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FOCUS: LAW

A winning strategy

CMU RECEIVED A $750 MILLION AWARD IN A PATENT INFRINGEMENT CASE, AMONG THE LARGEST JUDGMENTS EVER AWARDED. HERE'S HOW ITS LAW FIRM, K&L GATES, GOT THE JOB DONE.

Patrick McElhinny, a partner at K&L Gates LLP, co-led the firm's team of lawyers who represented CMU.

▸ BY THE NUMBERS

TRIAL BRIEFS

Some key stats about Carnegie Mellon University's lawsuit against Marvell Technology Group:

3
Years to go to trial

6 million
Pages of documents produced

300+
Pages of opinion by District Judge Nora Barry Fischer for the U.S. District Court, Western District of Pennsylvania, on posttrial motions

47
Days of fact depositions taken

29
Major motions

PATRICK MCELHINNY, K&L GATES

BY PATTY TASCARELLA
ptascarella@bizjournals.com
412-208-3832, @PBT_Patty

Patrick McElhinny keeps a physical reminder of the case that took him almost seven years to win.

"I have a big binder that sat on my desk for the last five years that grew to over six inches of Judge [Nora Barry] Fischer's opinions and rulings on the case," said McElhinny, a Pittsburgh-based partner at law firm K&L Gates LLP.

McElhinny co-led the team of lawyers that represented Carnegie Mellon University in its longstanding patent infringement lawsuit against chipmaker Marvell Technology Group Ltd. and Marvell Semiconductor Inc.

On Feb. 17, almost seven years after the original complaint had been filed in the U.S. District Court for the Western District of Pennsylvania and about three years after the initial verdict was handed down, the lawyers reached a settlement that netted CMU $750 million.

Just how the money was distributed was not disclosed, but, after legal fees and related costs, CMU itself received about $250 million, with a large chunk going to the inventors of the disk drive technology whose two patents were infringed upon by Marvell, José Moura and Aleksandar Kavcic.

Moura is a professor in CMU's Department of Electrical and Computer Engineering. Kavcic, a former doctoral student of Moura's, is now a professor of electrical and computer engineering at the University of Hawaii.

The National Law Journal hailed it as the largest verdict in the U.S. in 2012. At the time, the court awarded damages of $1.169 billion, which was later reduced as part of the appeal and settlement process.

"It's among the largest that any firm has been involved with in the last five years," said Peter Kalis, chairman and global managing partner at K&L Gates.

For McElhinny, the binder isn't the only lasting legacy of the case: It's also helping to establish a precedent for future cases.

One key part involved proving that two hard-disk drive patents held by CMU had been infringed upon by Marvell. These patents relate to technology for increasing the accuracy with which hard-disk-drive circuits read data from high-speed magnetic disks.

The challenge was Marvell, which is based in Bermuda, does not own manufacturing facilities and subcontracts the making of the chips used in the hard drives to other firms for manufacture in Singapore.

The law presumes that U.S. patent laws won't apply outside the country. But what the case established was they do apply to the sale of chips in the U.S., and the U.S. Court of Appeals for the Federal Circuit ordered Marvell to pay a 50-cent-per-chip royalty on the ones that were imported into the U.S.

"There's actually an interesting issue that's going to become more prominent in these major patent cases: the presumption of extraterritoriality," McElhinny said. "We had a theory that would allow us to capture certain damages that Marvell said was precluded by that assumption. And the federal circuit court made a unique ruling: If you prove the sale took place in the U.S., you can recapture all of those damages."

So the strategy was clear.

"We needed to craft a damages theory that satisfied not only the ordinary and complicated requirements for a patent damages case, but pass muster under extraordinary applications of the U.S. patent law," McElhinny said.

The background

It wasn't an easy decision for CMU to pursue the case.

Moura and Kavcic had invented the means to more accurately detect data stored in the disk drives of computers sold worldwide – from large servers to small laptops –

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back in the mid-1990s, more than a decade before the case was filed on March 6, 2009.

But Mary Jo Dively, CMU vice president and general counsel, emphasized the university's intellectual property policy, which encourages faculty to conduct cutting-edge research, is critical to its mission, the creation and dissemination of knowledge.

Yet, such cases are expensive and time consuming, with multiple reputations on the line on both sides of the table.

"I should note that it is extremely rare for us to have to pursue measures to stop patent infringement," Dively said. "On the contrary, we have deep and broad relationships with hundreds of companies. That collaboration benefits our researchers, our students, the companies with whom we work, our region, our nation and the world."

CMU's relationship with K&L Gates goes back many years. Dively, who joined the university in 2002, said it had retained lawyers from Seattle-based Preston Gates & Ellis before it merged with Pittsburgh firm Kirkpatrick & Lockhart in 2007.

"I have found them to be unusually collaborative," Dively said.

This was evidenced in many ways throughout the Marvell case, she said, "but nowhere as much as in the seamless relationship of the two lead attorneys."

Greenswag

When CMU decided to move forward, McElhinny and Douglas Greenswag, a partner from the Seattle office, were chosen to shepherd the effort.

"The two of them lived this case for many years, learned the technology inside and out, drove each other and the rest of us, paid meticulous attention to every detail, including the critical pretrial actions," Dively said. "[They] ultimately presented a brilliant case at trial, which translated to the judge and jury."

The team

The two led a core team of eight lawyers and hundreds of other individuals, ranging from the inventors themselves to technology and sales experts.

On the Pittsburgh end, Mark Knedeisen had worked with McElhinny on a previous matter relating to CMU and was an obvious choice to help with the case.

"He's an electrical engineer and that technical expertise was very relevant here," McElhinny said. "He was a natural."

Other K&L lawyers with similar specialized experience and backgrounds also were involved, as well as some young attorneys who grew up through the case.

Christopher Verdini, a fourth-year associate in 2009 and now a partner, is a good example.

"Whenever anyone needed some detail, he had the research at his fingertips," McElhinny said.

Knedeisen and Verdini worked down the hall from McElhinny, and the proximity helped. There also was a weekly team call, and McElhinny and Greenswag were in daily contact, with the latter frequently flying to Pittsburgh. Other members of the Seattle team came to Pittsburgh and stayed throughout the trial.

"We also benefited from the wise counsel and sound judgment throughout of David Lehman, a partner in the Pittsburgh office who's overseen the entire university relationship for more than a decade, and Holly Towle, a partner in the Seattle office who's handled complex technology work for us since 2002," Dively said.

Client and law firm were in sync.

"They really understood us, our mission, our inventors and this technology," Dively said. "They were, in short, a general counsel's dream team."

As far as McElhinny was concerned, the firm had its own dream team of CMU faculty and researchers. Moura and Kavcic came to K&L Gates' downtown office, using a whiteboard to work the lawyers through how the technology worked.

"The two inventors were enormously patient with us, explaining the technology over and over again, just awesome in terms of willingness to give us the time we needed to learn," McElhinny said. "It's one of the best parts of the job. You get to learn new and interesting things from brilliant people."

The crucial part was finding experts who understood the technology and understood sales – and could clearly convey the issues to the jury.

Steven McLaughlin, a Georgia Tech professor, examined the circuits and explained what the patent means and what Marvell's chips do.

"We were helped by the fact that Marvell described the circuit they'd developed as the 'Kavcic postprocess,'" McElhinny said.

The other piece was to prove where the activity occurred.

"The law says it's only infringement if you sell the chip or use the method in the U.S.," McElhinny said. "We needed to prove that Marvell was using the method in the U.S. and that it was valuable to get the kind of royalties we were seeking."

Chris Bajorek, a retired IBM executive, explained Marvell's sales process.

And Catharine Lawton, of litigation consulting firm Berkeley Research Group, who had worked with Greenswag on past cases, put it all together. She pointed to Marvell's profits and documents showing the royalty rate would be 50 cents per chip and that 2.3 billion chips had been sold. That explained the amount of damages CMU sought.

The actual trial took about a month, bookended by the 2012 holiday season.

"We picked the jury the Monday after Thanksgiving and we got the verdict on Dec. 26, the day after Christmas," McElhinny said.

The aftermath

Robert Denney, who leads Paoli, Pa.-based Robert Denney Associates Inc., a consultancy to law firms across the country, said he believes more patent infringement cases are going to trial.

"I think it's two things," Denney said. "[The] continuation of patent troll suits and, well, competitive business. Private universities and colleges are trying to protect and utilize their assets because of the economics involved."

The size of the settlement is an example of what's to be gained.

"I won't call it revenue, but universities need cash to keep research operations going," Denney said.

If the case has attracted clients to K&L Gates, the firm isn't commenting.

"I'm told that the case and its resolution are being intensively studied both within the technology sector and the university community," Kalis said.

▸ TIMELINE

CMU's patent infringement case against Marvell, through the years:

MARCH 2009
CMU files suit against Marvell Technology Group Ltd., and Marvell Semiconductor Inc.

DECEMBER 2010
Marvell moves to invalidate CMU patents

SEPTEMBER 2011
Court denies Marvell's motion

APRIL 2012
Marvell files motion stating it cannot be held liable for infringement of CMU patents for chips not used in the U.S.

AUGUST 2012
Court finds Marvell chips do not infringe on the patent when used outside U.S., but denies motion in respect to alleged damages arising from sales that occur within the U.S.

NOVEMBER 2012
Jury selection begins

DECEMBER 2012
After four weeks, jury announces verdict that Marvell infringed on CMU's patents, awards damages of $1.169 billion

JANUARY 2013
Marvell moves to seal certain evidence; court denies motion

FEBRUARY 2013
CMU moves for enhanced damages and for a permanent injunction against Marvell

MAY 2014
Court enters final judgment; Marvell appeals to the Federal Circuit

FEBRUARY 2016
CMU says it's settled the suit for $750 million