

The O2 Micro Solution To The O2 Micro Conundrum: Part 2

Law360, New York (December 14, 2011, 12:20 PM ET) -- In the first installment of this article, we examined the factors that have contributed to a claim construction “conundrum” wherein district courts must grapple with the competing goals of resolving claim construction disputes and efficiently managing litigation. In this second part, we 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.

A Proposed Solution to the Problem

In an ironic twist, the solution to the O2 Micro conundrum may lie in reading the Federal Circuit’s 2008 O2 Micro decision in conjunction with its earlier O2 Micro decision from 2006. These cases endorse two basic principles that, applied to the instant problem, offer some insights on how to craft local rules and case management orders that place reasonable limitations on the claim construction process.

In its 2006 O2 Micro decision, the Federal Circuit held that the “good cause” requirement for amending infringement contentions in the Patent Local Rules for the Northern District of California was not inconsistent with the federal rules concerning discovery.[1] In doing so, the court observed that district courts are free to implement local rules that are “consistent with both acts of Congress and the Federal Rules of Civil Procedure.”[2]

The court held that the Northern District’s rules were an effective way of balancing “the right to develop new information in discovery with the need for certainty as to legal theories.”[3] Of concern to the court was the notion that, “If the parties were not required to amend their contentions promptly after discovering new information, the contentions requirement would be virtually meaningless as a mechanism for shaping the conduct of discovery and trial preparation.”[4]

This outcome takes on additional significance when read alongside the Federal Circuit’s 2008 O2 Micro decision, which suggests that claim construction arguments can be waived if not timely raised. Contrary to popular belief, the court’s 2008 decision does not stand for the proposition district courts must resolve claim construction disputes, whenever raised.

O2 Micro merely restates that the court, not the jury, must determine claim scope. However, prior to reaching this conclusion, the Federal Circuit first considered whether the appellant had waived the claim construction dispute at issue, and only proceeded to the merits of the appeal after concluding that the appellant had not.[5]

The proposed solution, then, is to create a framework for addressing waiver of claim construction positions. Using the Patent Local Rules for the Northern District of California as a template, such a framework can be constructed with three straightforward additions, the end result of which advances the oft-stated objectives of (1) encouraging parties to “crystallize their theories of the case early in the litigation and to adhere to those theories once they have been disclosed,” and (2) preventing parties from adopting a “‘shifting sands’ approach to claim construction.”[6]

1) Require parties requesting additional claim construction after the Markman process is complete to satisfy a “good cause” requirement for not requesting construction of the term at the earlier appointed time in the scheduling order.

The first addition addresses the problem of parties continuing to scour the asserted patent claims for potentially case-dispositive claim construction disputes even after the Markman order has issued, and prevents the process for identifying and briefing claim terms from becoming a “virtually meaningless” exercise.[7] As a general matter, late-rising disputes should be viewed with suspicion because the touchstone of whether a given claim is unclear is the patent itself — which is often provided with the initial complaint — and not the accused products and prior art against which the patent is inevitably compared as the case progresses.

By imposing a “good cause” requirement, any party requesting further construction must explain why it was unable to appreciate the ambiguity in a given claim term despite having had (1) possession of the patent since the beginning of the case, and (2) the opportunity to explore the opposing party’s interpretation of the patent as reflected in the preliminary infringement/invalidity contentions (“PICs”).

In tying the “good cause” requirement to the asserted patent and the PICs, there is clearly a greater emphasis on a party’s ability to understand the opposing party’s PICs. Waiting for additional clarity in the post-Markman amended contentions will no longer suffice. Thus, if a party feels that the opposing party’s PICs are too ambiguous to reveal what terms require construction and what terms do not, it must move to compel further delineation of the opposing party’s infringement/invalidity theories prior to the time for proposing terms for construction.

Many courts build time limitations on motions to compel into their local rules or standing orders for discovery in general. For example, the Northern District of California’s Civil Local Rule 37-3 prohibits parties from filing motions to compel more than seven days after the discovery cutoff.[8] Because infringement and invalidity contentions are really just contention interrogatories promulgated by the court, it stands to reason that a similar limitation on the time to request further answers to these interrogatories is equally appropriate.

As discussed, above, O2 Micro specifically upheld a “good cause” requirement in the local rules. Although the underlying issue in that case was modifying the scope of discovery, such a time limitation is extensible to the present circumstances. According to the Federal Circuit, the local rules “are essentially a series of case management orders,” and courts “may impose any ‘just’ sanction for the failure to obey a scheduling order, including ‘refusing to allow the disobedient party to support or oppose designated claims or defenses.’”[9] Indeed, Rule 16 itself holds that scheduling orders “may be modified only for good cause and with the judge’s consent.”[10]

Because the time for proposing claims for construction is currently subject to scheduling orders in many districts, one could argue that a good cause requirement is already inherently present in requests for further construction, albeit rarely applied.

Furthermore, there is nothing unique about claim construction — as opposed to subject matter jurisdiction, for example — such that a good cause requirement would be inconsistent with federal law. If a party fails to raise a claim construction dispute within the time allotted by the scheduling order, and cannot satisfy the good cause requirement, it has essentially waived the opportunity to do so — a concept that is not foreign to patent law.[11]

2) Require parties to serve preliminary noninfringement and validity contentions in response to preliminary infringement and invalidity contentions.

The second addition is simply an extension of the court-mandated contention interrogatories concerning infringement and invalidity, and is another way of providing parties with more information prior to initiating the claim construction process. The responsive contentions would contain arguments explaining why the structure or step in the asserted claim does not read on the accused device or asserted prior art.

Such arguments would be based on assertions that the product or prior art does not fall within the ordinary meaning of the claim, or within a narrowed construction of the claim supported by intrinsic evidence. Either way, the responsive contentions would reveal the precise claim scope the providing party is attributing to the claim and, in so doing, highlight potential claim construction disputes.

Like the current preliminary infringement/invalidity contentions, the responsive contentions could only be amended upon a showing of “good cause.” Such a requirement would provide a measure of stability that is presently lacking, particularly with regard to noninfringement contention interrogatories, responses to which can be supplemented — i.e., changed — at any time during discovery pursuant to Fed. R. Civ. P. 26(e). “Good cause” could include the discovery of new information that makes a claim construction dispute relevant to determining infringement or validity.

3) Prohibit parties from requesting additional claim construction as part of a motion for summary judgment.

The final addition would reduce the strain placed on both the party opposing a motion for summary judgment and the judge considering it. Requiring a party to undertake the herculean task of (1) arguing the proper construction of numerous claim terms and (2) assembling evidence of infringement or invalidity under the numerous potential outcomes is neither equitable nor necessary.

It would be far better for all involved to proceed to a motion for summary judgment knowing exactly what the constructions are. Absent clear claim scope the nonmoving party has no choice but to inundate the court with reams of evidence needed to carry its burden under any of the possible outcomes.

Also, splitting further construction and summary judgment into two stages prevents the awkward and highly prejudicial situation where a party does not have the opportunity to amend its contentions following a claim construction made as part of a summary judgment motion, even though the party would have had such an opportunity had the construction taken place as part of the Markman process.

Both depriving nonmoving parties of this opportunity and requiring nonmoving parties to respond on two fronts in a short amount of time only incentivizes holding some claim construction disputes in reserve to spring on the opposing party later in the case. Of course, this prohibition too could be subject to a good cause exception.

A foreseeable counterargument to these suggestions is that parties will simply request construction of every claim term at the outset. Such fears are unwarranted. Many courts already limit the number of claim terms to be construed, or require parties to demonstrate why a claim term should be construed. In the words of one magistrate judge in the Western District of Wisconsin, the parties need to prove that “the juice is worth the squeeze.”^[12] Such limiting measures would remain available.

The proposal suggested herein would, at a minimum, help facilitate a more just and efficient claim construction process, save judicial resources, and spare parties the added expense of amassing evidence sufficient for alternative constructions of a term that may never be construed. Hopefully, these suggestions or others like them that accomplish similar ends, will find their way into the patent litigation arena in the near future.

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[1] O2 Micro Int’l Ltd. v. Monolithic Power Sys., 467 F.3d 1355, 1363-66.

[2] Id. at 1365.

[3] Id. at 1366.

[4] Id.

[5] O2 Micro, 521 F.3d at 1359-60.

[6] Acer Inc. v. Tech. Props., (N.D. Cal. 2011) (citing Nova Measuring Instruments Ltd. v. Nanometrics Inc., 417 F. Supp. 2d 1121, 1123 (N.D. Cal. 2006) and LG Elecs. Inc. v. Q-Lity Comp. Inc., 211 F.R.D. 360, 367 (N.D. Cal. 2002)).

[7] O2 Micro, 467 F.3d at 1366.

[8] See also L.R. Civ. P. 37.1(c) (S.D. W. Va.) (holding that motions to compel not filed within thirty days after the subject discovery response was served are waived).

[9] O2 Micro, 467 F.3d at 1363 (citing Fed. R. Civ. P. 16(f); Fed. R. Civ. P. 37(b)(2)(B)).

[10] Fed. R. Civ. P. 16(b)(4).

[11] CNET Networks Inc. v. Etilize Inc., 584 F. Supp. 2d 1260, 1269-71 (N.D. Cal. 2008).

[12] E2 Interactive Inc. v. Blackhawk Network Inc., Case No. 09-cv-629-slc, slip op., *2 (W.D. Wis. Apr. 25, 2011); see also O2 Micro, 521 F.3d at 1362 (noting that district courts are not required to construe every limitation).

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