

How They Won It: Morgan Lewis Tags Verizon For \$115M

By **Abigail Rubenstein**

Law360, New York (September 19, 2011, 6:54 PM ET) -- To help convince a jury that Verizon Communications Inc. infringed ActiveVideo Networks Inc.'s on-demand video patents, attorneys from Morgan Lewis & Bockius LLP kicked off the trial by trotting out an unusual piece of evidence: a vintage MTV video featuring R&B singer Bobby Brown.

The early '90s video showed that the viewer could purchase Brown's CD or concert tickets via remote control. And the way the video dated itself through the singer's outdated fashion choices and hairstyle helped drive home for the jurors how innovative ActiveVideo's technology was in the pre-Internet age, according to Morgan Lewis' Daniel Johnson Jr. and Michael J. Lyons, the lead attorneys on the case.

But the strategy that ultimately persuaded the jury to find that Verizon's FiOS cable system infringed four patents and to award ActiveVideo \$115 million — the single largest patent verdict ever in the Eastern District of Virginia — started long before the opening statement featuring the clip of the singer, Johnson and Lyons told Law360.

The first major strategic choice ActiveVideo's legal team had to make in pursuing its case against Verizon was which of the patents in the company's portfolio to assert against the the communications giant.

“This was a case where there were choices to be made about what to focus on,” Lyons said. “The scope of the patents we chose was important, given that Federal Circuit's recent history of pushing back at large patent verdicts. We wanted to make sure the patents had really broad, system-level claims that really covered the full scope of what Verizon was offering.”

Lyons said it was also important to include a patent with methods claims in order to assure that ActiveVideo could get the kinds of damages its team believed it was entitled to, since a method claim would allow the company to secure damages for infringement going back as far as 2005.

ActiveVideo's complaint accused Verizon of infringing five patents that cover streaming video technology used in set-top boxes, including one patent with method claims that expires soon and another patent that remains in effect until 2017. However, the company dropped one of the five patents from the suit during the course of the litigation.

Once the patents were selected, the Morgan Lewis team made its next critical decision, namely, where to file the suit.

“We decided that for strategic reasons we were prepared to sue Verizon essentially in its own backyard, which is Virginia,” Johnson told Law360.

They filed the lawsuit in the Eastern District of Virginia in May 2010, counting on the district's ability to run what Johnson called a “true rocket docket,” to get the case to trial quickly and keep discovery costs down.

Because of the difference in size between Verizon and the much smaller ActiveVideo, the Morgan Lewis team knew their best bet for keeping the lawsuit within a budget that their client could afford was to keep the discovery period short, according to Johnson.

“Verizon's strategy was to try to delay as much as possible, and they filed a motion to transfer out of the Eastern District of Virginia to Delaware,” Johnson said. “They appreciated the fact that a quick resolution was in our interest and not necessarily in theirs.”

But even though the fast pace of the case came as a deliberate choice on the part of ActiveVideo's legal team, it presented challenges as they used the discovery process to build their case. The case went to trial in July, a little over a year after the initial filing, and the already compressed schedule was made even tighter by the fact that the lawyers' energies were largely tied up in the venue battle for the first six months of the case.

The speed at which the case progressed forced ActiveVideo's lawyers to be strategic in their discovery requests to ensure that they had the bare minimum of what they needed to present to a jury, Lyons said.

The truncated timeframe also meant that every member of ActiveVideo's legal team took on big responsibilities along the way, according to Lyons.

“With cases that go at this rate you really have to rely on everybody,” Lyons said. “You can't schedule it so only the senior people handle everything. You rely on the whole team, and people really stepped up.”

Besides Johnson and Lyons, the team included partners Dion M. Bregman, Brett M. Schuman, and Nathan W. McCutcheon, as well as senior attorney David M. Morris and of counsel MaryJane Boswell.

Associates Ahren C. Hsu-Hoffman, Jason E. Gettleman, Michael F. Carr, Efrain Staino Flores, Jeremy Peterson, Jacob A. Snodgrass and Lorraine M. Casto also worked on the case.

At the trial, which lasted three weeks, ActiveVideo's attorneys said they focused on showing the jury the importance of the company's technological innovations — which is where the video of Bobby Brown, as well as two other videos from the '90s came into play — and on making the claim that Verizon had approached the smaller company about a business opportunity, gained access to the technology, and then modeled its own product on the patented inventions.

The videos helped situate technology that has since become commonplace in a time when it was new. And they must have had some impact on the jurors, since they asked to have them in the jury room during deliberations, Johnson said.

In addition to hearing ActiveVideo's allegations against Verizon, the jury evaluated Verizon's counterclaims that ActiveVideo had infringed two of its patents.

On Aug. 2, the jury issued its \$115 million verdict against the telecom giant, finding that Verizon had infringed, though not willfully, the four ActiveVideo patents.

The jury also concluded that ActiveVideo had indirectly infringed two Verizon patents, but awarded Verizon only \$16,000.

Verizon, which has vowed to appeal the verdict, currently has several post-trial motions pending in an effort to overturn ActiveVideo's victory.

The ActiveVideo patents-in-suit are U.S. Patent Numbers 6,034,678; 5,550,578; 6,100,883; and 6,205,582. The Verizon patents-in-suit are U.S. Patent Numbers 6,169,542 and 7,561,241.

Verizon is represented by Hunton & Williams LLP, Simpson Thacher & Bartlett LLP and Kellogg Huber Hansen Todd Evans & Figel PLLC.

ActiveVideo is represented by Morgan Lewis & Bockius LLP and Kaufman & Canoles PC.

The case is ActiveVideo Networks Inc. v. Verizon Communications Inc. et al., case number 2:10-cv-00248, in the U.S. District Court for the Eastern District of Virginia.

--Editing by John Quinn.

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