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## Patent Litigation: Institutions, Processes, and Procedures

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# Patent Litigation: Institutions, Processes, and Procedures

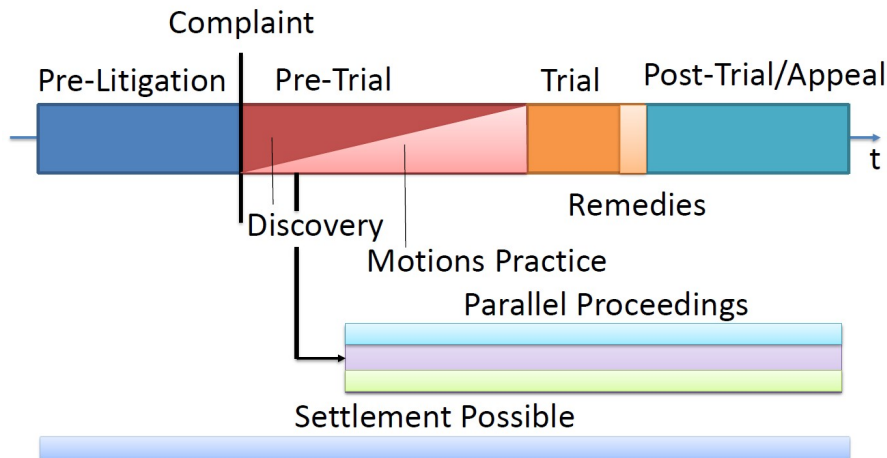
Bernhard Ganglmair    Christian Helmers    Brian J. Love

11 September 2019

# Overview

- “Anatomy” of a patent case
- Variance across countries

# Anatomy of Patent Litigation



# Pre-Litigation

- Allegation of past/ongoing patent infringement
  - Long period of pre-filing activity possible (up to 6 years in the U.S.)
- Patent owner may alert infringer (or not) before filing suit (via a “demand letter”)
- If so, dispute may be (unobservably) resolved
  - Anecdotally, many demands are simply ignored
  - No obligation to disclose licenses or royalties
  - Lemley, Richardson & Oliver (2019) estimate that only 1/3 to 1/2 of demands lead to litigation

# Pre-Litigation

Other assertion-related activity outside courts:

- Quasi-public patent marketing (e.g., through auction or broker)
- Patent buying programs (e.g., RPX, Allied Security Trust)
- Other proactive risk mitigation strategies:
  - Defensive portfolio building
  - Cross-licensing (e.g., LOT Network)
  - Insurance

# Pre-Trial

- Patent owner files “complaint” or “claim” in civil court
  - U.S.: >3,500 patent complaints in 2018
  - Germany: >1,200
- Accused infringer responds with “answer” or “defense”
- Pleadings may be supplemented with exchange of infringement/invalidity “contentions”
- Case may settle at any time (and generally will)

# Pre-Trial: Discovery

- Exchange of documents, information relevant to claims, defenses, and remedies
- Witness depositions/reports
  - Inventor
  - Prosecution counsel
  - Sources of prior art
  - Scientists/engineers employed by accused infringer
  - Expert witnesses: technical *and* economic (remedies)
- In U.S., this is the single most expensive phase of litigation
  - Costs are generally not symmetric



# Pre-Trial: Motions Practice

- Interspersed with discovery may be, e.g.:
  - Motion for preliminary injunction
  - Motion to transfer case to another court
  - Motion to stay case
  - Motions to resolve discovery disputes
- Culminating in:
  - “Claim construction”
  - Motions for summary judgment (i.e., judgment on paper resolving case, in whole or in part, on questions of law)

# Pre-Trial: Parallel Proceedings

- In court:
  - “Declaratory judgment” or “revocation” cases filed by the accused infringer seeking judgment of invalidity and/or non-infringement
  - Litigation in other countries
    - Apple v. Samsung: 50 cases in 10 countries
- Outside of court:
  - Administrative challenges to patent validity
  - Requests for import restrictions

# Trial

- Factual disputes resolved by
  - (lay) jury (U.S.) or judge (~rest of world)
- Evidentiary record established through:
  - Exhibits
  - Testimony
- Separate or joined proceeding(s) for remedies

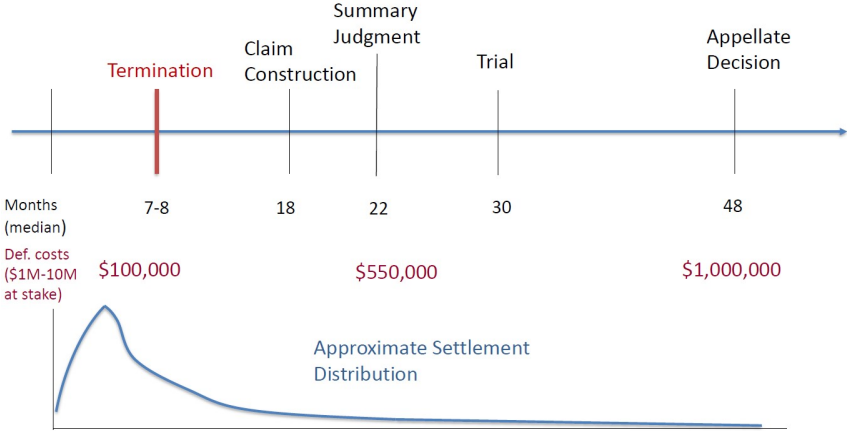
# Remedies

- Injunction
  - Automatic in some countries (e.g., Germany)
  - Sometimes denied in others (e.g., ~80% grant rate in U.S.)
- Compensatory Damages
  - Patent owner's lost profits, or
  - Reasonable Royalty
- Supracompensatory Damages
  - Disgorgement of infringer's profits
  - Enhancement for punitive effect

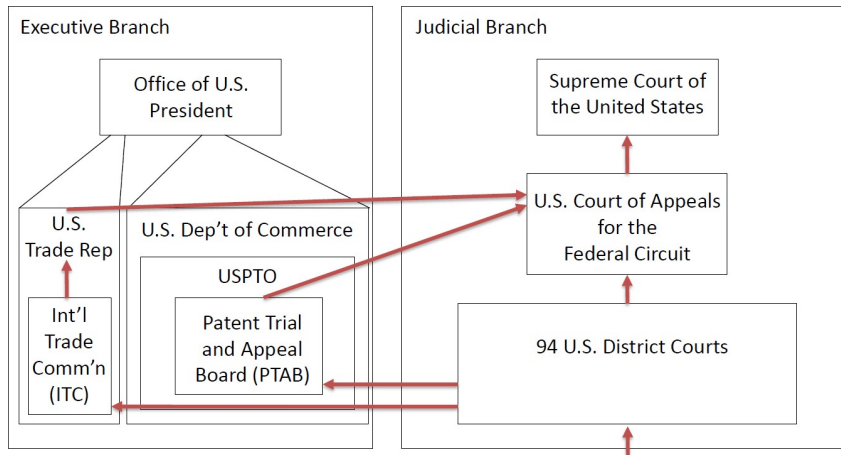
# Post-Trial

- Post-trial motions in court of first-instance:
  - JMOL (in U.S.)
  - Damages
  - Costs
  
- Appeal

# United States



# United States



# Design Variance

- Bifurcation of infringement and validity
- Finder of fact
- Court selection, specialization
- Costs and cost allocation



# Unified v. Bifurcated

## Unified System:

- Infringement and invalidity decided in same proceeding (with invalidity as a defense)
- Invalid claims cannot be infringed
- Example: U.S. prior to 1981

# Unified v. Bifurcated

Bifurcated system:

- Infringement and invalidity decided separately
- Infringement decided in (judicial) court
- Validity challenge available *only* in parallel (often administrative) proceeding
- Infringement proceeding *may* be stayed until validity is decided
- If not, possible for infringement to be decided first, remedies awarded before validity decision

# Unified v. Bifurcated

## Bifurcated systems:

- Germany:
  - Infringement → Regional Courts (Landgerichte – LGs)
  - Validity → Federal Patent Court (Bundespatentgericht – BPatG ), or EPO/DPMA Opposition
- China:
  - Infringement → Intermediate People's Courts
  - Validity → SIPO Patent Review and Adjudication Board (PRAB)

# Unified v. Bifurcated

Most systems today are mixed:

- Example: U.S. since 1981
- Invalidity ~always raised as defense in court *and*
- Administrative post-grant review available:
  - Ex parte re-examination (1981–present)
  - Inter partes re-examination (1999–2012)
  - PTAB: inter partes review, covered business method review, post-grant review (2012–present)

# Unified v. Bifurcated

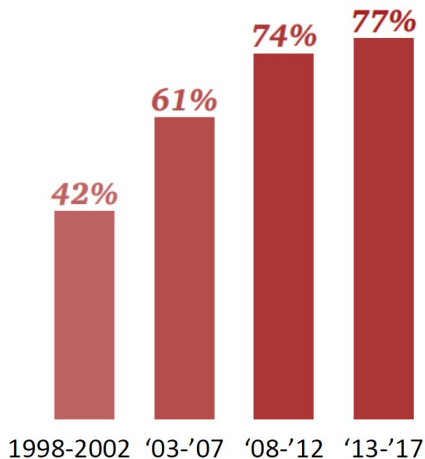
Timing of decisions:

- Infringement-first bifurcation:
  - Germany: validity decided on average 7 months after infringement
  - Often true in China, too
- Validity-first bifurcation:
  - U.S.: when PTAB petition is “instituted,” district court case likely will be stayed

# Finder of Fact

- Availability of jury trials in U.S.

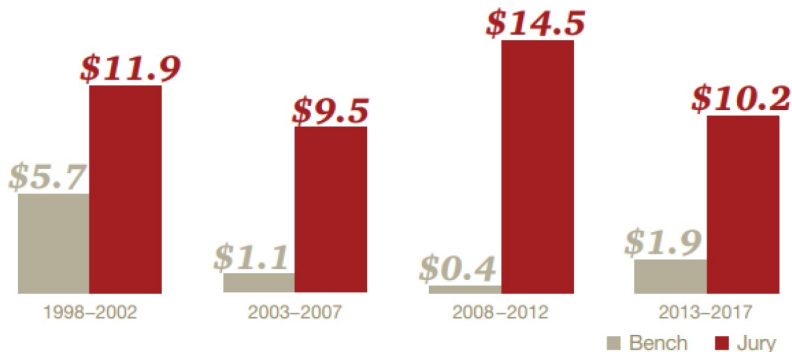
Percent of  
U.S. patent  
trials decided  
by juries





# Finder of Fact

## Median damages award: Bench vs. jury decisions (\$M)



PricewaterhouseCoopers, 2018 Patent Litigation Study



# Finder of Fact

- Verdicts and verdict forms

Literal Infringement By Fairchild										
Patent No. 6,212,079										
Power supply with:	SG6841 Type Products		SG5841 Type Products		SG5841J Type Products		FAN103 Type Products		SG3842G Type Products	
	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO
Claim 31	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Claim 34	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Claim 38	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Claim 42	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

8 **VI. INVALIDITY OF POWER INTEGRATIONS' '079 PATENT**

9

10 10. Has Fairchild proven by clear and convincing evidence that the following claims of the

11 '079 patent are anticipated and therefore invalid? (A "YES" answer is a finding for

12 Fairchild. A "NO" answer to this question is a finding for Power Integrations.)

13 Please check the boxes that reflect your verdict.

	YES	NO
14 Claim 31	[ ]	[ <input checked="" type="checkbox"/> ]
15 Claim 34	[ ]	[ <input checked="" type="checkbox"/> ]
16 Claim 38	[ ]	[ <input checked="" type="checkbox"/> ]
17 Claim 42	[ ]	[ <input checked="" type="checkbox"/> ]

18

## REASONABLE ROYALTY

1. What is the dollar amount Power Integrations has proved it is entitled to as a reasonable royalty for infringement through March 4, 2014?

\$ 13,980,000.00

# Court Selection, Specialization

- Number of courts:
  - U.S.: any of 94 total federal district courts
  - Germany: 12 regional courts
  - France: 1 court
- Court/Judge Specialization
  - UK: cases “tracked” by complexity
    - Intellectual Property Enterprise Court
    - Patents Court within High Court
  - Germany, China: some regional specialist chambers
  - U.S.: Court of Appeals for the Federal Circuit, “Patent Pilot Program”

# Court Selection, Specialization

## Incentive for strategic behavior

- “Forum shopping”
  - 1/3 U.S. patent cases filed 2014-17 in Eastern District of Texas (1/4 before a single judge!)

## **Apple Exits The Eastern District Of Texas**

Apple is closing its two retail stores in the Eastern District of Texas, a move widely seen as a bid to avoid patent suits in a district where it has been hit with large verdicts. The shuttered locations will be replaced by a new Apple store a few miles away in Dallas, in the Northern District of Texas.

# Court Selection, Specialization

- “Forum selling”

**Date:** Tuesday, Aug 27, 2019, PM

**To:**

**Subject:** Dinner with Judge Alan Albright WDTX and Ocean Tomo

Hi [ ],

I am reaching out to extend an invitation to join us for a dinner with Judge Alan Albright (WDTX) in San Francisco next Wednesday, September 4<sup>th</sup>. Judge Albright is trying to spread the word far and wide about how his WACO court would be a great place to try IP cases. We did one of these dinners in Austin and it was a huge success. This will be a casual dinner allowing you to hear more about the Judge's courtroom procedures and to ask questions.

Hope you are available to join us for this dinner.

Best,

Molly



**Molly Keelan**

*Director*

**Ocean Tomo, LLC** | Chicago, IL

# Court Selection, Specialization

- “Forum selling”

“Patent filings in WD-Tex doubled to 189 in the last 12 months, compared to 93 the year before Albright took the bench in September 2018. Some patent owners shut out of the Eastern District of Texas following the *TC Heartland* decision are apparently turning to the Western District because it’s nearby, more tech and retailers do business there, and Albright spent 20 years practicing IP . . . [and] he hasn’t been shy about letting the patent bar know he’d like his courtroom to become a hub for IP cases.” (Graham, Law.com)

# Costs and Cost Allocation

- Typical litigation costs vary significantly
  - U.S. order of magnitude > Germany, Japan
  - Only UK comes close
- Contingency Fees
  - U.S. plaintiffs pay 30-40% of recovery, not per hour
  - Such agreements often illegal outside U.S.

# Costs and Cost Allocation

## Fee shifting

- “American rule” v. “English rule”
- Reality is more complex:
  - U.S. Patent Act authorizes fee awards in “exceptional cases”
  - UK IPEC has cost caps, typical costs award covers only about 60% of actual costs

# Patent Litigation Systems Across the Globe

Characteristics	Jurisdiction							
	United States	Japan	China	Korea	Germany	UK	France	Netherlands
Bifurcated	No	Yes	Yes	Yes	Yes	No	No	No
Administrative post-grant review	Yes	Yes	No	Yes	Yes (EPO, DPMA)	Yes (EPO)	Yes (EPO)	Yes (EPO)
Jury trial	Yes	No	No	No	No	No	No	No
Preliminary injunction	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Criminal liability	No	Yes	No	Yes	Yes	Yes	Yes	Yes
Average duration in 1st instance (months)	18-42	12-15	6-18	10-18	14	24-36	18-24	12
Damages amount	High	Low	Low	Low	Average	High	Average	Low
Punitive damages	Yes	No	No	No	No	No	No	No
Fee shifting	Limited	Limited	Limited	Limited	Limited	Full (item-based)	Limited	Full
Average costs in 1st instance (*000 US\$)	1000-6000*	300-500	20-150	150-400	90-250	1000-2000	60-250	70-250
Number of courts 1st instance	94	2	18 specialized + regular courts	5	12 (+1 validity)	2	1	1
Specialized court/judges 1st instance	No	Yes	Partly	Partly	Yes	Yes	Yes	Yes
Specialized court of appeal	Yes	Yes	Yes	Yes	No	No	No	No
Separate trial for damages	No	Yes	No	No	Yes	Yes	No	No
Utility models	No	Yes	Yes	Yes	Yes	No	No	No
Design patents	Yes	No	Yes	No	No	No	No	No

\* Median reported; sources: AIPLA Economic Survey 2017; Clark (2011); Cremers et al. (2016a); Graham and van Zeebroeck (2014), Thomson Reuters Practical Law.