

INTELLECTUAL PROPERTY LITIGATION BASICS

Intellectual property assets, such as patents, trademarks, copyrights and trade secrets, are valuable assets to their owners. They provide the owners with means for protecting their investments and for enforcing their proprietary rights in the information, data, technology, and literary, musical and artistic works that such assets cover. On the other hand, people and companies have the right to pursue their own careers and businesses in scientific, technical, artistic and other fields without unwarranted interference in their activities. When these different rights come into **conflict**, intellectual property disputes and lawsuits occur.

An owner who believes his intellectual property assets are being infringed or his proprietary information being misappropriated, may want Gordon & Rees to represent him in a lawsuit to enforce his rights. Conversely, a company or technical or business person or a writer, musician or artist who has been accused by an intellectual property owner of infringement or misappropriation, may want Gordon & Rees to undertake their defense. Whether you are a **plaintiff** (the party who starts the lawsuit) or a **defendant** (the party who is accused in the lawsuit), this brochure will help you to understand the litigation **process**, the **events** that commonly occur in litigation, the **schedule** and **order** in which they are likely to occur, what the attorney's role is in handling the case, and what will be **expected of the litigant**.

BASIC FACTORS

There are several factors which are common to all intellectual property lawsuits.

1. If there is no early settlement or resolution, a lawsuit will be a **lengthy process**, taking many months and often many years. How long often depends not only on the issues involved but also on what court and city the case is being conducted in.
2. Some cases can be resolved at an early stage, but a substantial amount of **expedited work** by the attorney at the outset of the case is required for that to be a possibility.
3. Judges place a great deal of emphasis on encouraging parties to **settle** their disputes out of court. Courts schedule conferences where the parties (with their attorneys) **must** meet with the judge or an arbitrator and seriously confer about settlement.
4. While one party may believe that the opponent's claims are frivolous, the court will **not** dismiss the case out of hand. Even establishing to the court's satisfaction that a case is frivolous takes a considerable amount of time and expense.
5. **All** court decisions, both those as to procedural matters and as to the actual merits

of the case, are made by the **judge**, the **magistrate** (an "assistant judge"), or the **jury** (where there is a jury trial). Each party's attorney will present evidence and legal precedent to argue that the court's rulings should be favorable to their client, but the decision is entirely in the hands of the judge, the magistrate, or the jury.

6. There will be numerous decisions by the court on both procedural and substantive matters throughout the course of the lawsuit. There is **no** way for an attorney to predict or guarantee in whose favor each issue will be decided or what the ultimate outcome of the lawsuit will be.
7. Even the party in whose favor the case is resolved is not guaranteed to get everything asked for.
8. Finally, litigation is very **expensive**. Intellectual property lawsuits are normally conducted on a **pay-as-you-go** basis, with each side bearing its own costs and legal fees. Only in "exceptional" cases does a court order the loser to reimburse the winner for "legal fees," and even then the amount awarded is often substantially less than the winner actually spent. This means that a case must be carefully **assessed** with a Gordon & Rees attorney to determine if the anticipated cost of litigation is out of proportion to any favorable results which can realistically be expected.

THE TWO COURT SYSTEMS

There are two court systems in the United States, one (the "**federal court**") run by the U.S. government and the other (the "**state court**") run by each state. There are branches of both in San Diego: a "U.S. District Court" and a "California Superior Court." Which court system will have jurisdiction depends on what the issues are and what area of the law applies. If a case primarily involves patents or copyrights, it will usually be in federal court.

If it involves trademarks it could be in either court, and if it involves trade secrets, proprietary information or contracts such as licenses, it will probably be in state court. However, often there is a choice of courts if a case involves a number of issues.

Both federal and state laws require that a lawsuit be conducted in a **geographical location** which has some significant connection with the parties or the relevant events. Just because a party resides in San Diego does not mean that that party's lawsuit can or must be conducted here. Based on the facts of the case, a Gordon & Rees attorney can advise **where** a plaintiff can file his case, or, if a defendant, whether the case must be defended in the court and city selected by the plaintiff or whether the case may be **moved** to a different court or city.

THE BEGINNING OF A LAWSUIT

(This brochure will illustrate a case in federal court, which is the most common forum for intellectual property cases. A state court, at least in California, will have similar procedures, but may use different names for its procedures compared to the federal court.)

The **plaintiff** starts the lawsuit by filing a **complaint** with the court. The complaint sets out in general terms the plaintiff's claims against the defendant, and what relief (such as money damages or an injunction) the plaintiff wants from the court. The **defendant** then files an **answer** to the complaint, which denies the plaintiff's claims, and can also include affirmative defenses against them as well as the defendant's **counterclaims** against the plaintiff. The defendant's answer also requests the actions or awards the defendant wants from the court. Jurisdictional issues regarding choice of courts can also be raised at this time.

MOTION PRACTICE:

Often a plaintiff wants an immediate halt to something the defendant is doing, in which case the plaintiff asks for **preliminary relief**, usually in the form of a **motion** for a **temporary restraining order** or a **preliminary injunction**. Usually a plaintiff can only get such early relief if it can convince the court that the defendant's actions, if continued, will cause the plaintiff **irreparable harm**. (That the defendant is cutting into the plaintiff's sales and revenue is not considered to be irreparable harm, since lost income can be compensated for by money damages if the plaintiff ultimately prevails in the case.)

Where information developed early in a case suggests that one or more of the individual issues does not involve any **disputed facts** and can be decided by the court as a matter solely of legal interpretation, a party may file a **motion** for **summary judgment** on the case or those issues and ask the court for such a ruling. If a summary judgment is granted, that issue is resolved. If it is denied, the parties are still free to develop their arguments on the issue in more detail in the actual trial. (Occasionally an issue will be so central to the whole case that a summary judgment on it may significantly affect the ultimate outcome of the case.)

Other motions may also be filed, depending on the nature of the case and the issues involved. Preparation of motions requires extensive time to develop relevant facts and assemble them as evidence acceptable to the court, and also to research and prepare a legal memorandum arguing to the court why legal precedents should compel the motions to be decided in the moving party's favor. Equivalent work must be done by the opponent's counsel, presenting evidence and legal arguments as to why the moving party's motions should be denied.

DISCOVERY

A major portion of the pre-trial period is devoted to **discovery**. This is the principal evidence-gathering period. During discovery the **depositions** of parties and other people knowledgeable about any aspect of the case are taken, **documents** and **physical evidence** for both sides are produced for inspection, **interrogatories** and **requests for admissions** (written questions about the case from one party to be answered by the opposing party) are exchanged, **expert witnesses** may be interviewed and retained,

inspection of facilities may occur, and other work (such as conducting physical or comparative testing of products or machines) is done so that each party can develop support for its own case and learn the details of the other party's case. Some information and documents may not be available because they are **privileged**; that is, they involve communications between a party (or witness) and its attorney. The fact that information, documents, inspections, etc. may involve access by the opponent to a party's confidential financial information or sensitive technology or research does **not** prevent them from being made available during discovery; however, the parties may be required to restrict inspection or use of disclosed information if a **protective order** is issued by the court.

Not everything which is identified, inspected, observed or learned in discovery is necessarily going to be part of a party's case at trial. The **scope** of permissible discovery is substantially broader than what may be usable in the courtroom. Often discovery involves obtaining information which is not evidence itself but which may lead to usable evidence.

Discovery can proceed for an **extended period of time**, depending on how extensive the issues in the case are, whether research and testimony by experts are needed, how many potential witnesses must be interviewed or deposed, how many documents must be inspected, etc. Often disputes arise when one party demands documents or other evidence and the opposing party claims that it is not required to produce them; such occurrences can lead to **motions to compel** made to the court by the requesting party, seeking to have the court order the opponent to make the documents or evidence available.

THE TRIAL

The actual **trial** is the culminating event of the case. It is when each party puts its case, through witnesses and evidence, before the judge (or jury) for a decision. Notwithstanding how long it may have taken to get to trial, most trials last only a few days. A **decision** may not occur immediately after the parties have completed their presentations. A jury will deliberate for a period which may be hours or days, and a judge often will take the case "under advisement" to review the evidence and testimony before rendering a decision.

Depending on how the issues in the case have been defined by the parties, there may be a number of separate decisions on the various issues, and not all of the decisions will necessarily favor the same party. Further, even where a decision is in a party's favor, the court often does not award the prevailing party everything it asked for.

COLLECTING OR ENFORCING THE JUDGMENT

That a decision has been rendered in a party's favor does **not** necessarily mean that the prevailing party will promptly get the compensation or other relief it has won. The losing party may **appeal** the decision to a higher court, and the trial court's award will normally be

suspended while the appeal proceeds. Also, losing parties sometimes fail to pay damages or abide by an injunction, which usually requires additional litigation (**contempt** proceedings) for court orders compelling the defaulting party to perform its obligations.

CONCLUSION

Intellectual property litigation is not something to be entered into lightly. However, litigation clearly has a significant role to play in the effective exploitation and enforcement of an owner's intellectual property rights. The most important factor before and during litigation is to be sure that the Gordon & Rees attorney is continually provided with **all** information related to the issues and the case (no matter how minor any individual piece of information may seem or whether it is helpful or adverse) so that appropriate and realistic decisions about the course and progress of the litigation, and about potential settlement, can be made.

Copyright Gordon & Rees LLP. All Rights Reserved.

This brochure is intended to provide general information for clients and friends of Gordon & Rees. It should not be construed or relied upon as legal advice. Applicability of the legal principles discussed in this brochure may differ widely in specific situations. Please consult a Gordon & Rees attorney for advice regarding specific legal questions and matters.