
**The 15th Annual Sedona Conference on Patent Litigation:
Improving the Efficiency of Handling Patent Litigation**

Hyatt Regency,
Reston, VA

DAY ONE: Monday, October 19

7:30 — 8:30 Continental Breakfast & Registration

8:30 — 8:45 Mission & Overview

(Hoffman, Long, Sterne, Weinlein)

8:45 — 10:00 The patent system – friend or foe to fostering innovation and economic expansion.

(Anderson, Jakopin, Johnson, Michel (J), Scott)*

Patent litigation has become more challenging and expensive over the last 10 years. Many assert that part of the reason is the existence of abuse of the litigation system, both in connection with what patents are being asserted and in the litigation process itself. The USPTO/PTAB's *Inter Partes* Review process was initiated to provide a less expensive avenue for challenging the validity of patents. The courts are increasingly confronting the complexities of Standard Essential Patents (SEP) and FRAND issues. But is the system working, and if not, then what can be done to put it back on track so that it fosters innovation?

Materials:

- [1] *WG10 Commentary on Patent Litigation Best Practices: Introductory Chapter* (July 2015 Edition)
- [2] RPX Corporation, *2014 NPE Litigation Report*
- [3] RPX Corporation, *2014 NPE Cost Report: High Level Findings*
- [4] David J. Kappos, *Why America's patent system is not killing innovation*
- [5] Jay P. Kesan, *Economic Rationales for the Patent System in Current Context*
- [6] Tim Kane, Kaufman Foundation, *The Importance of Startups in Job Creation and Job Destruction*

10:00 — 10:15 Morning Break

10:15 — 11:15 How can the courts and the parties curb abuse? Focusing the process and getting cards on the table early.

(Conti (J), Fishman, Hoffman, Jeffries, Lynn (J))*

Focusing the scope and direction of the litigation helps the court and the parties make for more efficient handling of the litigation. In order to achieve this it helps to provide as much information at the initial scheduling conference as possible. Are there particular damage theories such as the applicability of the entire market value in play? Is there a Section 101/*Alice* issue? Is there a standing issue, or other case narrowing issues in play? These may lead to an early resolution or settlement of the litigation or at a minimum limit the scope of discovery.

A key barrier to such an earlier exchange of theories of the case is inherent in the complex nature of patent litigation itself, and the need for discovery of information not immediately known to the parties that is important to the development of particular theories of the case. But can this barrier be better overcome by improved procedural requirements and stronger incentives that encourage parties to both first develop their own theories of the case earlier and disclose them earlier? What case management procedural requirements (e.g. heightened pleadings standards for complaints and answers, conference requirements, initial contentions, etc.) and incentives can be developed to address this problem? Steps for developing these include:

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10:15 — 11:15 (cont.)

1. Identifying the key information, in particular that information that is largely or wholly in the hands of one of the parties, that if disclosed earlier will facilitate the parties' understanding of the core substantive issues of the case. E.g.:
 - a. known asserted claims
 - b. accused products
 - c. patent priority date / date of invention
 - d. documents supporting each allegation in complaint and answer and counter-claims
 - e. intent to file an IPR
 - f. any challenge under Section 101, *Alice*
 - g. preliminary compensatory damages contentions/whether the entire market value applies or small saleable unit / ballpark valuation of the case infringement and invalidity contentions and responsive contentions / How can they be used to advance the ball more quickly and efficiently?

2. Identifying the barriers to the disclosure of each of the above and assess how they could best be overcome.

Materials:

- [7] *WG10 Commentary on Patent Litigation Best Practices: Case Management Issues from the Judicial Perspective* (Feb. 2015 Public Comment Version; Oct. 2015 draft update)
- [8] *WG10 Commentary on Patent Litigation Best Practices: Discovery Chapter* (Oct. 2014 Public Comment Version)
- [9] *WG9 Commentary on Patent Damages and Remedies: Proposed Model Rule for Damages Contentions* (Oct. 2015 draft)
- [10] *WG10 Commentary on Patent Litigation Best Practices: Summary Judgment Chapter* (Oct. 2015 Edition)
- [11] Deborah E. Fishman, Katie J.L. Scott & Oscar Ramallo, *When the Juice is not Worth the Squeezing: Towards Efficiency and Proportionality in Patent Case Management* (Oct. 2015)

11:15 — 12:15 Confronting the implementation of *Alice* – When and how to address the issue in the courts and in the PTAB.

(Hanlon-Leh, Hutz, Jordan (J), Supko)*

In the first year since the Supreme Court's ruling in *CLS Bank v. Alice*, there has been a significant increase in challenges to patents under § 101, with over half of the rulings having been decided on Rule 12 motions. What case management procedures and tools can we develop to help courts in identifying which § 101 challenges can be resolved early in a case, without prejudicing the Court's ability to render a decision based on sufficient evidence and adequate process, and appropriately address the challenges of any required construction of claim terms, and any factual development required of the extent of preemption caused by enforcement of the claims or of the "inventive concept" requirement, and of the management of any expert testimony as required?

Materials:

- [7] *WG10 Commentary on Patent Litigation Best Practices: Case Management Issues from the Judicial Perspective Chapter, Att. A—Alice/Sect. 101 Best Practice Recommendations* (Feb. 2015 Public Comment Version; Oct. 2015 draft update)

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12:15 — 1:30 Lunch

1:30 — 2:45 Abusive discovery must be curbed.

(Arenz, Bowbeer (J), O'Grady (J), Westgard)*

Disputes over discovery obligations and compliance comprise a significant part of the burden and in patent litigation that has become a focal point of the calls for patent reform. The potential for abuse arises for both propounding and responding parties. Not only can it give rise to much unnecessary satellite litigation, but it can also unduly influence the litigation in favor of the abusive or noncompliant party, whether by imposing costs that overwhelm the merits, or by delaying or withholding relevant information in the hope of obscuring the merits. Amendments to Federal Rule of Civil Procedure 26(b)(1), due to take effect December 1, 2015, give new life to a proportionality requirement for discoverable information, reflecting a move away from allowing broad discovery as a right and toward requiring discovery to be related to the specific claims and defenses in the pleadings. At the same time, they emphasize transparency, reflecting a move away from broad, vague objections and toward requiring responders to be more direct and forthcoming about their discovery efforts. But how can these principles be implemented in practice? The Sedona Conference's WG10 has outlined a set of procedures for parties and, if necessary, the courts, to efficiently raise and resolve discovery disputes, and the panel will lead a dialogue on how to change the perception and reality of abusive discovery in patent litigation.

While there is much that can and should be done by the parties to improve the system, the courts, too, have a responsibility to send a clear and consistent message that abusive litigation tactics will not be tolerated. One important tool for accomplishing this is early engagement with the parties about the court's expectations. Another, where proactive efforts have failed, is the imposition of sanctions, whether monetary (including fee and cost shifting) or evidentiary. For those litigants or counsel responsible for abuses, a real and present threat of sanctions for such behavior may be the only effective deterrent. With the recent Supreme Court decisions in May 2014 in *Highmark* and *Octane Fitness*, federal district court judges have more discretion to hold patent litigants accountable for abusive conduct. But how can the courts and parties use such tools effectively to curb abusive discovery, while mitigating against the use of attorney fee-shifting motions to generate the very type of abusive and unnecessary satellite litigation they are supposed to curb?

Materials:

- [8] *WG10 Commentary on Patent Litigation Best Practices: Discovery Chapter* (Oct. 2014 Public Comment Version)
- [7] *WG10 Commentary on Patent Litigation Best Practices: Case Management Issues from the Judicial Perspective Chapter, Att. A—Exceptional Case Determination Best Practice Recommendations* (Feb. 2015 Public Comment Version; Oct. 2015 draft update)
- [13] Patrick M. Arenz, *Top 5 Discovery Abuses in Patent Litigation from the Patent Holder's Perspective* (Oct. 2015)

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2:45 — 3:45

A two-way street – complying with, and benefiting from, intellectual property right commitments to a standards organization.

(Dunstan, Hesse, Rees, Selwyn, Wong-Ervin)*

Technical industry groups often form voluntary organizations to develop and adopt technical standards that allow compatibility between different products made by different manufacturers so that any of those standard-compliant products can work together. For example, industry groups may develop a standard protocol for wireless communication so that wireless signals transmitted by one standard-compliant device can be received and understood by any other standard-compliant device no matter who made it. These standard setting organizations (SSOs) often have policies concerning what its participants should do if they own intellectual property relevant to a standard that the SSO is developing. Such intellectual property rights (IPR) policies might require a participant to let the SSO know if they have a patent that may cover the standard, whether they would be willing to license the patent to others in the industry if their patent covers the standard and, if so, under what terms. These IPR policies and patent commitments are not the same for each SSO or patent owner.

We have seen increased litigation surrounding commitments made to SSOs about patents alleged to cover a technical standard (also called “standard essential patents” or “SEPs”). For example, the manufacturer (or “implementer”) of a standard-compliant product may argue that a patent owner has not complied with its commitment to offer a license to standard essential patents, perhaps by refusing to grant a license or by offering a license on terms different from what it committed to offer. In response, the patent owner may argue that it complied with its commitment, that the implementer was actually or effectively unwilling to negotiate a license or that the implementer otherwise had not satisfied its obligations for taking advantage of the patent owner’s commitment to the SSO.

This panel will explore how to determine what commitments, if any, a patent owner made to an SSO concerning its standard essential patents, what the patent owner should do to comply with such commitments, and what someone wanting to implement the standard should do in order to take advantage of a patent owner’s commitment to an SSO.

Materials:

- [14] Mark Selwyn, Timothy Syrett & Joseph Mueller, *The Unwarranted Extension of the “Unwilling Licensee”* (Oct. 2015)
- [15] Koren Wong-Ervin, *A two-way street—complying with, and benefiting from, intellectual property right commitments to a standards organization* (Oct. 2015)
- [16] Joseph Kattan, *The Next FRAND Battle: Why the Royalty Base Matters* (Mar. 2015)
- [17] Organisation for Economic Co-operation and Development, Directorate for Financial and Enterprise Affairs Competition Committee, *Intellectual Property and Standard Setting – Note by the United States* (Dec. 2014)
- [31] Douglas H. Ginsburg, Koren W. Wong-Ervin, & Joshua D. Wright, *The Troubling Use of Antitrust to Regulate FRAND Licensing* (Oct. 2015, advance copy)

3:45 — 4:00

Afternoon Break

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4:00 — 5:00

In the eye of the beholder – What are Fair, Reasonable and Non-Discriminatory (FRAND) licensing terms?

(Bailey, Jeffries, Layne-Farrar, Meyer, Snyder)*

Owners of patents that are essential to practicing an industry technical standard may have assured a standard setting organization (SSO) that they would license such standard essential patents (SEPs) to those wanting to implement the standard on fair, reasonable and non-discriminatory terms (FRAND). The patent owner and someone wanting to sell products that implement the standard may enter negotiations for a license under the patents, which can lead to a license agreement involving royalty payments, cross-licenses, or other monetary and non-monetary consideration that the parties agree would constitute FRAND licensing terms.

But we have seen an increase in litigations where the patent owner and prospective licensee cannot agree on what would be FRAND licensing terms. For example, the parties may disagree on whether the royalty base to which a royalty rate will be applied should be the price of an entire standard-compliant product or just the price of component(s) within that product required to implement the standard, sometimes called the smallest saleable patent practicing unit (SSPPU). Some say that real-world FRAND licenses negotiated between sophisticated market participants commonly use the entire product for the royalty base and that the SSPPU concept is a rule of evidence applicable to only U.S. jury trials to avoid the larger price of the entire product improperly skewing a lay jury's ultimate royalty award. But others say that the SSPPU concept has broader application and can represent a fair starting point in licensing negotiations.

Further, the parties also may disagree about which existing real-world patent license agreements should be relied on as being comparable to a FRAND negotiated license. Some say that prior licenses negotiated to settle litigation under the threat of imminent injunctive relief cannot be relied on as being comparable to a FRAND license, because those circumstances skew the license royalty too high. And some say that licenses based on certain patent pools may not be comparable to a FRAND license because some patent pools may attract only low value patents that skew license royalty too low, while more valuable patents may be separately licensed outside the patent pool. And the parties may have many other circumstances they believe render existing real-world license inapplicable to their instant FRAND license negotiation.

This panel will explore what constitutes FRAND licensing terms, including the proper royalty base, comparable licenses, the distinctions between real-world FRAND licenses and litigated FRAND royalty rates and other considerations.

Materials:

- [18] *WG9 Commentary on Patent Damages and Remedies* (June 2014 Public Comment Version)
- [19] Anne Layne-Farrar and Koren Wong-Ervin, *Methodologies for Calculating FRAND Damages* (Oct. 2014)
- [20] Anne Layne-Farrar and Koren Wong-Ervin, *An Analysis of the Federal Circuit's Decision in Ericsson v. D-Link* (Mar. 2015)
- [21] Mark Snyder, *SSPPU: A Tool for Avoiding Jury Confusion* (Oct. 2015)

5:30 — 7:30

Reception (guests invited)

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DAY TWO: Tuesday, October 20

7:30 — 8:30 Continental Breakfast & Registration

8:30 — 9:30 Administering justice – practical case management considerations in litigating Standard Essential Patents (SEPs).

(Essex (J), Ginsburg (J), Long, Robart (J), Stark)*

The recent increase in litigations involving standard essential patents (SEPs) has raised unique procedural issues. Some issues concern when a patent owner may seek an injunction on a standard essential patent that the patent owner committed to license on FRAND or other terms. Some say that the patent owner must first offer a license on FRAND terms to a prospective licensee and reach an impasse before they may seek injunctive relief. Others say that the patent owner may file an action seeking injunctive relief and the court may consider the FRAND commitment in exercising its discretion whether and under what terms an injunction would be granted.

SEP litigation often involves the issue whether the patent owner complied with commitments it made to a standard setting organization (SSO) and whether the prospective licensee complied with its obligations in order to take advantage of the patent owner's commitments. This gives rise to issues of who has the burden of producing evidence and who has the ultimate burden of persuasion on the various challenges raised. For example, the prospective licensee may argue that the patent owner was improperly leveraging the fact that its patent was required to implement the standard to seek an excessively high royalty beyond the actual value of the patented technology (what some call "patent holdup"). The patent owner may argue that the prospective licensee was not a willing licensee, but was delaying negotiations and otherwise not acting properly in negotiating a license (what may lead to "patent holdout" or "reverse patent holdup"). In these instances, which party has the burden of producing evidence and ultimate burden of proof to establish patent holdup, a willing/unwilling licensee, patent holdout, etc.?

SEP litigations often concern issues of contract law, patent law or a combination of both. This raises issues as to an efficient way to stage the case for adjudicating all issues. For example, some courts have found that determining the contractual issues of what constitutes a FRAND royalty rate may lead to settlement without needing to consider pure patent law issues of whether the patents at issue are valid or infringed. And courts may face issues concerning efficient litigation of large patent portfolios that may be subject to FRAND or other SSO commitments.

This panel will explore various procedural and case management issues to be considered when litigating standard essential patents.

Materials:

- [22] Richard J. Stark, *Case Management Issues Involving SEPs: Federal and State Trial Courts* (Oct. 2015)
- [23] David W. Long and Mindy B. Pava, *Case Management Issues Involving Standard Essential Patents: U.S. International Trade Commission* (Oct. 2015)
- [24] *WG10 Commentary on Patent Litigation Best Practices: Use of Experts, Daubert, and Motions in Limine Chapter* (Oct. 2014 Public Comment Version)

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9:30 — 10:30 The *Inter Partes* Review (IPR) process: purpose, standing, 1 year time bar, and assignor estoppel.

(Fleming (J), Morin, Obermann (J), Silverio, Sterne)*

This panel will explore the purpose behind the creation of the IPR Process, and the standing requirements to bring such proceedings. In particular, the real party-in-interest requirement will be examined, and its relationship to the one-year bar under § 315(b), which is measured from the service of suit in a parallel district court proceeding. Additionally the development of short sellers of stock of the patent owner enterprise using IPRs to drive stock price drops resulting in profits to the short seller will be examined. The absence of assignor estoppel in IPRs will be discussed.

Materials:

- [25] *WG10 Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter* (Oct. 2014 Public Comment Version; Oct. 2015 draft update)
- [26] Robert G. Sterne, Buddy Toliver, and Daniel S. Block, *Assignor estoppel and the PTAB* (Oct. 2015)
- [27] Sterne, Kessler, Goldstein & Fox, PLLC, *Patentability Challenges at the U.S. Patent and Trademark Office*, PATENT LITIGATION STRATEGIES HANDBOOK (4th ed. 2015, advance copy)
- [28] U.S. Patent and Trademark Office, *Patent Trial and Appeal Board Statistics* (July 31, 2015)
- [29] Donald R. Banowitz, *Looking Deeper into the Published PTAB Statistics* (Oct. 2015)

10:30 — 10:45 Morning Break

10:45 — 11:45 Is the IPR process too restrictive – can the parties really litigate all the necessary issues?

(Boalick (J), McCombs, McKeown, Stanek Rea)*

The goal of the IPR process is to address validity/patentability in a faster, cheaper, and better manner than the district courts. However, several significant factors have developed which call to question whether these lofty goals are being met. This panel will address the issues of the limits created by the rules of practice and the statutory requirement that the trial be completed within one year of institution. Specifically, only a limited number of claims can be addressed in a single proceeding, and discovery in these proceedings is very limited in most circumstances. Not all defendants being sued under the patent need to be part of an IPR challenging the claims in suit, and often multiple IPRs are filed against the same claim by the same or different petitioners.

Materials:

- [25] *WG10 Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter* (Oct. 2014 Public Comment Version; Oct. 2015 draft update)
- [30] David L. McCombs, Scott A. McKeown, Teresa Stanek Rea, *Is the IPR Process Correctly Calibrated - Are Parties Able to Adequately Address All Necessary Issues?* (Oct. 2015)

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11:45 — 1:00 The impact of post-grant proceedings on patent enforcement and monetization.

(Banowitz, Finocchio, Poplawski, Thompson, Tierney (J))*

The number of IPRs filed to date are more than three times the maximum that was expected over the first four years of availability of the proceeding. The majority of these post-grant proceeding involve parallel district court litigation. Different burdens of proof, approaches to claim construction and treatment of evidence ensure different results concerning validity/patentability of the same claim in proceedings at the PTAB as opposed to in suits in the district courts. Often, the patent owner is faced with multiple IPRs, which can be extremely costly to defend and limits if not effectively precludes the ability of smaller patent owners to enforce their patent property rights. Petitioners contend that each accused infringer is entitled to challenge the patentability of the asserted claims using the PTAB procedures. In addition, uncertainty remains regarding what is and who are estopped (legally and practically) after a Final Written Decision of the Board, both in subsequent district court proceedings and subsequent post-grant challenges, creating a “use it or lose it” risk for defendants and other interested parties. This panel will address whether PTAB post-grant proceedings are working for both petitioners and patent owners, and the long term consequences these proceedings are likely to have for patent enforcement and monetization in the U.S.

Materials:

- [25] *WG10 Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter* (Oct. 2014 Public Comment Version; Oct. 2015 draft update)
- [28] U.S. Patent and Trademark Office, *Patent Trial and Appeal Board Statistics* (July 31, 2015)
- [29] Donald R. Banowitz, *Looking Deeper into the Published PTAB Statistics* (Oct. 2015)

1:00 — 1:05 Closing Statements

(Weinlein)

1:05 — 2:00 Grab and Go Lunch (provided)