

Malicious Prosecution Claims Can Provide an Effective Remedy against Patent Litigation Extortion Schemes

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Patent infringement litigation seems to be particularly susceptible to use in litigation extortion schemes. Patent cases can be enormously expensive to defend, and often result in protracted litigation. Recently, there have been notable cases involving patent holding companies filing numerous patent cases against target companies, without any basis for alleging infringement, in the hope of forcing the defendants to pay "settlements" and avoid the high cost of defending the lawsuits. The imposition of Rule 11 sanctions has been an ineffective deterrent in such schemes that involve multiple lawsuits, because the sanctions imposed in one case often are offset by the profits from the other lawsuits in which the defendants paid to settle. However, compensatory damages and punitive damages, available as a remedy for malicious prosecution, can provide an effective deterrent by making a litigation extortion scheme unprofitable.

Federal Civil Procedure Can Be Exploited in Patent Litigation Extortion Schemes

The adoption of the Federal Rules of Civil Procedure many years ago created a new notice-pleading paradigm that largely eliminated hurdles imposed by old fact pleading procedures. Under the relaxed pleading standards of the Federal Rules, the idea was not to keep litigants out of court but rather to keep them in. The procedure is intended to focus on the merits

of a claim, which is to be sorted out during a flexible pretrial process. Rule 8(a)(2) of the Federal Rules only requires that a complaint contain "a short and plain statement of the claim showing that the pleader is entitled to relief." A complaint is deemed to be sufficient if it gives the defendant fair notice of what the plaintiff's claim is and the grounds upon which it rests. In *Conley v. Gibson*,¹ the Supreme Court held that a complaint could not be dismissed for failure to state a claim unless it appeared beyond a doubt that the plaintiff could prove no set of facts, in support of his claim, which would entitle him to relief.

The Federal Rules permit broad discovery. At times, the courts have struggled with the low threshold requirements of notice pleadings under the Federal Rules, recognizing the enormous expense of proceeding with discovery in complex patent and antitrust cases. For example, in *Asahi Glass Co. v. Pentech Pharmaceuticals, Inc.*² Judge Posner said, "Some threshold of plausibility must be crossed at the outset before a patent antitrust case should be permitted to go into its inevitably costly and protracted discovery phase."

Recently, in *Bell Atlantic Corp. v. Twombly*, the Supreme Court noted concern over allowing a plaintiff with a largely groundless claim to "take up the time of a number of other people, with the right to do so representing an *in terrorem* increment of the settlement value."³ The *Twombly* court recognized that "the threat of discovery expense will push cost-conscious defendants to settle even anemic cases before reaching" summary judgment proceedings or trial. The Supreme Court has acknowledged "the common lament that the success of judicial supervision in checking discovery abuse has been on the modest side."

In patent cases, relevant discovery may include information concerning the state of the art when the invention was made, the level of skill in the art, contemporaneous technology developed by others, products that were "on sale" or in public use more than a year before the patent application was filed,

and information published anywhere in the world. If pursued aggressively, discovery can be a massive and complex process. The cost of defending an "average" patent case has been estimated to be in the range of \$2 million dollars, with many cases costing much more. The threat of high defense costs provides a significant incentive for a defendant to pay off a patentee plaintiff, even if the asserted patent infringement claim has little or no merit.

In the recent case of *Eon-Net, L.P. v. Flagstar Bancorp, Inc.*,⁴ the plaintiff patent holding company filed at least 27 complaints against different parties, and followed service of the complaint with a cheap offer of settlement for a fraction of the cost of litigation. In that case, the court found:

Eon-Net has made the failure to investigate or identify infringing technology the hallmark of its litigation plan. Possible repercussions for failure to investigate are balanced against an economy of scale effected by filing numerous lawsuits which will cheaply settle. Here, it appears that Eon-Net began its investigation of Flagstar only after it realized that Flagstar would not pay the "inexpensive" settlement.

In the recent case of *Verve LLC v. Hypercom Corp.*,⁵ the plaintiff patent holding company filed patent infringement suits against the same defendant in Michigan, Texas, California, and commenced an investigation before the International Trade Commission. Other companies in the same industry were sued as well, in contemporaneously filed lawsuits. Service of the complaint was withheld in each case while the defendants were given a period of time to make a "settlement" offer to the plaintiff. The court found no evidence of any pre-filing investigation, for the asserted patent infringement claims.

These two recent cases demonstrate that patent litigation extortion schemes are an unfortunate reality in our federal court system. Such cases are prosecuted by patent holding companies, referred to by many as "patent trolls," that operate in an industry that Justice Anthony Kennedy describes in his concurring opinion in *Ebay Inc. v. MercExchange LLC* as one "in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees." Patent infringement lawsuits or threats of lawsuits can be used as a "bargaining tool to charge exorbitant fees to companies that seek to buy license to practice the patent."⁶

This raises a question concerning how such abuses of the legal system can be effectively curbed.

Rule 11 Does Not Provide a Sufficient Deterrent to Patent Litigation Extortion Schemes

Rule 11 of the Federal Rules of Civil Procedure imposes a threshold requirement that must be met before a complaint is filed in federal court. However, the sanctions available under Rule 11 may be insufficient to deter litigation extortion schemes involving multiple lawsuits, because a court is limited to imposing sanctions based on the case currently before the court, and cannot sanction a party for conduct in other cases. Possible Rule 11 sanctions for the failure to investigate are balanced against an economy of scale, initiated by filing numerous lawsuits that will settle cheaply.

Under Rule 11, every paper filed with the court must be signed. The signature is a certification that the pleading complies with the requirements of the rule. By signing a pleading, an attorney certifies, *inter alia*, that to the best of his or her knowledge, information and belief, formed through an inquiry reasonable under the circumstances, the allegations and factual contentions in the pleading have evidentiary support. The signer also certifies that the pleading is not being filed for any improper purpose.

Prior to signing a complaint, a litigant must fulfill the affirmative duty to conduct a reasonable inquiry into the facts and the law. In a patent infringement case, the patentee must conduct a reasonable investigation to determine whether the products accused of infringement actually infringe the asserted patent.⁷ A patentee is required to demonstrate that an adequate pre-filing investigation was performed whenever it is challenged.⁸

In a patent case, Rule 11 "require[s], at a minimum, that an attorney interpret the asserted patent claims and compare the accused device with those claims before filing a claim alleging infringement."⁹ The attorney must have a reasonable basis for finding infringement of at least one claim of the patent by the accused device.

The claim interpretation should follow the standard canons of claim construction, comport with the plain meaning of the claim language, be reasonably supported by the intrinsic record, and remain consistent with the patent's written description or prosecution history. In order to perform a proper claim construction analysis, the plaintiff must obtain a copy of the publicly available Patent and Trademark Office (PTO) file for the patent application that issued as the asserted patent. The importance of the PTO application file is two-fold. Changes made during

prosecution of a patent application by amendment, or in an argument, can restrict the scope afforded to a patent and can legally foreclose infringement claims against certain types of products. Secondly, an argument presented to the patent examiner requesting the application to issue as a patent, that ascribes particular significance to a term in a patent, will be definitive for purposes of patent claim construction.

An attorney simply cannot rely on his client's pre-filing investigation and patent claim analysis. The attorney must perform his or her own independent claim analysis of the asserted patent.¹⁰

In order to demonstrate that an adequate pre-filing investigation was conducted, an attorney may prepare claim charts comparing the elements of the patent claims to the available information describing the structure, function and operation of the accused products.¹¹ However, there is clearly no requirement that claim charts be prepared.¹² If claim charts are prepared and relied on as evidence of a pre-filing investigation, the charts must provide sufficient information to objectively show a good faith basis for concluding that the accused products infringe at least one claim of each asserted patent.

The information set forth in the claim charts must confirm that a reasonable effort was made to ascertain evidentiary support and demonstrate that the accused products will meet the key limitations of the patent claims.¹³ Claim charts that merely mimic the language of the patent claims, without recitation of a sufficient evidentiary basis for the conclusions, are insufficient. In the case of *Eon-Net, P.L. v. Flagstar Bancorp, Inc.*,¹⁴ the patentee argued that it examined information on the accused infringer's Web site, construed the claims of the patent, compared the asserted claims to the information available on the Web site, and prepared a claim chart. The court found the claim charts insufficient to establish that an adequate pre-filing investigation was performed under an objectively reasonable standard.

Rule 11 requires an investigation that is "reasonable under the circumstances." The Federal Circuit has not imposed an absolute requirement that a patentee must obtain or test a sample of the accused product prior to filing suit. The level of investigation required in a particular case depends on both the time available to investigate and the probability that more investigation will reveal important evidence. However, if samples of the accused product are readily available, the case law suggests that a patentee should obtain samples and test them for infringement.¹⁵ At least one court has said that Rule 11 requires that the accused infringing products be fully investigated

prior to filing suit.¹⁶ In the *View Engineering* case, the Federal Circuit said that several hundred thousand dollars would not be an unreasonable investigation expense to ascertain that the infringement allegations have evidentiary support.

In the case of *Judin v. United States*, the plaintiff patentee failed to perform an adequate pre-filing investigation. In that case, the Federal Circuit held that the trial court abused its discretion by not sanctioning Judin. Judin filed a complaint alleging patent infringement by US Postal Service bar code scanners. The patentee went to an industry exhibition, was familiar with trade publications, technical specifications, and commercial literature, and observed the accused product from a distance but did not attempt to obtain a sample of the accused product, and did not test the accused product. The Federal Circuit summarized the patentee's pre-filing investigation as follows:

Sometime prior to the filing of the complaint, Judin observed bar code scanners in use at a post office. He also attended a scanning industry exhibition and was familiar with trade publications, technical specifications, and commercial literature some of which suggested that Government agencies were purchasing bar code scanners. Judin did not ask the Postal Service for a sample of the device or otherwise try to obtain one.

Judin presented his observations to attorney Van Der Wall, who also observed from a distance the accused devices in use in a post office, but otherwise conducted no investigation. Neither Van Der Wall nor Judin contacted the Postal Service, or any manufacturer, in order to gain access to the accused devices or to inquire about their operation. Van Der Wall relied on Judin with respect to the factual basis of the complaint, believing that reliance on Judin was reasonable due to Judin's experience, his credentials, and his time in industry. Van Der Wall stated that he examined one of the asserted patent claims and "saw no problem with it."¹⁷

In the case of *Refac International, Ltd. v. Hitachi Ltd.*,¹⁸ the plaintiff patentee also performed an inadequate pre-filing investigation. In that case, the plaintiff's president was an experienced patent attorney. In the *Refac* case, the plaintiff accused a number of defendants of patent infringement based on the plaintiff's contention that every modern LCD product marketed at the time suit was filed relied on one or

more of the claims described by the plaintiff's patents. However, this was an unjustified assumption, because LCD devices could be made containing circuitry antedating the patents.

Even if an adequate pre-filing investigation is conducted for one accused product, Rule 11 may be violated if the pre-filing investigation is inadequate for any other accused product. In the *Refac* case, the record demonstrated that "not all of the accused products were examined before the filing of the complaint." Sanctions in the amount of \$1,446,511 were assessed under Rule 11 because "Refac assumed without justification that all of the accused products violated one or more of its patents, but made no reasonable (or any) investigation to confirm this."

The opportunity for further discovery is not an excuse for failing to investigate adequately before filing suit. In *Judin*, the Federal Circuit said that Rule 11 "requires that the inquiry be undertaken before the suit is filed, not after." A plaintiff cannot plead a patent infringement claim first and then conduct the necessary investigation after the complaint is filed.¹⁹

If the plaintiff fails to conduct an adequate pre-filing investigation, Rule 11 is violated, even if it later turns out that the accused products actually infringe the patent.²⁰ Rule 11 was amended in 1983 to provide that if a Rule 11 violation is found, the imposition of sanctions is mandatory.

The appropriate sanction when a litigant fails to conduct a pre-filing investigation is limited to the reasonable expenses and fees incurred by the defendant.²¹ In the *Eon-Net* case, the court awarded \$141,984.70 in sanctions. Here, the patentee's settlement schedule was based on defendant's annual sales: \$25,000 for sales less than \$3,000,000, \$50,000 for sales between \$3,000,000 and \$20,000,000, and \$75,000 for sales between \$20,000,000 and \$100,000,000. Because the sanctions imposed in the *Eon-Net* case were limited to the costs incurred by the defendant in that case, two settlements in other cases falling in the upper range of \$75,000 would be sufficient to offset the sanctions that were imposed.

Malicious Prosecution Provides Remedies That Can Make a Patent Litigation Extortion Scheme Unprofitable

If a patent infringement action is filed without an adequate pre-filing investigation, it may give rise to a malicious prosecution claim in favor of the accused infringer. A malicious prosecution claim exists when a defendant "instituted a civil action which

was: (1) motivated by malice; (2) begun without probable cause; (5) terminated in plaintiff's favor and (6) damaged plaintiff."²² As will be seen from the discussion below, if a patent infringement action is filed without probable cause, the required element of malice may be inferred, and the accused infringer need only wait until the patent case is terminated in its favor before filing a malicious prosecution claim in retaliation.

Probable Cause

In a malicious prosecution case, the plaintiff must prove the absence of probable cause for institution of the prior proceeding. The existence of probable cause is measured by the objective standard of Rule 11 of the Federal Rules of Civil Procedure.²³ In the *Verve, LLC v. Hypercom Corp.* case, the court said, "In the patent litigation context, probable cause requires a reasonable pre-filing investigation of the accused product in comparison to the patent claims."

The initiator of the prior action must honestly believe in its possible merits; and, in light of the facts, that belief must be objectively reasonable. The test generally applied is whether, upon the appearances presented, a reasonably prudent man would have instituted or continued the proceeding.²⁴ The only facts that are material to the question of probable cause are those that were known to the defendant prior to filing the malicious lawsuit.²⁵ Therefore, even if subsequent discovery might uncover evidence that could support a finding of probable cause, it would be of no avail in the defense of a malicious prosecution suit. In the *Verve, LLC v. Hypercom Corp.* case, the court excluded the testimony of two experts offered by the patentee, because the experts had conducted their own after-the-fact investigations after the patent lawsuits had already been terminated, and did not base their opinions on information that was known to the patentee before the patent infringement cases were filed.

Malice

As seen in *Cullison v. City of Peoria*, malice can be inferred from a lack of probable cause.²⁶ The malice element in a civil malicious prosecution action does not require proof of intent to injure. Instead, a plaintiff must prove that the initiator of the action primarily used the action for a purpose other than that of securing the proper adjudication of the claim. The element of malice can be proven by showing that the defendant filed the previous lawsuit for an improper purpose, such as "forc[ing] a settlement upon an unwilling opponent."²⁷

In the *Verve, LLC v. Hypercom Corp.* case, the court said, "Here, malice is established by the

counter-defendants' wholly insufficient pre-filing investigation of the infringement claims; representing Verve as the proper patent owner knowing Omron held substantial rights in the patents; continuing to pursue claims in various jurisdictions once it was established that it lacked standing; and the tactic of filing multiple lawsuits in multiple jurisdictions without a reasonable explanation for doing so."²⁸

Favorable Termination of Prior Lawsuit

Termination of the prior lawsuit has not occurred for purposes of a malicious prosecution if an appeal is still pending.²⁹ When the prior case ends without adjudication on the merits, there may be an issue of fact concerning the question of whether the prior proceedings ended in a manner favorable to the defendant accused of patent infringement in the prior proceeding. The fact finder is required to look at the substance of how the prior proceeding terminated in order to determine whether it was favorable. When a termination or dismissal indicates, in some fashion, that the accused is innocent of wrongdoing it is a favorable termination. However, if it is merely a procedural or technical dismissal it is not favorable.

[W]here there has been no adjudication on the merits the existence of a "favorable termination" of the prior proceeding generally must be found in the substance rather than the form of prior events and often involves questions of fact. In such cases . . . it will be necessary to determine what actually occurred. If the action was dismissed because of voluntary withdrawal or abandonment by the plaintiff, the finder of fact may well determine that this was, in effect, a confession that the case was without merit. However, there may be many reasons, other than lack of merit, for such withdrawal or abandonment. For instance, the plaintiff might have had insufficient funds to pursue the action or could have decided that a possible recovery was not worth the cost, pecuniary or emotional, of litigating; the plaintiff might have decided to forgive and forget or the defendant may have paid smart money or taken other measures, such as apology, to assuage plaintiff's anger. None of these factors alone may be determinative, and thus it may actually be necessary to try a case within the case, as is often done in legal malpractice claims.³⁰

Who Is Liable?

An instigator of a lawsuit can be held liable as an initiator, even if the action was not filed in the instigator's name. This includes the lawyers and law firm that filed the malicious patent lawsuit.³¹ Corporate officers may be liable if they personally participated in the alleged malicious prosecution.³² In the *Verve, LLC v. Hypercom Corp.* case, the lawyers for the patent holding company were held liable on the malicious prosecution claim.

Damages

In an action for malicious prosecution, the plaintiff may recover actual and compensatory damages covering both pecuniary and non-pecuniary losses. Recoverable damages include the costs of defending the prior action, including reasonable attorney fees. Damages also may include compensation for injury to character and reputation, including injury to social or business standing in the community, and compensation for mental suffering and humiliation resulting from the initiation and prosecution of the prior action.

The level of proof required for proving attorney fees as an element of damages on a claim for malicious prosecution is not the same as what is required when a party makes a detailed fee application. The reasonableness of the attorney fees that were paid does not necessarily have to be shown by direct testimony.³³

In the case of *Haswell v. Liberty Mutual Insurance Co.*, the defendant challenged a jury verdict awarding damages for malicious prosecution on grounds that the "plaintiff offered no evidence that the fee was reasonable."³⁴ The trial court admitted evidence of attorney fees paid as a result of the malicious lawsuit. Noting that "[o]ther jurisdictions passing on this precise issue have held that payment of attorney fees in a malicious prosecution action by the plaintiff is *prima facie* evidence of the reasonableness of said fees," the court said:

Defendants liken this case to those concerning medical expenses where our courts have generally held that in order to recover for medical expenses incurred there must be substantial evidence that such expenses were reasonable and necessary. However, the cases cited properly recognize that such proof may be made by inference from the circumstances, and that payment of a bill for such services should properly be considered some substantial evidence of the reasonableness of the charge. The rationale of these rulings is plain. Where no evidence of collusion or bad faith appears, the

court and the jury are entitled to presume and ascribe honest motives, good faith and right conduct in the preparation and submission of the bill. Based upon the common experience of everyday life, the jury may infer that people do not pay bills where the reasonableness of the charge is disputed. This rationale would appear to be particularly applicable in situations such as the case before us. There could be no clear expectation of recovering the amount paid because such recovery is entirely contingent on the outcome of the second suit. Thus, the likelihood of collusion is remote. We therefore hold that sufficient evidence of reasonableness was presented here. Of course, if the reasonableness of the amount charged is disputed, the defendant remains free to attack the reasonableness of the charge by evidence, argument or both.³⁵

In the absence of evidence of collusion or bad faith, the fact that the attorney fees were actually paid is sufficient to establish a *prima facie* case of reasonableness, unless it is obvious that the fees paid are excessive.³⁶ The defendant is free to attack the reasonableness of the attorney fees and to offer any evidence it may have of collusion, bad faith, unreasonableness, or lack of causation.

In *Barlin v. Barlin*,³⁷ the court specifically rejected the contention that expert testimony is required on the reasonableness of the attorney fees claimed as damages in a malicious prosecution suit. According to the *Barlin* court, "proof of the reasonable value of legal services by expert testimony, while admissible, is not indispensable in establishing the value thereof." The court held that it was not error to submit the issue to the jury based on testimony as to the amount of attorney fees that the plaintiff paid in defense of the malicious action. The *Barlin* court quoted the following passage from another California case on point:

It is contended by appellant that there is no evidence of the reasonable value of the services rendered by Wheeler, and, therefore, the judgment must be reversed. In so arguing appellant assumes that expert testimony is essential to establish the reasonable value of an attorney's services. This assumption is not justified. While expert testimony is admissible, it is neither essential nor conclusive, and the court or jury may disregard it entirely. In the instant case the nature and extent of the services were in evidence. Moreover, the testimony of the witness Shea shows that the

parties agreed to a fee equal to the sum of the executor's fees plus a bequest of \$ 2,000. The fee agreed upon by the parties is some evidence of the reasonable value of the services, and the jury could accept this evidence.³⁸

Punitive damages may be recoverable in an appropriate case, but in malicious prosecution, proof of the tort does not automatically justify an award of punitive damages. Something more is required in order to establish the requisite state of mind. The standard for punitive damages may vary in different states, but generally, a finding of "malice" on a malicious prosecution claim will not be sufficient, standing alone, to support an award of punitive damages. This is because malice may be inferred from a lack of probable cause, which might be based on conduct that is not necessarily willful.

Punitive damages are proper if a defendant intended to cause injury, his wrongful conduct was motivated by spite or ill will, or he acted to serve his own interests, having reason to know and consciously disregarding a substantial risk that his conduct might significantly injure the rights of others.³⁹ This may be established by the defendant's express statements or inferred from the defendant's expressions, conduct, or objectives.

However, if the standard for imposition of punitive damages is met, the fact finder may consider the total harm caused by the patentee in assessing punitive damages, plus the extent to which the patentee profited from its unlawful conduct. In the *Verve, LLC v. Hypercom Corp.* case, the company sued for patent infringement ultimately succeeded in recovering a total of \$2.26 million based on its claims for malicious prosecution and abuse of process. The record showed that the patentee had succeeded in collecting a total of more than \$900,000 in settlements from other defendants, and the ultimate result succeeded in making the overall scheme unprofitable. The *Hypercom* case also appears to be the first case in which a patent troll has been found liable for malicious prosecution and abuse of process.

Federal Preemption

Federal patent law does not preempt state law claims for malicious prosecution, based upon patent infringement actions filed without probable cause and with the requisite malice.⁴⁰

Conclusion

Because liability for malicious prosecution can expose the guilty party to both compensatory damages and punitive damages, a malicious prosecution claim

can be a sufficient deterrent to litigation extortion schemes involving multiple lawsuits, where the risk of Rule 11 sanctions in any given lawsuit may be offset by the prospect of obtaining payoffs in other cases in

which the defendants choose to settle. The *Hypercom* case sets a precedent for establishing liability for malicious prosecution where patent infringement lawsuits are filed against defendants without probable cause.

1. *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957).
2. *Asahi Glass Co. v. Pentech Pharms., Inc.*, 289 F. Supp. 2d 986, 995 (ND Ill. 2003).
3. *Bell Atlantic Corp. v. Twombly*, 127 S. Ct. 1955, 1966-1967 (2007).
4. *Eon-Net, L.P. v. Flagstar Bancorp, Inc.*, 239 F.R.D. 609, 616 (W.D. Wash. 2006).
5. *Verve LLC v. Hypercom Corp.*, No. CV-05-0365-PHX-FJM, 2006 U.S. Dist. LEXIS 58398 (D. Ariz. Aug. 16, 2006).
6. *Id.*
7. *Antonious v Spalding & Evenflo Co.*, 275 F. 3d 1066, 1074 (Fed Cir 2002). "[A]n attorney violates Rule 11(b)(3) when an objectively reasonable attorney would not believe, based on some actual evidence uncovered during the pre-filing investigation, that each claim limitation reads on the accused device either literally or under the doctrine of equivalents."
8. *View Engineering, Inc. v. Robotic Vision Systems, Inc.*, 208 F. 3d 981, 986 (Fed. Cir. 2000). "In bringing a claim of infringement, the patent holder, if challenged, must be prepared to demonstrate to both the court and the alleged infringer exactly why it believed before filing the claim that it had a reasonable chance of proving infringement."
9. *Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F. 3d 1295, 1300 (Fed. Cir. 2004).
10. *Antonious at 1072.*
11. *Network Caching Technology, LLC v. Novell, Inc.*, No C-01-2079-VRW, 2002 U.S. Dist. LEXIS 26098, at *16 (N.D. Cal. Aug. 13, 2002) ("FRCP 11 requires that a plaintiff compare an accused product to its patents on a claim by claim, element by element basis...").
12. *Q-Pharma, Inc. at 1301.* ("[A] claim chart is not a requirement of a pre-filing infringement analysis, as the owner, inventor, and/or drafter of a patent ought to have a clear idea of what the patent covers without the formality of a claim chart.")
13. *Judin v. United States*, 110 F.3d 780, 784 (Fed. Cir. 1997) ("[P]rior to the filing of the suit, neither Judin or his counsel had made a reasonable effort to ascertain whether the accused devices satisfied the two key claim limitations"); *Antonious at 1074* ("[C]ounsel must make a reasonable effort to determine whether the accused device satisfies each of the claim limitations.")
14. *Eon-Net, P.L.*, 239 F.R.D. 609.
15. *Network Caching Technology at *13-16* (reverse engineering, or its equivalent, of the defendant's products is required); *Centillion Data Systems, LLC v. Convergys Corp.*, No. 1:04-cv-0073-LJM-WTL, 2006 U.S. Dist. LEXIS 846, at *13-14 (S.D. Ind. Jan. 4, 2006) ("[T]he Court finds that Centillion's factual inquiry was objectively unreasonable because Centillion, nor its lawyers, never actually tested the allegedly infringing products to see if they met each of the '270 patent's limitations.")
16. *Eon-Net, P.L. at 615* ("A plaintiff in a patent infringement suit has an obligation to fully investigate accused products before filing suit.")
17. *Judin*, 110 F.3d 780.
18. *Refac Int'l, Ltd. v. Hitachi Ltd.*, 141 F.R.D. 281 (C.D. Cal. 1991).
19. *Burnette v. Godshall*, 828 F. Supp. 1439, 1448 (N.D. Cal. 1993) ("Plaintiff's attorney chose to 'file first and investigate later,' which is unacceptable."); *aff'd*, 72 F.3d 766 (9th Cir. 1995); *Ultra-Temp Corp. v. Advanced Vacuum Systems, Inc.*, 194 F.R.D. 378, 382 (D. Mass. 2000) ("[I]t should be obvious that the requirement of a pre-filing investigation would be utterly meaningless if a party could file a complaint without having done the requisite investigation, do some discovery, and then file an amended complaint and thereby insulate itself from any possibility of being sanctioned for the failure to conduct a pre-filing investigation before filing the original claim.")
20. *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 393 (1990) (if a lucky shot could save the signer from sanctions, the purpose of Rule 11 "to deter baseless filings" would be frustrated); *Garr v. United States Healthcare, Inc.*, 22 F.3d 1274, 1279 (3d Cir. 1994) (if a reasonable inquiry has not been conducted, attorney will not be shielded from sanctions by "the stroke of luck that the document happened to be justified"); *Vista Manufacturing, Inc. v. Trac-4 Inc.*, 131 F.R.D. 134, 138 (N.D. Ind. 1990) ("A shot in the dark is a sanctionable event, even if it somehow hits the mark.")
21. *Eon-Net, P.L.*, No. C05-2129MJP, 2006 U.S. Dist. LEXIS 91735, at *7-8 (W.D. Wash. Dec. 19, 2006) ("An award of attorney fees pursuant to Rule 11 is limited to expenses and fees reasonably necessary to resist the offending action.")
22. *Verve, LLC v. Hypercom Corp.*, No. CV-05-0365-PHX-FJM, 2006 U.S. Dist. LEXIS 58398, at *6-7 (D. Ariz. Aug. 16, 2006).
23. *Id.*
24. *Slade v. City of Phoenix*, 112 Ariz. 298, 301, 541 P.2d 550, 553 (1975).
25. *Hydranautics v. FilmTec Corp.*, 204 F.3d 880, 886 (9th Cir. 2000) ("[T]he lack of probable cause question must be answered based on facts actually known to FilmTec at the time it prosecuted its patent application and infringement case...")
26. *Cullison v. City of Peoria*, 120 Ariz. 165, 169, 584 P.2d 1156, 1160 (1978) ("The key element of malicious prosecution is malice, which can be inferred from a lack of probable cause.")
27. *Bradshaw v. State Farm Mut. Automobile Ins. Co.*, 157 Ariz. 411, 418-419, 758 P.2d 1313, 1320-1321 (1988).
28. *Verve, LLC at *14.*
29. *Frey v. Stoneman*, 150 Ariz. 106, 109-110, 722 P.2d 274, 277-278 (1986).
30. *Id.* (citation omitted).
31. *Verve, LLC at *14* ("Galasso, Imes and the SGF Firm, as instigators of the litigation, can be held liable even if the actions were not filed in their names.")
32. *Hoover Group, Inc. v. Custom Metalcraft, Inc.*, 84 F.3d 1408, 1411 (Fed. Cir. 1996) ("[C]orporate officers have been held personally liable when they participated in ... malicious prosecution...") (citations omitted).
33. *McIntosh v. Wales*, 21 Wyo. 397, 418-419, 134 P. 274, 280 (1913) ("Evidence that such a fee amounting to \$250 had been paid by herself and her husband was proper to go to the jury as an item of expense if reasonable in amount, and it appearing that the hearing was held in a country precinct a distance of eighty miles from the county seat where her attorneys resided, without railroad connection, we think it may be assumed that the amount was reasonable although its reasonableness was not shown by testimony."); *Waufler v. McLellan*, 51 Wis. 484, 8 N.W. 300, 301 (1881) ("Neither did it require direct proof to show that it was necessary for the plaintiff to employ counsel to conduct his defense, or that \$50 was a very reasonable fee for his services.")
34. *Haswell v. Liberty Mut. Ins. Co.*, 557 S.W.2d 628 (Mo. 1977).
35. *Id.* at 637 (citations and footnote omitted).
36. *Drumm v. Cessnum*, 61 Kan. 467, 473, 59 P. 1078, 1080 (1900) ("When it does not appear that the attorney fees and other expenses are obviously excessive, testimony of the amounts paid will constitute a prima facie case, and it will be assumed in such case that the attorney fees so paid were reasonable unless the contrary appears.")
37. *Barlin v. Barlin*, 156 Cal. App.2d 143, 149-150, 319 P.2d 87, 91-92 (Cal. App. 2nd Dist. 1957).
38. *Mitchell v. Towne*, 31 Cal.App.2d 259, 266, 87 P.2d 908, 912-913 (Cal. App. 1st Dist. 1939) (citations omitted).
39. *Verve LLC at * 3-4* (D. Ariz. March 26, 2007).
40. *U.S. Aluminum Corp. v. Alumax, Inc.*, 831 F.2d 878, 880-881 (9th Cir. 1987) ("While we do not deny that conflict is possible between state malicious prosecution laws and federal patent laws, the policies underlying each are not inherently antithetical. Patents do not create an exemption from state malicious prosecution laws."); *see Hydranautics v. FilmTec Corp.*, 204 F. 3d 880, 886 (9th Cir. 2000) (reversing district court dismissal of malicious prosecution claim based on patent infringement action).