

Litigators of the Week: With \$268M Award, A Loud and Clear Win for Morgan Lewis Pair

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By Jenna Greene
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The Litigator of the Week crown goes to Morgan, Lewis & Bockius partners Thomas Peterson and Michael Lyons, who after a 12-year fight got a \$268 million award for the Alfred E. Mann Foundation affirmed by the Federal Circuit.

They discussed the case with Lit Daily.

Lit Daily: Who is your client and what was at stake?

Michael Lyons: The stakes could not have been higher for our client, Alfred E. Mann Foundation for Scientific Research (AMF), a nonprofit medical research foundation. The founder and namesake of AMF testified at trial, but unfortunately did not live to see the conclusion of this epic 13-year patent saga. His death put AMF's long-term funding at risk.

The affirmance has quite literally made all the difference. The massive damages award assures that AMF will be able to continue pursuing its mission of addressing unmet medical needs, including a visual prosthesis to enable the blind to see, and in the case of the technology at the heart of the current dispute—an implantable cochlear stimulator capable of restoring hearing to the deaf.

Tell us about your opponent.

Thomas Peterson: Cochlear is an Australia-based medical device company that manufactures and sells the Nucleus cochlear implant. Cochlear has long been the dominant player in the hearing aid industry. It rejected AMF's offer for a license that would have allowed them to bring vital benefits to their patients.

Undeterred, AMF formed Advanced Bionics, the co-plaintiff in the suit, to commercialize its patents technology. When Advanced Bionics first released its Clarion implant it immediately took a shocking 30% of Cochlear's market share. Rather than take a license, the district court found that Cochlear copied AMF's technology so that it remained competitive and avoided becoming obsolete.



Morgan Lewis partners Thomas Peterson and Michael Lyons

Who was opposing counsel?

Peterson: At the Federal Circuit, Cochlear was represented by J. Michael Jakes, who heads the appellate section of the Finnegan firm. He argued for Cochlear earlier this month and at the last appeal we had in the case. In district court, at trial, and throughout the history of the case, Cochlear was represented by Bruce Chapman of Sheppard Mullin in Los Angeles.

Tell us about the underlying patents—why are they worth fighting over?

Lyons: AMF's patented back-telemetry technology is indispensable for diagnostic and performance adjustments to cochlear implants. The invention allows the implant inside a patient's ear to monitor the performance of the tiny electrodes that create the sensation of sound and reports back any problems. By using the invention, surgeons can remedy issues before closing up patients in the operating room and audiologists can make key adjustments to improve performance.

What were some of the most challenging parts of the case for you?

Lyons: In patent litigation it's always a challenge to relay how the technology in question works in a way that holds the attention of your audience, whether it's a jury, district court judge, or appellate panel. In our trial presentation, we were fortunate to work with several very dynamic witnesses, including a surgeon and leader at the UCSF hospital.

During his testimony in particular, we played a 20-year old clip of a local San Francisco news outlet interviewing a much younger (and less gray) version of him, and a young medical student patient of his who had lost her ability to hear. The clip showed the moment when the patient's cochlear implant was turned on for the very first time and she was actually able to hear the surgeon speaking to her. She burst out in laughter in a moving moment that showed the jury what was truly at stake.

After the clip concluded the surgeon told the room that he would never implant a device in a patient that didn't have AMF's patented technology.

What was your overarching theme in litigating the case?

Lyons: The overarching theme focused on AMF's tenacious dedication in battling to help patients dealing with devastating medical conditions first by doing whatever it takes to develop new and revolutionary technology, and then by making sure what they develop gets to the patients who need it.

In this case, the narrative started in the 1980s with Mr. Mann agreeing to fund longshot research on cochlear implant technology and then in the 1990s overcoming Cochlear's refusal to license the technology by creating a startup, Advanced Technology, to offer the world's first commercial cochlear implant with AMF's patented back telemetry.

And, in the final chapter that is just now being written this week, making sure the foundation is able to use royalties its inventions are due to fund more critical research.

Did you make any unconventional strategic choices?

Peterson: We agreed to an early appeal after the judge issued his post-trial rulings invalidating certain of the claims that had been found infringed by the jury and vacating the damages award.

Conventionally, we could have pressed for a new damages trial. But we were convinced that if we pursued an immediate appeal, something that is authorized by a special patent statute allowing appeal before an accounting of the damages, we could help get a favorable appellate decision that would allow us to reinstate the jury's damages award without a new damages trial.

This most recent appellate decision has confirmed the success of this unconventional strategy. We not only avoided the second trial on damages entirely, the Federal

Circuit just affirmed the damage-doubling enhancement, we had secured on remand from the prior appeal.

The case presented some prickly issues of civil procedure, including how to handle a damages award when a jury found multiple violations but the court then set aside some of them aside. Tell us more about how you navigated this.

Lyons: The case has been a recurring source of interesting problems of civil procedure. One such issue cropped up the first time after the jury verdict and has reappeared several times since, including as one of the grounds for Cochlear's appeal and one of the subjects of questions from the bench at the recent argument, both by Judge Newman and Judge Linn.

The jury found four patent claims infringed (two claims under each of the two patents) and it awarded a single sum of compensatory damages. The district judge granted judgment as a matter of law as to three of those patent claims and then, initially, thought he had to order a new trial on damages.

Rather than simply retrying the damages case, the foundation agreed to take advantage of the patent statute that allows the filing of an appeal before an accounting of the damages. This led to the Federal Circuit review conducted back in 2018.

The Federal Circuit reinstated the verdict of liability as to one of the four claims. But a majority of the Federal Circuit panel did not think it had jurisdiction to consider the new trial on damages (in an opinion by Judge Hughes with Judge Newman dissenting on that point). So on remand, the trial team filed a motion seeking to reinstate the jury verdict and laid out several reasons why the damages verdict, awarding a single sum of damages for infringement of two separate patents, should be reinstated even though the finding of infringement under one of the patents had been reversed.

The district judge was convinced, based on directly applicable precedent and a record showing not only that Cochlear proposed the verdict form used but that the evidence of damages for infringement did not change based on the number of claims that were found to be infringed.

Indeed plaintiff's own expert did not claim that the amount of damages would change based on the number of claims found to have been infringed. The Federal Circuit decision earlier this week affirmed the district court's determination on the jury's award and further affirmed the district court's willfulness determination and enhancement.

Tell us a bit about the most recent oral arguments at the Federal Circuit. How did you prepare? Was it a lively bench?

Peterson: The preparation for this argument was very similar to what we have done in past cases, both for the

foundation and for other clients in the Federal Circuit. Our approach is to blend the experience of patent law experts and litigators and one or more appellate lawyers that do not specialize in patent cases.

So, in this instance, the prep started not long after the Federal Circuit gave notice of the argument date, with a meeting of the foundation lawyers who were most deeply involved in the appellate briefing. This meeting included a wide-ranging discussion about the case and the issues and generated some follow-up on parts of the record and case law that needed it.

About a week later, we had another meeting, this time with a slightly broader group that included a couple of Morgan Lewis lawyers who, while new to the foundation's case, have significant experience litigating patent cases, including at the Federal Circuit. By this point, I had a preliminary argument outline and part of this meeting focused on proposed Advanced Bionics points to make at argument, the company that held a license from the foundation to make use of the patented technology and co-plaintiff in the suit, and how best to address potential questions from the bench.

This was followed by another session, consisting of a moot court exercise. At this step, we also introduced some new participants to the preparation, including the appellate counsel for Advanced Bionics, Don Falk at Mayer Brown, and our client's CEO, John Petrovich, who is a lawyer and has wonderful insights, both on issues of substance and presentation.

As for the argument itself, the Federal Circuit judges are always very engaged and attentive and that was true of Judges Newman, Linn, and Hughes. Here, Judge [Pauline] Newman (who was a panelist on each of the three appeals in the case) was the most active questioner, posing several questions to each of the attorneys. Her inquiries were very much those of an experienced appellate judge, zeroing in very specifically on matters of interest to her and potential concern to the lawyer on the receiving end of the question.

Who were the other members of your team and what contributions did they make?

Lyons: In a case that has lasted this long (for us, since 2013) and that has had so many twists and turns, we have relied on many attorneys at its different phases. It would be impossible to name and describe all of their contributions.

For the most recent appeal and throughout the remand from the prior appeal, the other members of the team primarily included Morgan Lewis of counsel Michael Carr and

associates Ehsun Forghany and Keon Seif-Naraghi. This group worked closely with us to develop the arguments on damages, willfulness, and enhancement issues and to prepare expansive briefing during the remand that ultimately secured the reinstatement of the original jury verdict and the doubling enhancement.

This same team worked closely with us in preparing the appeal briefs for the most recent appeal that successfully defended the district court win.

For the trial and the post-trial briefs that followed, the focus was on patent infringement liability and defending the validity of the asserted claims. During trial, in addition to me, two former Morgan Lewis partners presented witnesses to the jury.

The trial team also included Jason Gettleman, now a Morgan Lewis partner, and Morgan Lewis associates Lindsey Shinn and Jacob Minne. Each played critical roles in preparing pretrial and post-trial briefing, helping prepare witnesses to testify, and helping to prepare cross-examination outlines. This team worked tirelessly (on virtually no sleep) to ensure the entire trial presentation was as impactful and presented as effectively and efficiently as possible.

How do you see the case affecting the industry?

Peterson and Lyons: AMF's technology fundamentally changed how cochlear implants are made. All commercial cochlear implants now include the patented back telemetry that was the subject of the case. The industry was also permanently changed by AMF's spinning off Advanced Bionics to develop and sell implants using the technology AMF patents and by Advanced Bionics' breaking Cochlear's monopoly.

I gather you both are sheltering in place now. In a perfect world, what would you be doing to celebrate the win?

Lyons: At a minimum, but for the current social isolation requirements, some handshakes and pats on the back would be in order. We will have to save those for a later time. We did receive a photograph from the foundation of a champagne toast done with appropriate social distancing, which was nice to see.

It's gratifying to know that the foundation intends to put the proceeds of its recovery towards the same kinds of medical research efforts that produced the remarkable technology that forms the basis in this case.

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