

The O2 Micro Solution To The O2 Micro Conundrum: Part 1

Law360, New York (December 07, 2011, 12:10 PM ET) -- Three years ago, the Federal Circuit issued its decision in *O2 Micro International Ltd. v. Beyond Innovation Technology Co.*, addressing the district court's "duty" to resolve claim construction disputes.^[1] Since that time, patent litigants have presented the decision as a requirement that courts address parties' claim construction disputes before trial, regardless of when a request for construction occurs.

As a result, the claim construction process has expanded beyond the *Markman* order — a development that has multiplied the cost and complexity of litigation while also eroding the degree of certainty regarding claim scope as parties head to trial. The fallout from these developments has created for district court judges an "O2 Micro conundrum": How are judges to prevent parties from waging costly claim construction disputes right up to the doorstep of trial while simultaneously observing the Federal Circuit's O2 Micro directive?

In this two-part article, we first address the factors that drive continual claim construction disputes, and the challenges that arise from such a paradigm. In the second part we suggest a potential solution, which calls for creating and enforcing predictable and fair rules for waiver of untimely claim construction disputes, subject to a showing of good cause.

Such a solution recognizes that the Federal Circuit's decision in *O2 Micro* did not give patent litigants *carte blanche* to raise claim construction disputes at any time, and actually contemplated that the dispute at issue may have been waived, before addressing it on its merits. The proposed solution also recognizes that the Federal Circuit has previously endorsed a "good cause" requirement in the context of patent local rules, in an earlier *O2 Micro* decision in 2006.

The Expansion of the Claim Construction Process

Claim construction is an elemental part of any patent case. As every patent litigator knows, to determine infringement, one begins by construing the asserted claims. The fact finder then compares the construed claims to the accused product or method. Infringement, however, is only one of the many inquiries that claim construction impacts. The scope assigned to a claim also heavily influences invalidity and damages.

The finder of fact uses claim scope to assess an invention's novelty in view of the prior art, and value in view of the closest available noninfringing alternatives. These issues are vital to the successful prosecution or defense of a patent suit, thus the trajectory of an entire case can turn on the construction of a single claim term.

Claim construction is also a powerful tool because it presents patent litigants with a unique opportunity to significantly impact every major component of the litigation at a relatively early stage in the litigation. Narrowing constructions can be case-dispositive on infringement, while broadening constructions can be case-dispositive on invalidity.

Consequently, in the ordinary case, claim construction is quickly followed by or conducted in tandem with briefing on motions for summary judgment of (non)infringement and (in)validity; the notion being that, under a certain construction, the opposing party cannot carry its evidentiary burden.

Many courts with high volumes of patent cases have developed local rules that set forth a uniform schedule for completing the Markman process. Ideally, this process facilitates early resolution of the case or, at the very least, definitively resolves the scope of the claims to streamline proceedings through trial.

In this ideal world, a Markman order allows parties to contemplate early resolution through settlement discussions or motions for summary judgment. Indeed, at least one court has recognized the value of using claim construction to drive early resolution of patent cases, ordering the parties to brief claim construction and summary judgment for three key claim terms prior to initiating full fact discovery.[2]

If these efforts fail, the order at least permits the parties to prepare for trial knowing the precise scope of the asserted claims. In the real world, however, these objectives are thwarted by the fact that a Markman order is not the end of claim construction, it is instead merely a benchmark along the way to trial. The reasons for this are three-fold.

First, the appeal of claim construction as a potentially case-dispositive issue encourages parties to constantly scrutinize the asserted claims and the collected evidence for claim interpretations that hold the promise of favorably impacting the case. The issuance of the Markman order does not bring this analysis to a close. Consequently, interrogatory responses and expert reports served long after the Markman order commonly include hints or outright assertions that an unconstrued claim term should be interpreted in a particular manner.

Second, Markman orders frequently generate amended infringement/invalidity contentions that, in turn, generate new claim construction disputes. Many districts have local rules that specifically envision or at least allow amended contentions following claim construction. See, e.g., N.D. Cal. Patent L.R. 3-6.

These updated contentions are usually far more detailed than the original contentions — which are ordinarily prepared without the benefit of discovery from the opposing party — and often times reveal that a party is interpreting a claim term in a way that was not apparent before. This additional information may enable the parties to identify further claim construction disputes of which they were not aware when they initially selected terms for the court to construe.

Third — and most important — the Federal Circuit’s decision in *O2 Micro International v. Beyond Innovation Technology* directs district courts to resolve claim construction disputes, even if they are raised on the doorstep of trial.[3] In its well-known opinion from that case, the Federal Circuit faulted the district court for failing to resolve the parties’ post-Markman claim construction dispute and for permitting the parties to present their claim construction arguments to the jury.[4]

While the court recognized “that district courts are not (and should not be) required to construe every limitation in a patent’s asserted claims,” the court went on to observe, “When the parties present a fundamental dispute regarding the scope of a claim, it is the court’s duty to resolve it.”[5] The clear implication from this discussion has been that “fundamental” disputes must be resolved whenever they arise, hence the persistent pursuit of fundamental disagreements creeps well beyond the Markman order.

The Consequences of Unbounded Claim Construction

Claim construction creep is problematic because it undermines the dual objectives of claim construction and imposes significant — and unnecessary — burdens on the parties and the judiciary as a result. The availability of additional claim construction disputes discourages early settlement because, even after an unfavorable Markman order, accused infringers are inclined to believe that they have more arrows left in the quiver.

The prospect of new disputes also frustrates efforts to streamline the case for trial because, in many cases, these disputes lead to a request for a further round of claim construction as part of a motion for summary judgment. Regardless of whether such a motion is ultimately filed, the very possibility that one might be filed compels an opposing party to take substantial precautionary measures the moment an apparent dispute bubbles to the surface.

As alluded to above, post-Markman claim construction disputes frequently make their initial appearances in interrogatory responses and expert reports. The precise nature of the dispute is often shrouded by ambiguous statements concerning the presence or absence of particular claim limitations, thus it will not always be clear what construction(s) the serving party believes is correct. Nevertheless, the receiving party must immediately begin gathering evidence that would demonstrate infringement, invalidity or the appropriate amount of damages in view of the serving party’s contentions.

Parties that fail to take into account all proposed constructions of which they are aware when assembling such evidence do so at their peril, because both the Federal Rules and case law suggest that parties may not have the opportunity to do so either during or after a motion for summary judgment that calls the issue out for resolution.

For example, it will be difficult for the nonmoving party to obtain additional time for discovery under Fed. R. Civ. P. 56(d) if the moving party can point to a discovery response served months earlier that put the nonmoving party on notice of the instant dispute. Furthermore, numerous courts have held that a nonmoving party cannot oppose a motion for summary judgment with an expert declaration that is outside the scope of the expert’s Rule 26(a)(2) report.[6]

Nor can experts expand the scope of their expert opinions by offering supplemental reports addressing facts that were available at the time of their original reports.[7] Instead, to the extent that multiple theories of infringement, invalidity or damages were in play at the time of opening reports as the result of competing claim interpretations, experts are required to offer alternate opinions:

[A] party acts at its peril when it eschews having an expert opine on the questions of infringement and validity using the opponent's claim construction. It is true, as Rambus argues, that a party is not required to forecast every possible permutation of claim interpretation upon which a court might settle; but, it is certainly not expecting too much to have a party assess the opposing expert's opinions and posit alternate opinions on the assumption that the opposing party's claim construction might be persuasive to the court.[8]

The spectre of decisions like those cited above forces parties to invest considerable time and energy in addressing even the vaguest proposed constructions. The expense and complexity of this undertaking can grow exponentially depending on the number of disputes within a given claim. For example, even a patent claim with only two disputed claim terms has four different permutations, each of which may require a unique set of evidence to prove infringement or validity.

The task of assembling the supporting evidence for all of these potentialities must occur despite the fact that (1) the discovery responses in which such constructions are embedded are subject to change and (2) the dispute may never come before the court or, if it does, at least some constructions will not be adopted.

Patent litigants are not alone in struggling under the burden of perpetual claim construction. Courts have also raised this issue, openly questioning how they can protect their scarce judicial resources from the multiple rounds of claim construction that the O2 Micro decision enables. Some have responded by conducting claim construction and summary judgment briefing simultaneously, very late in the case, shortly before trial.

This approach limits the parties' ability to craft alternative claim construction positions following the ruling, but it also saddles nonmoving parties with significant expenses associated with defending against summary judgment motions that hold multiple possible outcomes. Such a construct also denies defendants the opportunity to exit the case through an early summary judgment motion. Thus, the conundrum: How can district courts heed the Federal Circuit's directive in O2 Micro while also recognizing the need for efficiency and finality in conducting claim construction?

In part two of this article, we will elaborate on a potential solution, which calls for creating and enforcing predictable and fair rules for waiver of untimely claim construction disputes, subject to a showing of good cause.

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[1] 521 F.3d 1351 (Fed. Cir. 2008).

[2] Parallel Networks LLC v. Abercrombie & Fitch, et al., Case No. 6:10cv111, slip op., *1-2, 16-17 (E.D. Tex. Aug. 12, 2011).

[3] 521 F.3d at 1362.

[4] Id.

[5] Id.

[6] Rowe Int'l Corp. v. Ecast Inc., 586 F. Supp. 2d 924, 933-35 (N.D. Ill. 2008); Truckstop.net LLC v. Sprint Comm'cns Co., 537 F. Supp. 2d 1126, 1131-34 (D. Utah 2008); Briggs & Stratton Corp. v. Kohler Co., 398 F. Supp. 2d 925, 933-36 (W.D. Wis. 2005); see also Fed. R. Civ. P. 37(c) (authorizing courts to disregard late-disclosed information).

[7] Barato v. Brushstrokes Fin Art Inc., 701 F. Supp. 2d 1068 (W.D. Wis. 2010); Rambus Inc. v. Infineon Techs. AG, 145 F. Supp. 2d 721, 731-34 (E.D. Va. 2001).

[8] Rambus, 145 F. Supp. 2d at 734.