff and plaintiff's law firm); Fed. R. Civ. P. 11(c) (a court may impose sanctions against a party, attorney or law firm for violation of Rule 11(b)).

resulting from the violation if “warranted for effective deterrence.”<sup>5</sup>

Accordingly, it is all the more important for attorneys to document the efforts made before filing suit to investigate the accused product and evaluate the potential case for infringement. As the Federal Circuit has held, “[i]n bringing a claim of infringement, the patent holder, if challenged, must be prepared to demonstrate to both the court and the alleged infringer exactly why it believed before filing the claim that it had a reasonable chance of proving infringement.”<sup>6</sup>

While Federal Circuit and District Court case law is not always entirely consistent on what is required to meet the level of a reasonable pre-lawsuit investigation, some clear general principles have emerged from case law over the years that should guide a patent plaintiff as well as the patent plaintiff’s attorney in investigating the merits of the patent infringement case prior to filing the lawsuit.

## II. Differing Standards in §285 and Rule 11 Cases

Federal Rule of Civil Procedure 11(b)(2) and (3) provide:

“By presenting to the court a pleading, written motion, or other paper – whether by signing, filing, submitting or later advocating it – an attorney or unrepresented party certifies that to the best

of the person’s knowledge, information, and belief, formed after an inquiry reasonable under the circumstances:

(2) the claims, defenses, and other legal contentions are warranted by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law or for establishing new law; [and]

(3) the factual contentions have evidentiary support or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery...”

In the patent infringement context, the Federal Circuit interprets Rule 11 “to require, at a minimum, that an attorney interpret the asserted patent claims and compare the accused device with those claims before filing a claim alleging infringement.”<sup>7</sup> However, there are no hard and fast rules as to what an attorney must do to satisfy the minimum requirement under Rule 11, and the determination as to whether Rule 11 obligations are met depend on the facts of each case.

In §285 cases, the Court may award reasonable attorneys’ fees to the prevailing party if the Court finds the

<sup>5</sup> Fed. R. Civ. P. 11 (c)(4).

<sup>6</sup> *View Engineering, Inc. v. Robotic Vision Sys., Inc.*, 208 F.3d 981, 986 (Fed. Cir. 2000).

<sup>7</sup> *Antonious v. Spalding & Evenflo Cos.*, 275 F.3d 1066, 1072 (Fed. Cir. 2002); see also *Q-Pharma v. Andrew Jergens Co.*, 360 F.3d 1295, 1304 (Fed. Cir. 2004); *View Eng’g, Inc.* 208 F.3d at 986; *Judin v. United States*, 110 F.3d 780, 784 (Fed. Cir. 1997); *S. Bravo Sys., Inc. v. Containment Techs. Corp.*, 96 F.3d 1372, 1375 (Fed. Cir. 1996).

case exceptional. “Exceptional cases include those involving ‘inequitable conduct before the [Patent and Trademark Office]; litigation misconduct; vexatious, unjustified, and otherwise bad faith litigation; a frivolous lawsuit or willful infringement.’”<sup>8</sup> It should be noted that §285 is somewhat tangentially related to Rule 11 in patent cases because Rule 11 violations may serve as a basis for finding a case exceptional.<sup>9</sup>

That being said, “parties who run afoul of specific pre-filing investigation requirements set out in Rule 11 cases do not necessarily simultaneously [run] afoul of §285”<sup>10</sup> – primarily because of the differing standards applied to §285 and Rule 11. In *International Automated Systems, Inc. v. IBM, et al.*, the manufacturer (UPEK) of an accused infringing fingerprint reading apparatus filed a counterclaim of non-infringement against IAS. UPEK then moved for summary judgment on the issue of non-infringement and simultaneously for attorneys’ fees under §285, claiming IAS’ pre-filing investigation was inadequate because (a) IAS failed to research UPEK’s products, (b) IAS’ attorneys were not sufficiently involved in the investigation, and (c) IAS failed to reasonably construe the claims at issue.<sup>11</sup>

In denying UPEK’s §285 request, the District Court stated that a

heightened standard is applied to §285 than is applied to Rule 11, noting that “Rule 11 only requires ‘an inquiry reasonable under the circumstances,’ whereas §285 requires clear and convincing evidence of ‘studied ignorance.’”<sup>12</sup> The District Court held that while the pre-filing investigation was “non-ideal”, it did not rise to the level of bad faith litigation or gross negligence that is required by §285.<sup>13</sup>

The Federal Circuit has also spoken on the issue of the differing standards between §285 and Rule 11 on the issue of pre-suit investigations. In *Digeo, Inc. v. Audible, Inc.*, Digeo purchased a patent “as is” at a bankruptcy estate sale in 2002.<sup>14</sup> In July of 1996, assignments to the bankruptcy estate’s predecessor in interest were recorded in the Patent Office.<sup>15</sup> The assignments appeared to be executed by all of the inventors except for Edward Chang, who was purported to be deceased. An assignment on behalf of Edward Chang’s estate appeared to be executed by co-inventor, brother, and apparent executor of the estate, Oliver Chang.<sup>16</sup>

After purchasing the patent, Digeo sued Audible in 2005 for patent infringement.<sup>17</sup> During discovery, Audible learned that Edward Chang was alive and lived in Los Angeles. Audible obtained a retroactive license from Edward Chang dating back to the date of issuance of the patent and promptly moved for summary judgment and for

---

<sup>8</sup> *Q-Pharma, Inc.*, 360 F.3d at 1304 (citations omitted).

<sup>9</sup> *Digeo, Inc. v. Audible, Inc.*, 505 F.3d 1362, 1368 (Fed. Cir. 2007) (citing *Brooks Furniture Mfg. v. Dutailier Int’l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005).

<sup>10</sup> *In’l Automated Sys., Inc. v. IBM*, 595 F. Supp. 2d 1197, 1216 (D.Utah 2009).

<sup>11</sup> *Id.* at 1216-17.

---

<sup>12</sup> *Id.* (citations omitted)

<sup>13</sup> *Id.*

<sup>14</sup> 505 F.3d at 1365.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

attorneys' fees under §285.<sup>18</sup> The District Court denied the request for attorneys' fees, observing that there was no evidence that Digeo knew or should have known that Edward Chang was not deceased.<sup>19</sup>

In affirming the District Court, the Federal Circuit noted:

“Motions under Rule 11 and §285 are different....We apply the law of the regional circuit... to Rule 11 cases...whereas we apply the law of our circuit to §285 cases. Once a litigant moves based upon non-frivolous allegations for a Rule 11 sanction, the burden of proof *shifts* to the non-movant to show it made a reasonable pre-suit inquiry into its claim...However, the burden of proof for §285 motions remains with the movant to show by clear and convincing evidence that the case is exceptional.”<sup>20</sup>

The Federal Circuit concluded:

“Thus, had Audible brought a successful Rule 11 motion against Digeo, the burden would have shifted to Digeo to show it did conduct a reasonable pre-suit investigation. That Rule 11 conduct, if so found by the district court, could have served as the basis for a separate, §285 motion in which Audible would have to show the exceptionality of the case by clear and convincing evidence. However, as noted above, there was no such finding in this case.”<sup>21</sup>

While the Federal Circuit seemed to suggest that the outcome would have been different had Audible filed a Rule 11 motion instead of a §285 motion, the effect of the Federal Circuit's holding in *Digeo* is not entirely clear. It could be construed to suggest that a Rule 11 motion is a prerequisite to filing a §285 motion on the basis of failure to conduct an adequate pre-filing investigation.

On the other hand, it could be construed to simply differentiate the burdens involved in Rule 11 motions versus §285 motions, emphasizing that Rule 11 motions are more “movant friendly” because of the burden shifting provision. The Federal Circuit has not expanded or explained this holding further in cases since *Digeo*. However, at least one District Court has construed *Digeo's* holding to mean that to benefit from the Rule 11 standard, a successful Rule 11 motion must be brought *prior* to moving for attorneys' fees under §285.<sup>22</sup>

What is clear from *Digeo* is that Rule 11's burden shifting provision is more favorable to the movant, and will not be applied to a §285 motion. Moreover, the failure to adequately investigate prior to filing a lawsuit must be proven by the movant by clear and convincing evidence if the movant elects to file a §285 motion. In contrast, under the burden-shifting Rule 11, an infringement plaintiff needs only to meet an “inquiry reasonable under the circumstances” test.<sup>23</sup>

---

<sup>18</sup> *Id.* at 1366.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.* at 1368 (citations, footnotes and quotations omitted). (Emphasis original).

<sup>21</sup> *Id.*

---

<sup>22</sup> *In'l Automated Sys.*, 595 F. Supp. 2d at 1216.

<sup>23</sup> *Id.*

### III. Meeting the Threshold – What Constitutes a Pre-Filing Claim Investigations?

Whether proven by clear and convincing evidence by the movant in a §285 context, or reasonable inquiry under the circumstances by the patent plaintiff under Rule 11, a plaintiff's patent attorney must, at the very least, interpret the asserted patent claims and compare the accused device with those claims before filing a claim alleging infringement. Thus, inherently some form of pre-suit claim construction must take place by patent counsel. However, whether the pre-suit comparison of the accused device(s) to the patent(s) is sufficient to evade Rule 11 and/or §285 is fact dependant.

#### A. *Physical Examination vs. Review of Advertising and Publicly Available Information.*

It should go without saying that some comparison of the claims to the accused device, method or process must be undertaken by counsel prior to filing the lawsuit.<sup>24</sup> However, whether physical inspection and/or reverse engineering of the accused product is required is not clear.

In *View Engineering, Inc. v. Robotic Vision Sys., Inc.*,<sup>25</sup> View filed a Declaratory Judgment Action seeking to declare one of Robotic's patents invalid

or not infringed.<sup>25</sup> Robotic filed counterclaims for patent infringement of eight of its patents.<sup>26</sup> Prior to filing the counterclaims, Robotic had not seen View's products.<sup>27</sup> The counterclaims were based solely on the belief of infringement of Robotic's Vice-President. This "belief" was based on View's advertising and claims to its customers as to what its machine's did.<sup>28</sup>

View filed a motion for sanctions under Rule 11, alleging the counterclaims were baseless.<sup>29</sup> After reviewing View's manuals produced during discovery, Robotic withdrew its claims regarding two of the patents.<sup>30</sup> Thereafter, Robotic hired an expert to review the documents produced by View. Robotic then withdrew its claims regarding three more of the patents originally asserted.<sup>31</sup> The remaining three patents were ultimately held to be not infringed on summary judgment by the District Court.<sup>32</sup>

In response to the Rule 11 motion, Robotics raised the "my lawyer did it" defense, claiming that Robotic relied on the advice of counsel that sufficient grounds existed to file the counterclaims.<sup>33</sup> The District Court found that Robotic was justified in relying on the advice of counsel, and sanctioned Robotic's counsel under Rule 11 for failing to conduct a reasonable pre-lawsuit investigation.<sup>34</sup>

---

<sup>24</sup> *Antonious v. Spalding & Evenflo Cos.*, 275 F.3d 1066, 1072 (Fed. Cir. 2002); *Q-Pharma v. Andrew Jergens Co.*, 360 F.3d 1295, 1304 (Fed. Cir. 2004); *View Eng'g, Inc.* 208 F.3d at 986; *Judin v. United States*, 110 F.3d 780, 784 (Fed. Cir. 1997); *S. Bravo Sys., Inc. v. Containment Techs. Corp.*, 96 F.3d 1372, 1375 (Fed. Cir. 1996).

<sup>25</sup> 208 F.3d 981 (Fed. Cir. 2000).

<sup>26</sup> *Id.* at 982.

<sup>27</sup> *Id.* at 983.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.* at 982.

<sup>30</sup> *Id.* at 983.

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> *Id.* at 983-84.

<sup>34</sup> *Id.*



The Federal Circuit affirmed, noting that the lawyer performed no independent claim construction analysis before filing the counterclaims, but rather relied on his client's analysis and review of the technology and publicly available information on View's products.<sup>35</sup> In defense, Robotics' lawyer argued that he had made numerous requests for inspection of View's machines, which View refused.<sup>36</sup> However, the Federal Circuit found the defense that View was uncooperative in pre-litigation discovery unpersuasive, noting that View was not required to allow pre-litigation discovery.<sup>37</sup>

In sanctioning Robotic's lawyer, the Federal Circuit spoke directly to the pre-lawsuit investigation duty of a law firm, stating that Rule 11 "must be interpreted to require the law firm to, at a bare minimum, apply the claims of each and every patent that is being brought into the lawsuit to an accused device and conclude that there is a reasonable basis for a finding of infringement..."<sup>38</sup> In upholding the award of sanctions against Robotic's lawyer, the Federal Circuit emphasized that no product analysis had occurred, and the only basis for filing the counterclaims was the belief of the client based on advertising material and publicly available information.

Similarly, in *Judin v. United States*, the Federal Circuit awarded sanctions against the patent plaintiff and his attorney for failing to compare the product to patent prior to filing suit. The

technology at issue in *Judin* was a bar code scanner used by the U.S. Postal Service.<sup>39</sup> Prior to filing suit, Judin observed the scanners in use at the post office, attended scanning industry exhibitions, and "was familiar with trade publications, technical specifications, and commercial literature, some of which suggested that Government agencies were purchasing bar code scanners."<sup>40</sup> He did not obtain a sample of the device from the post office, nor did his attorney, who observed the device in the post office but otherwise did no further investigation.<sup>41</sup>

The District Court denied the motion for sanctions, but the Federal Circuit reversed and remanded.<sup>42</sup> In holding that the District Court abused its discretion in denying sanctions under Rule 11, the Court focused on the fact that neither Judin nor his attorney compared the accused device with the claims, noting that while viewing the devices at a distance was sufficient to put Judin on inquiry as to whether the Government was using an infringing device, Rule 11 requires that the inquiry actually be undertaken before filing suit.<sup>43</sup> The Court further held that the attorney acted unreasonably in "giving blind deference to his client."<sup>44</sup>

But compare the Federal Circuit's holdings in *View Engineering* and *Judin* to its holding in *Q-Pharma v. Andrew Jergens Co.*<sup>45</sup> In *Q-Pharma*, the Federal Circuit affirmed the denial of Rule 11 sanctions as well as attorneys

---

<sup>35</sup> *Id.* at 985.

<sup>36</sup> *Id.* at 985-86.

<sup>37</sup> *Id.*

<sup>38</sup> *Id.* at 986. (Emphasis added).

---

<sup>39</sup> 110 F.3d 780, 782 (Fed. Cir. 1997).

<sup>40</sup> *Id.*

<sup>41</sup> *Id.*

<sup>42</sup> *Id.* at 783.

<sup>43</sup> *Id.*

<sup>44</sup> *Id.*

<sup>45</sup> 360 F.3d 1295 (Fed. Cir. 2004).

fees under §285. Jergens manufactured and sold an Age Defying Therapeutic Moisturizing Lotion with Coenzyme Q10.<sup>46</sup> Q-Pharma held a patent for a method of therapeutically treating impaired or damaged skin which comprised administering a composition “comprising as the principal active ingredient a therapeutically effective amount of Coenzyme 10.”<sup>47</sup> At issue was the amount of CoQ<sub>10</sub> in Jergens’ lotion. Prior to filing the lawsuit, Q-Pharma’s attorneys interpreted and analyzed the patent’s claims.<sup>48</sup> Q-Pharma also obtained a sample of Jergens’ product, but did not do any chemical analysis of the product.<sup>49</sup>

Instead, Q-Pharma relied on the analysis of the patent by its attorneys and the advertising and labeling of the product which included the ingredients.<sup>50</sup> Although Jergens argued that reliance on the advertising material without performing a chemical analysis prior to filing suit was inadequate, the Federal Circuit rejected this argument, stating “[b]ecause Q-Pharma obtained a sample of the accused product, reviewed Jergens’ statements made in the advertising and labeling of the accused product, and...compared the claims of the patent with the accused product, we conclude that its claim of infringement was supported by a sufficient factual basis.”<sup>51</sup>

Q-Pharma’s attorneys clearly performed a more in-depth analysis of the patent at issue prior to filing the

lawsuit than the attorneys in *View Engineering* and *Judin*. However, there appear to be some inconsistencies in the Federal Circuit’s holdings in these cases with regard to the accused products. The Federal Circuit clearly emphasized the failure to obtain and examine the products in *View Engineering* and *Judin* as a basis for sanctions. Yet, in *Q-Pharma*, the fact that Q-Pharma obtained a sample of the accused product seemed to be enough to avoid Rule 11 sanctions and attorneys’ fees under §285. That Q-Pharma did not perform any chemical analysis – despite having the product and despite the fact that the testing would have been relatively easy and inexpensive – did not persuade the Federal Circuit that the pre-filing investigation was inadequate.

Another inconsistency in these holdings by the Federal Circuit resides in the fact that the Federal Circuit used *Judin*’s and *Robotic*’s reliance on advertising and publicly available information as a partial basis for the award of sanctions. Yet, in *Q-Pharma*, such reliance was warranted and reasonable.

Sanctions under Rule 11 for failure to conduct an analysis of the accused product may be avoided if a sufficient reason exists as to why the product was not analyzed. As previously mentioned, it appears that the refusal of an accused infringer to comply with a request for a sample of the accused product is not sufficient reason.<sup>52</sup> However, the patent plaintiff in *Hoffmann-LaRoche, Inc. v. Invamed, Inc.* avoided Rule 11 sanctions by pleading the in the Complaint that “plaintiffs are presently not aware of any

---

<sup>46</sup> *Id.* at 1297.

<sup>47</sup> *Id.*

<sup>48</sup> *Id.* at 1301.

<sup>49</sup> *Id.* at 1301-02.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.* at 1302-03.

---

<sup>52</sup> *View Engineering, Inc.*, 208 F.3d at 985-86.

analytical technique which can be used to definitively establish that [the product] was made by use of the invention of one or more claims of the [p]atents.”<sup>53</sup> The Defendant supplied samples of the product to Roche, but refused to disclose the process of manufacturing the product.<sup>54</sup>

Affirming the denial of sanctions, the Federal Circuit relied on the fact that (a) the Defendant refused to disclose the process of manufacture, and (b) the Plaintiff could not reverse engineer the product.<sup>55</sup> In doing so, the Federal Circuit noted “although Hoffman and Syntex ‘could have assumed non-infringement’ when ‘at the end of the plaintiff’s pre-suit investigation it had neither evidence of infringement nor non-infringement..., that they chose to file suit and engage in discovery instead does not subject them to sanctions.”<sup>56</sup> Thus, so long as pre-lawsuit investigation efforts are made to determine infringement, Rule 11 may be avoided altogether even if suit is filed having no evidence of infringement.

What is clear from these cases is that an attorney must do an in-depth analysis of the patent prior to filing the lawsuit. However, when and under what circumstances an attorney or client must analyze, reverse engineer or otherwise examine the accused product is not clear. Moreover, when and under what circumstances an attorney may rely on the advertising and publicly available material in conducting a pre-lawsuit investigation in lieu of examining and/or reverse engineering the accused product

is not clear. Moreover, in light of the *Hoffman* decision, an attorney may avoid Rule 11 even in the absence of evidence of infringement so long as a reasonable pre-lawsuit attempt to find evidence of infringement is undertaken.

#### B. *Claim Construction and Claim Charts.*

Attorneys often choose to document their pre-lawsuit analysis by preparing claim charts to show compliance with their duty to investigate prior to filing. However, a “claim chart is not a requirement of a pre-filing infringement analysis, as the owner, inventor, and/or drafter of a patent ought to have a clear idea of what the patent covers without the formality of a claim chart.”<sup>57</sup> Attorneys who decide to prepare claim charts as evidence of their pre-lawsuit investigation should be aware that if a Rule 11 motion is filed by the defendant, the claim chart will be scrutinized to determine if it passes muster under Rule 11.

In *Eon-Net, L.P. v. Flagstar Bancorp, Inc.*, claim charts prepared by Eon-Net’s attorneys did not meet the requirements of Rule 11. Eon-Net had previously filed several other patent infringement lawsuits under the patent, wherein a cheap offer of settlement was made by Eon-Net shortly after service of the complaint.<sup>58</sup> Flagstar complained of Eon-Net’s previous lawsuits, characterizing the litigation as a “bad faith shakedown suit,” as a basis for its Rule 11 motion for sanctions.<sup>59</sup>

---

<sup>53</sup> 213 F.3d 1359, 1361 (Fed. Cir. 2000).

<sup>54</sup> *Id.*

<sup>55</sup> *Id.*

<sup>56</sup> *Id.* at 1364.

---

<sup>57</sup> *Q-Pharma*, 360 F.3d at 1301.

<sup>58</sup> 239 F.R.D. 609, 612 (W.D. Wash. 2006).

<sup>59</sup> *Id.* at 613.

Eon-Net argued that its pre-filing investigation was reasonable, claiming that it examined Flagstar's website, construed the claims, compared the claims to the website, and prepared a claim chart. In rejecting this argument, the District Court noted that Eon-Net's claim chart was virtually identical to the claim chart it prepared in all of its previous lawsuits, and that the claim charts were "crafted for versatility"... and "essentially worthless."<sup>60</sup> The District Court held that the claim charts fall below the requirements of Rule 11.<sup>61</sup> In doing so, the Court explained that there was no basis for Eon-Net's unrealistically broad claim interpretation.<sup>62</sup> The Federal Circuit later vacated the grant of sanctions to Flagstar and remanded to allow Eon-Net to present evidence in favor of its claim construction.<sup>63</sup>

In *Triune Star, Inc. v. Walt Disney Co.*, Triune sought to enforce its patent for a "Telecommunications Locating System."<sup>64</sup> The Defendants moved for summary judgment for non-infringement, and for sanctions under Rule 11 for failure to conduct a reasonable pre-suit investigation, specifically with regard to Triune's construction of the limitation of an "infrared camera" limitation in the claims.<sup>65</sup> In awarding the sanctions, the District Court noted that Triune's claim construction did not pass the "red face test", and that any reasonable pre-suit investigation would have revealed non-

infringement, especially in light of the prosecution history regarding the infrared camera limitation.<sup>66</sup> The District Court awarded sanctions against Triune as well as its attorneys, who were also the prosecuting attorneys for the patent-in-suit based on the unreasonableness of Triune's claim construction.<sup>67</sup>

Clearly, claim charts and other pre-lawsuit claim construction documents can provide evidence of a reasonable pre-suit investigation. However, if such documents are prepared, such construction should be reasonable and detailed. Conclusory claim charts that only recite the claim language of the patent and do not contain evidentiary support for the conclusion of infringement will not be sufficient to overcome Rule 11.<sup>68</sup> Moreover, frivolous claim construction obviously will not overcome Rule 11.

### C. *Pre-Filing Expert Reports*

In particularly challenging cases of infringement and/or where issues regarding validity of the patent are concerned, a patent plaintiff's attorney may consider hiring an expert and obtaining a favorable infringement and/or validity opinion prior to filing the lawsuit. A pre-lawsuit expert report is certainly not required and the Federal Circuit has stated that the failure to obtain such an opinion is not conclusive of an exceptional case under § 285, but it

---

<sup>60</sup> *Id.* at 614-15.

<sup>61</sup> *Id.*

<sup>62</sup> *Id.*

<sup>63</sup> 249, Fed. Appx. 189, 2007 WL 2818634 (Fed. Cir. Sept. 27, 2007).

<sup>64</sup> No. 07-1256, 2008 WL 5068943 (C.D. Ill. Nov. 25, 2008).

<sup>65</sup> *Id.* at \*3.

---

<sup>66</sup> *Id.* at \*8, \*9.

<sup>67</sup> *Id.*

<sup>68</sup> *Network Caching Tech. LLC v. Novell, Inc.*, No. C-01-2079-VRW, 2002 WL 32126128, at \*5-6 (N.D. Cal. Aug. 13, 2002).

may be relevant in certain circumstances.<sup>69</sup>

In *Epcon Gas Sys., Inc. v. Bauer Compressors, Inc.*, Epcon brought an infringement action against Bauer, asserting enforcement of a patent for an apparatus and method for providing gas assistance to an injection molding process.<sup>70</sup> Bauer moved for summary judgment of non-infringement, invalidity, and to declare the case exceptional under §285.<sup>71</sup> Bauer alleged that Epcon had previously obtained an opinion adverse to Epcon on the issue of invalidity.<sup>72</sup> Bauer argued that Epcon filed the action without performing an infringement investigation, or obtaining a favorable infringement or validity opinion after the adverse opinion of invalidity.<sup>73</sup> The Federal Circuit declined to hold the case exceptional, stating that the failure to obtain an infringement opinion, while possibly relevant, was not conclusive of an exceptional case – especially where the direct infringement evidence precluded summary judgment.<sup>74</sup>

While expert opinions are not required prior to filing a lawsuit, if the opinion is reasonable in light of the evidence available prior to filing the lawsuit, such opinions can be helpful in proving an adequate pre-lawsuit investigation was performed if challenged under Rule 11 or § 285. It

---

<sup>69</sup> *Epcon Gas Sys., Inc. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1035 (Fed. Cir. 2002).

<sup>70</sup> *Id.* at 1025-27.

<sup>71</sup> *Id.*

<sup>72</sup> *Id.* at 1034-35.

<sup>73</sup> *Id.*

<sup>74</sup> *Id.* see also *Eon-Net*, 239 F.R.D. at 616. (obtaining an expert opinion in a pre-lawsuit investigation is not required, but may be helpful to counsel)

may be wise for the patent infringement plaintiff and its/his/her attorney to discuss whether to hire an initial expert prior to filing the lawsuit.

#### **IV. Reevaluating the Pre-Lawsuit Investigation after Claim Construction.**

Finally, although not the central focus of this paper, the patent plaintiff's attorney should always reevaluate the initial investigation and resulting infringement position after receiving a ruling on claim construction. Although Rule 11 and/or §285 may have initially been overcome by the pre-lawsuit investigation, they can come back into play if the patent plaintiff continues to assert its initial infringement position after receiving an adverse claim construction. In fact, the comments to Rule 11 provide for sanctions when an attorney continues to insist upon a position after it is no longer tenable. Likewise, a court may well find the case exceptional under §285 where the patent plaintiff, attorney, and/or law firm maintains the infringement position after an adverse claim construction.

For instance, in *Medtronic Navigation, Inc. et al v. BrainLab Medizinische Computersystems GMBH, et al.*, the Court held the plaintiffs and the plaintiff's attorneys' law firm jointly and severally liable for attorneys fees, costs and expenses under § 285 in the amount of over \$4 Million. Medtronic particularly opposed the portion of attorneys' fees attributable a consulting law firm engaged by BrainLab. The Court denied such opposition, and stated “[i]f Medtronic had engaged other counsel in such an objective evaluation of its litigating position after this Court's

claims construction order it would have avoided its liability under 35 U.S.C. §285.” Thus, it is important to reevaluate the initial infringement position after claim construction rulings are issued to avoid post-claim construction assertions of sanctions under rule 11 and/or attorneys fees under § 285.

## **V. Conclusion**

There is no bright line list of tasks a patent plaintiff’s attorney must undertake to evade sanctions under Rule 11 and/or attorneys fees under §285. However, there are some clear principles that should be followed. At a minimum, some comparison of the claims to the accused products must occur. It is also important to make adequate efforts to procure a sample of the accused device if possible. This may even require a pre-lawsuit request for the product from the accused infringer.

If reasonable efforts are made to obtain the product, but are not successful, the attorney is probably justified in relying on publicly available material such as advertising. However, the attorney will be well served to document the efforts made to obtain the product – not only in the attorneys’ files, but also in the complaint itself.

Claim charts or other claim construction documents will also be helpful so long as the construction is well founded and reasonable. However, the claim charts should do more than merely mimic the claims and should contain evidentiary support for the conclusion of infringement.

Finally, the attorney and the client may wish to consider whether to hire an expert to furnish a preliminary report on infringement and/or validity, especially if it is foreseeable that validity may be challenged. Again, the report should set out the evidentiary support for infringement and/or validity and should not be merely conclusory.