

PATENT JOINT DEFENCE AGREEMENTS: HIDDEN PITFALLS

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It is not unusual for several companies within an industry to be named as co-defendants within a patent infringement lawsuit. In such cases the complaint will include allegations of infringement of the same patent or patents. This will be so even though the products or services marketed by the defendants may differ from one another. In the case of accused infringing products, for example, the designs of the defendants can vary in any number of respects, even if their intended purposes are identical or similar.

The natural impulse of defendants' managements facing a common enemy is to want to share information, resources, and strategies. If non-lawyers in one co-defendant reach out to individuals in other co-defendants, despite good intentions, their communications will in most cases not be privileged and will open these individuals up to examinations under oath in oral depositions, for example. The wiser approach will be for management to confer with their counsel, and thereafter permit communications between the companies to take place on the part of attorneys.

Companies, upon learning that they have been named in a lawsuit, will promptly contact their counsel. Where there are a number of co-defendants, or defendants individually sued by a plaintiff in more than one litigation, counsel will seek to develop a unified defence strategy. A joint defence strategy among defendants will often lead to these defendants entering into a joint defence agreement or consortium. However, there are hidden perils and pitfalls of such arrangements. This is especially so in patent infringement litigation.

On the surface, lay intuition dictates that unnecessary and duplicative work should be limited or eliminated by allowing co-defendants to cooperate with one another. For example, multiple defendants accused of infringing a common patent will want to find ways to invalidate the patent or to render it unenforceable. The sharing of prior art among defendants is one highly useful method of cooperating with one another. However, these same defendants may wish to interpret the claims and meaning of a patent in markedly different ways, as part of *Markman* proceedings. One defendant's preferred *Markman* interpretation of a patent may be poison to another defendant's position. This is so where the defendants are marketing different accused infringing products, which justify their adopting differing *Markman* strategies and different non-infringement arguments.

Another consideration for co-defendants is whether they want the court or the jury at trial to become aware of the existence of a joint defence agreement. If an attorney represents a co-defendant whose conduct has been admirable, and where this is not true in the case of other defendants or their counsel, that attorney will not want his client to be 'tainted' by the

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poor conduct of others. A joint defence agreement has the potential to do just that, with the result that the admirable client might be tarnished in the eyes of the jury.

Where the potential for such an occurrence is real, the concerned attorney will comfortably cooperate with other counsel, but will avoid entering into a joint defence agreement. Under these circumstances, the sharing of confidential information will be limited or non-existent, unless there is a separate non-disclosure agreement in effect.

Thomas D'Amato and Tanis Leuthold in their April 2011 article in *For The Defense*, *Avoiding Potential Pitfalls in Joint-Defense Agreements*, provide insight into the types of pitfalls discussed here. Hazards associated with joint defence agreements include, for example, a possible waiver of a joint defence waiver, should a co-defendant become an adverse party. There is a potential for attorneys of record for co-defendants to be exposed to liability for alleged professional negligence, under legal theories such as an implied attorney-client relationship, or a fiduciary relationship, or a third party beneficiary relationship.

Each and all of these implied relationships may be entirely unintended and, if alleged, may come as a surprise to many parties to joint defence agreements. That said, such parties and their counsel will be able to escape liability through great care in drafting the agreements to include clauses and language that contemplate the avoidance of liability. These authors suggest helpful joint defence agreement language be included, in order to minimise or eliminate risk and liability. As always, there is no substitute for retaining experienced patent litigation counsel capable of shepherding clients through the minefields associated with patent infringement disputes. ■

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