

Fighting over intellectual property

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Fierce competition in the electronics industries often results in litigation over intellectual property rights—that is, rights in patents, trade secrets, copyrights (for software), and trademarks. This litigation is complex and usually involves a series of major battles, many of which are not understood or anticipated by the client. As a result, the monetary and emotional cost of the litigation is often underestimated. To minimize this problem, the next two columns will explain what lawyers all too often do not—the mechanics and significance of many of these major battles.

Challenging court location. The plaintiff usually files his lawsuit in a court located within his state. If the defendant resides in another state, it usually will be far more expensive for him to litigate his case. To avoid this, the defendant may attempt to have the case transferred to a court located within his state. If he is successful, the plaintiff may, as a practical matter, no longer be able to afford the costs of litigation, resulting in instant victory for the defendant.

The challenge will not be successful if the defendant has conducted regular and systematic activities within the plaintiff's state or sporadic activities if they are the very activities out of which the litigation arose. The mere absence of the defendant's principal place of business from the state, however, will not be decisive. The presence of sales offices within the state will also be considered, as well as that of salesmen, advertisements, warehouses, and product sales.

Even if the defendant has conducted substantial activities within the plaintiff's state, the case might still be transferred if most of the witnesses who are expected to testify at trial (both the plaintiff's and defendant's) do not reside within the plaintiff's state. This argument, however, can only be used by the defendant to obtain transference. Even if every single witness resides within the plaintiff's state, the argument may never be used by the plaintiff to retain jurisdiction if the defendant has conducted no activities within the plaintiff's state.

The preliminary injunction. A preliminary injunction is an order enjoining the defendant from doing certain acts prior to trial. In intellec-

tual property cases, typically it is an order prohibiting the defendant from manufacturing or marketing the product in question.

The battle over the preliminary injunction is usually a critical stage in the litigation. If an injunction is obtained, the defendant generally will not be able to manufacture or market the product in question until at least after trial, which usually will be more than a year away. In the interim, the defendant will often lose interest in the product and be willing to settle quite reasonably. On the other hand, if the request for the injunction is denied, the plaintiff is often forced to reevaluate the merits of his case and along with it the soundness of the financial investment that still must be made if the litigation is to be carried out.

To obtain a preliminary injunction, the plaintiff will usually have to demonstrate that he is likely to prevail on his claims at trial. The effect of the injunction on the defendant will also be considered. If the defendant has not yet made a large investment in the product, issuance of the injunction will cause little injury. On the other hand, if the defendant has developed the product at issue into a thriving business, the court will be hesitant to issue the injunction, especially if it can be shown that the plaintiff knowingly permitted the development without previously voicing objection.

Obtaining a preliminary injunction usually takes between 10 and 20 days. Occasionally, however, devastating harm might result even during this short interim period. For example, the defendant may have just stolen the plaintiff's customer list and made plans to sell it to competitors within the next few days. If such exigent circumstances can be shown, a temporary restraining order might be obtained within a matter of hours to enjoin the defendant from acting during the interim period.

[In the next column, pretrial discovery, summary judgment, and appeals will be considered.]

This column sets forth basic principles of law and is not intended as a substitute for personal legal advice. Questions and comments are invited and should be sent to Mr. Brown in care of Electronics.