

THE PATENT
LITIGATION
LAW REVIEW

Editor
Trevor Cook

THE LAWREVIEWS

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LITIGATION
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PREFACE

Although patent litigators should always be mindful that patent litigation has, with some justification, been called the ‘pathology of the patent system’, not so much as a criticism, but more in recognition of how remarkably little patent litigation there is in fact when seen in relation to the number of patents in force at any one time, patent litigation is also the anvil on which patent law is forged. This is because the ‘black letter’ law of patents tends to be terse by comparison to most other areas of law, and it is only with experience of how courts and tribunals interpret such law and apply it that one can start to appreciate its true scope and effect. This, in part, explains how such similarly expressed statutory provisions as one finds in different patent laws can sometimes result in such different outcomes in different jurisdictions – disparities that are all the more evident when they concern the same product or process, and patents that, though in different jurisdictions are all members of the same family, and are all intended to protect the same invention.

Such disparities can also be a consequence of the considerable procedural differences between jurisdictions, the nature of which is outlined in this *Review*. However, the *Review* does not only summarise patent litigation procedures. The respective contributors to it, as leading practitioners in each of their jurisdictions, also focus on recent developments in substantive patent law as demonstrated by the most important recent court decisions in their respective jurisdictions, meaning that this *Review* also provides insight into the current controversies that affect patent law generally.

For those of us in Europe, the main development in patent litigation had been expected to be the entry into force of the Unified Patent Court Agreement, which had been foreseen for early in 2018, even though the UK, a necessary party to the establishment of the new Court, has initiated the procedure under Article 50 TFEU by which it will leave the EU in 2019, and the basis on which it can remain part of the new Court once it leaves the EU is unclear. However, these plans have now been thrown into doubt by the pending challenge before the Federal German Constitutional Court to the consistency of the Agreement with the Federal German Constitution – a challenge that is not expected to be resolved soon. It is to be hoped that by the next edition of this *Review* this particular source of uncertainty will have been resolved and the chapter devoted to this new jurisdiction will by then have practical application.

Trevor Cook

Wilmer Cutler Pickering Hale and Dorr LLP

New York

October 2017

UNITED STATES

*Thomas L Jarvis and Cyrus T Frelinghuysen*¹

I OVERVIEW

The United States has a highly developed system of patent litigation, largely due to its historic investments in the research and development of technology, coupled with its large and profitable market for products produced both domestically and abroad. US patents are granted based on applications that are examined by the US Patent and Trademark Office (PTO). Those patents can be enforced in the US district courts or at the US International Trade Commission if the infringing products are imported and the patent is used by a domestic industry. All US patents are subject to potential post-grant validity challenges at the PTO. While the volume of patent litigation has varied over time, the need to protect the investments that are necessary to develop new technologies and the profits that are available to competitors suggests that US patent litigation will continue to command significant attention.

II TYPES OF PATENTS

Three types of patents may be obtained in the United States: utility, design and plant.² The PTO is responsible for reviewing patent applications and granting patents. Utility patents make up approximately half of the patent applications received and patents granted by the PTO.³ The grant of a utility patent provides a patentee with the nationwide right to exclude others from making, using, offering for sale, selling or importing any patented invention. The scope of those rights is set forth in one or more patent claims that define the boundary of patent protection and that are the basis for determining patent validity and infringement.

The process of preparing and filing a patent application with the PTO is referred to as patent 'prosecution'. An applicant may file either a provisional or non-provisional application. A provisional application need only contain a specification and a drawing but no claims, and does not get examined substantively by the PTO.⁴ Instead, the provisional application acts as

1 Thomas L Jarvis and Cyrus T Frelinghuysen are attorneys at Winston & Strawn LLP.

2 Plant and design patents fall outside the scope of this chapter. In short, however, plant patents are available for any 'asexually reproduce[d] . . . distinct and new variety of plant[.]' 35 U.S.C. § 161. Design patents protect 'any new, original and ornamental design for an article of manufacture[.]' 35 U.S.C. § 171.

3 U.S. PTO, U.S. Patent Statistics Report (June 2016).

4 35 U.S.C. § 111(b).

a kind of placeholder for an applicant who wants to provide evidence of conception no later than the date of the application.⁵ An applicant must then file a non-provisional application within a year of filing the provisional application.

Examiners at the PTO review patent applications to determine whether the statutory requirements for patentability are satisfied. These include three basic requirements. First, the claimed invention must fall within the statutory subject matter, which covers ‘any... process, machine, manufacture, or composition of matter, or any new and useful improvement thereof’.⁶ In contrast, ‘[l]aws of nature, natural phenomena, and abstract ideas are not patentable.’⁷ Second, the invention must be new (‘novel’), meaning the invention was not disclosed to the public either in a printed publication or in any other form prior to the filing date of the claimed invention.⁸ Third, the invention must be ‘non-obvious’.⁹ An invention may be determined to be ‘obvious’ when a ‘person having ordinary skill in the art’, in other words, someone who is skilled in the general field of the claimed invention, would have been able to come up with the claimed invention based on then-available technology and information.

III PROCEDURE IN PATENT ENFORCEMENT AND INVALIDITY ACTIONS

The Federal Rules of Civil Procedure, procedural decisional law and any local or judge-specific rules govern civil litigation proceedings, including patent infringement actions. Proceedings in a patent infringement action can be divided into seven phases: due diligence investigations, pleadings, discovery, patent claim interpretation, summary judgment motions, trial and post-trial proceedings.

i Due diligence

The due diligence phase includes review of the client’s patent portfolio to identify patents that appear to be infringed by products that are identified in the market, preparation of infringement claim charts to track the correspondence of each element of the patent claim to features in the apparently infringing products, investigation of defendants to determine the appropriate court for the litigation, and estimating the likely monetary awards and injunctive relief that should be awarded. With that information, one may prepare a basic business case for proceeding with a litigation

Selection of patents for litigation should reflect the likely interpretation that will be accorded to each element of the claims, the opportunity to obtain information demonstrating that the accused products meet each of those limitations, and optionally, an investigation of whether those patents are susceptible to invalidity challenges.

5 Enacted in 2011, the America Invents Act (AIA) had several significant impacts on US patent laws, including shifting the United States from a ‘first-to-invent’ system to a ‘first-inventor-to-file’ system. Under the first-to-invent system, an inventor could obtain a patent upon a showing that he or she was the first to conceive of the claimed invention and reduce it to practice. In contrast, under the AIA’s first-inventor-to-file-system, the person who first discloses an invention, namely, through the filing of a provisional or non-provisional application, will be granted a patent, even if someone else were to have previously conceived of the invention.

6 35 U.S.C. § 101.

7 *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014).

8 35 U.S.C. § 102.

9 35 U.S.C. § 103.

Identification of products that will likely be found to infringe those patents may be possible from simple examination of the product, or might require sophisticated reverse engineering. The preparation of infringement claim charts is a systematic means of evaluating infringement. This documents the basis of any later infringement allegations, and is required in certain courts as part of a complaint.

US district courts hold original and exclusive jurisdiction over actions arising under the Patent Act.¹⁰ There are 89 judicial districts spread across the 50 states, with a total of 94 districts including the territories of the United States. Until recently, patent infringement actions were routinely filed in the judicial district believed to be most favourable to the patent owner's interests (often the Eastern District of Texas). However, in May of 2017, the US Supreme Court ruled that venue (the particular judicial district) against domestic corporations is only proper in the state where the defendant resides (or the state of incorporation for corporate defendants) or where the defendant has a regular and established place of business and has committed acts of infringement.¹¹ This clarification of the venue laws has dramatically reduced the number of patent infringement cases filed in the Eastern District of Texas,¹² and is likely to increase the number filed in Delaware, New York and Illinois, where many companies are incorporated or headquartered.

ii Pleadings

Patent litigations are initiated by the filing of a complaint. Historically, patent infringement complaints were only required to provide a short and plain statement of the claim, showing that the pleader was entitled to relief – the model form only required an allegation of jurisdiction, that the plaintiff owned the patent, that the defendant had been infringing the patent 'by making, selling and using [the device] embodying the patent', that the plaintiff had given the defendant notice of its infringement, and a demand for an injunction or monetary damages.¹³ However, from 1 December 2015, the rules that permitted those simple allegations were revised, and more detailed pleadings are now required. While the new standards continue to evolve, a common interpretation of the new rules requires that the complaint contain an identification of representative claims from each patent, some description of the patented functionality, identification of the accused products and a description of corresponding functionality in such products.¹⁴ A few courts require more, such as alleging element-by-element that the patent claims are used in the accused products.¹⁵ When a court finds that a complaint lacks sufficient detail, there are generally opportunities for amending or submitting a wholly new complaint with additional details. The patent owner must file the complaint with the appropriate court and serve a copy of the complaint upon the defendants.

10 28 U.S.C. § 1331. Except for ancillary issues such as breach of contract claims arising from the sale of a patent, as a general matter state courts do not have jurisdiction to enforce patents.

11 *TC Heartland LLC v. Kraft Food Grp. Brands LLC*, 137 S. Ct. 1514 (2017).

12 See R. Davis, *TC Heartland Is Already Remaking the Patent Litigation Map*, Law360 (July 5, 2017).

13 *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1357 (Fed. Cir. 2007); see also Fed. R. Civ. P. 8(a)(2) and 84, and Form 18.

14 See, for example, *Uniloc USA Inc. v. Avaya Inc.*, No. 6:15-cv-1168, slip op. at 7 2016 WL 7042236 at *5 (E.D. Tex. May 13, 2016).

15 *Atlas IP LLC v. Pac. Gas & Elec. Co.*, No. 15-cv-05469-EDL, 2016 WL 1719545 (N.D. Cal. Mar. 9, 2016).

A defendant served with a complaint must respond within 21 days (plus any extensions of time).¹⁶ If the complaint is defective due to lack of jurisdiction, failure to state a recognised claim, failure to name all necessary parties, or other reasons, the defendant may file a motion to dismiss.¹⁷ Absent a motion to dismiss, the defendant must file an answer to the complaint. Answers are issue-by-issue admissions, denials, or denials based on lack of information.¹⁸ Failure to deny any allegation in the complaint, except for the amount of damages, can constitute an admission of that allegation.¹⁹ Answers must also include any affirmative defences, which are reasons why the defendant should not be subject to any claim for relief even if the allegations in the complaint are proven true. Common affirmative defences include unreasonably delayed claims, defendant's licence under the patent, past payment or resolution of the dispute in a prior litigation. Any affirmative defences that are not included in the answer may be found waived.²⁰ In some courts, the complainant must respond to the affirmative defences. Failure to respond to a complaint in a timely manner can result in a default judgment where the court rules in favour of the plaintiff without further proceedings.²¹ However, in many instances the courts have exercised discretion to permit late responses in order to avoid a default. Depending upon the complexity of the issues, later discovered information that was not available when the original complaint or answer were filed, and other factors, amendments to the complaint and answer may be permitted later in the litigation.

iii Discovery

The discovery phase of US civil litigations involves the exchange of information between the parties, and, if necessary, obtaining information from third parties, that might later be used as evidence at trial. After service of the complaint is completed, the parties must prepare a proposed discovery plan for submission to the court.²² Within 14 days after the discovery plan, all parties are required to make initial disclosures (without awaiting discovery requests) that identify the names and contact information for likely witnesses, copies of documents upon which the party will use to support its claims or defences, a calculation of damages, and any insurance agreements.²³ In most circumstances, the court will hold a scheduling conference within 90 days after service of the complaint, and as soon as practicable the court will issue a scheduling order that limits the time to join other parties, amend the pleadings, complete discovery and file motions.²⁴ The period for conducting discovery varies widely, but in complex patent infringement cases, fact discovery may last for about a year and expert discovery for an additional six months. Fact discovery includes the exchange of documents and inspection of equipment,²⁵ interrogatories (written answers to questions from

16 See Fed. R. Civ. P. 12(a)(1)(A). The defendant's waiver of service can extend the time to 60 days and a foreign defendant may be entitled to 90 days to respond.

17 See Fed. R. Civ. P. 12. Certain defences are waived if a motion to dismiss is not filed in advance of filing an answer. See Rule 12(h)(1).

18 See Fed. R. Civ. P. 8(b)(1)-(5).

19 See Fed. R. Civ. P. 8(b)(6).

20 See Fed. R. Civ. P. 12(b), (h).

21 See Fed. R. Civ. P. 55(a).

22 See Fed. R. Civ. P. 26(f).

23 See Fed. R. Civ. P. 26(a)(1).

24 See Fed. R. Civ. P. 16.

25 See Fed. R. Civ. P. 34.

the opposing party)²⁶ and depositions²⁷ (out-of-court sworn oral testimony of a witness that that is transcribed by a court reporter for possible later use at trial). Expert discovery includes the exchange of written reports disclosing all facts and opinions that an expert witness intends to rely upon at trial, followed by deposition of the experts.²⁸

Discovery is often the most expensive phase of patent litigation. Parties may move for a protective order limiting discovery requests that are irrelevant or where the burden or expense of producing the evidence outweighs its likely benefit.²⁹ Parties also sometimes agree to forego certain types of discovery due to expense.

iv Patent claim interpretation

In 1996, the Supreme Court held in *Markman v. Westview* that the interpretation of patent claims is a legal issue for a judge decide and does not require jury consideration.³⁰ Many judges now conduct *Markman* hearings early in the procedural schedule, during which the judge considers intrinsic evidence that consists of the patent claims, specification and prosecution history, and optionally may consider extrinsic evidence, including dictionaries and expert testimony. Based on the hearing, the judge may issue an order construing (interpreting) the patent claims at issue. The resolution of patent claim construction disputes relatively early in the proceedings often provides a basis for settlement or summary motions regarding infringement or validity issues.

v Summary judgment motions

Any party may file a motion for summary judgment on issues where the facts are not in dispute, such that the judge may rule as a matter of law. After issuance of a *Markman* claim construction, infringement and invalidity issues may be ripe for summary motions. The success rates for summary motions are highly variable, ranging from 25.6 per cent in the Eastern District of Texas to 45.8 per cent in the Northern District of California over the first nine months of 2016.³¹ Since July 2014, almost 54 per cent of motions for summary judgment of invalidity for lack of patentability under 35 USC Section 101 have been successful in light of the Supreme Court's 2014 *Alice* ruling that 'abstract ideas' are not patentable.³²

vi Trial

Although about 4,600 patent infringement complaints were filed in 2016, typically only about 3 per cent of those complaints culminate in a trial.³³ Many cases are settled, some are resolved by summary judgment and others are withdrawn due to lack of interest or litigation resources.

26 See Fed. R. Civ. P. 33.

27 See Fed. R. Civ. P. 30.

28 See Fed. R. Civ. P. 26(b)(4).

29 See Fed. R. Civ. P. 26(b).

30 *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

31 Legal Metric Nationwide Report, Summary Judgment Decisions in Patent Cases (Jan. 1991–Sept. 2016).

32 DocketNavigator Analytics, Motion Success, Unpatentable Subject Matter (July 2014–Sept. 2017); *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014).

33 DocketNavigator Analytics, New Patent Cases and Trials (2008–2016). For example, in 2016, 4,641 cases were initiated, but there were just 118 trials during the same time frame (2.5 per cent).

The median time to trial for patent cases in the US district courts is about 30 months.³⁴ While some courts like the Eastern District of Virginia routinely proceed to trial in 12 months, most courts are slower, and many individual cases are delayed (stayed) pending *inter partes* review (IPR) of the validity of the patent at the PTO. There is considerable variability in the rate at which courts exercise their discretion to stay patent litigations pending an IPR; however, some studies indicate that up to 70–80 per cent of patent cases with a co-pending IPR validity challenge are stayed pending completion of the IPR proceeding.³⁵

Plaintiffs and defendants have a constitutionally guaranteed right to a jury trial, but upon agreement of both, a judge can decide in lieu of a jury. While a well-educated and experienced judge might more easily comprehend the complex technology at issue in many patent cases, only about 80 per cent of patent infringement cases are tried to a jury, presumptively because plaintiffs have higher success rates and larger monetary damages awards are available from juries than from judges.³⁶

Trials are formal hearings where witness testimony, documents and physical evidence are examined to resolve disputed issues of fact. The jury is then instructed by the judge on the applicable law in order to reach a verdict on the issues – typically, whether the patent is infringed by the accused device, whether the patent is valid and the appropriate monetary damages. Counsel for the parties play an active role in presenting evidence, including questioning the witnesses. Trials typically begin with counsel providing opening statements to foreshadow the evidence that will be presented, followed by testimony of fact and expert witnesses, and typically ending with counsel providing a closing argument on how the evidence should be interpreted. The average duration of patent infringement trials is eight days.³⁷

vii Post-trial proceedings

Jury verdicts can be challenged by motions for judgment as a matter of law (JMOL). Those motions ask the judge to consider whether the evidentiary record is sufficient to support the verdict of the jury. And if a defendant made a pre-verdict JMOL motion on damages, then that motion can be reasserted after the verdict.³⁸ JMOL motions are often coupled with motions for a new trial and can result in significant reductions in damage liability.

The complexity of the technology and legal issues has led many judges and judicial districts to adopt special procedural rules for patent litigations – rules that are often further tailored for the special circumstances of individual cases.

34 PwC 2017 Patent Litigation Study: Change on the Horizon? at 7 (May 2017), available at <https://www.pwc.com/us/en/forensic-services/publications/assets/2017-patent-litigation-study.pdf>.

35 El-Gamel, Samuel, Siddoway, The New Battlefield: One Year of Inter Partes Review Under the America Invents Act, 42-1 AIPLA Quarterly Journal, 39, 55 (2014); Vermont, S. IPR Statistics Revisited: Yep, It's a Patent Killing Field, PatentAttorney.com (Feb 8, 2017), available at <https://www.patentattorney.com/ipr-statistics-revisited-yep-its-a-patent-killing-field/>.

36 PwC 2017 Patent Litigation Study: Change on the Horizon?, *supra* note 34 at 1.

37 M. Lemley, J. Kendall & C. Martin, Rush to Judgment? Trial Length and Outcomes in Patent Cases, AIPLA Quarterly Journal, Vol. 41, No. 2 (Spring 2013), at 177.

38 See Fed. R. Civ. P. 50.

IV SUBSTANTIVE LAW

i Infringement

A patent holder can bring an action for ‘direct’ infringement against anyone who makes, uses, offers to sell, sells or imports into the United States a patented invention or a product that is made by a patented process.³⁹ Absent special circumstances, liability for infringement attaches to companies found to have engaged in the specified prohibited acts, not their specific employees, officers or directors.

A patent holder may also bring a claim for ‘indirect’ infringement against anyone who actively induces or contributes to direct infringement, as long as there is a showing of direct infringement.⁴⁰ Liability for inducement attaches when a party knows about a patent and actively takes actions that encourage others to infringe the patent, knowing that such actions constitute inducement.⁴¹ A defendant’s good faith belief in a patent’s invalidity is not a defence against a claim of induced infringement.⁴² Liability for contributory infringement attaches when a party sells, offers to sell or imports into the United States a component of a patented invention that constitutes a material part of the invention rather than a commodity-type article suitable for substantial non-infringing uses, knowing that the component was made or adapted for use in an infringing manner.⁴³

In addition, a party may be liable for infringement if it exports for assembly abroad all or substantially all of the components of a patented invention,⁴⁴ or if it exports for assembly abroad a component of a patented invention that constitutes a material part of the invention rather than a commodity-type article suitable for substantial non-infringing uses, knowing that the component will be combined outside the United States in an infringing manner.⁴⁵

A patent holder has the burden of proving infringement by a preponderance of the evidence.⁴⁶ The determination as to patent infringement is a two-step process.⁴⁷ First, a court construes the claims of the patent, namely, the court determines what the claims mean. Claim construction is a question of law for the court to rule upon.⁴⁸ Second, the accused product or process is compared to the properly construed claims. This step is a question of fact⁴⁹ and therefore usually determined by a jury. Infringement will be found when an accused product or process includes every element (‘limitation’) of a claim.⁵⁰ ‘Literal infringement’ exists when each and every element in a claim ‘reads on’, or is found in, an accused product or process.⁵¹

In addition to literal infringement, infringement under the ‘doctrine of equivalents’ exists even if one or more of the claim limitations are not literally present in the accused

39 35 U.S.C. § 271(a) and (g).

40 35 U.S.C. § 271(b)–(c).

41 *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S.Ct. 1920, 1926 (2015).

42 *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S.Ct. 1920, 1931 (2015).

43 35 U.S.C. § 271(c).

44 35 U.S.C. § 271(f)(1).

45 35 U.S.C. § 271(f)(2).

46 *Centricut LLC v. Esab Grp., Inc.*, 390 F.3d 1361, 1367 (Fed. Cir. 2004). This standard may be understood to mean that infringement is more likely than not.

47 *Warner-Lambert Co. v. Teva Pharms. USA, Inc.*, 418 F.3d 1326, 1340 (Fed. Cir. 2005).

48 *Id.*

49 *Id.*

50 *Id.*

51 *Allen Eng’g Corp. v. Bartell Indus.*, 299 F.3d 1336, 1345 (Fed. Cir. 2002).

product or process, as long as the equivalents of those limitations are present.⁵² In other words, to find infringement under the doctrine of equivalents, any differences between the claimed invention and the accused product must be insubstantial.⁵³ A determination of infringement under the doctrine of equivalents is subject to two major limitations. First, ‘prosecution history estoppel’ limits the range of equivalents available to a patent holder by preventing recapture of subject matter that the patent holder surrendered through narrowing amendments during prosecution of the patent.⁵⁴ Second, under the ‘all elements’ rule, the doctrine of equivalents does not apply if applying the doctrine would vitiate an entire claim limitation.⁵⁵

ii Invalidity and other defences

There are multiple defences available to a party accused of infringement. The most commonly raised defences include non-infringement, invalidity and unenforceability.

Non-infringement

With respect to non-infringement, an accused infringer may argue that a patent holder has failed to establish infringement either literally or under the doctrine of equivalents. As the burden of proof rests with the patent holder, an accused infringer may defeat a claim of infringement by showing that an accused product or process fails to meet just a single limitation of a claim.

Invalidity

The validity of a patent may be challenged on multiple grounds, including but not limited to the grounds described below, and a defendant bears the burden of proving invalidity by clear and convincing evidence.⁵⁶ First, an accused infringer may take the position that a patent is directed to ineligible subject matter – laws of nature, natural phenomena and abstract ideas. The US Supreme Court has articulated a two-step framework for determining patent eligibility:

- a determine whether the claims are directed to one of the aforementioned patent-ineligible concepts; and
- b if so, consider the elements of the claims – both individually and as ordered combinations – to assess whether the additional elements transform the nature of the claims into a patent-eligible application of the concept.⁵⁷

Second, a patent may be found invalid for failure to satisfy what is known as the ‘utility requirement’. In short, the utility requirement demands that an invention actually work as

52 See *Allen Eng’g Corp. v. Bartell Indus.*, 299 F.3d 1336, 1345, 1346 (Fed. Cir. 2002).

53 *VirnetX, Inc. v. Cisco Sys.*, 767 F.3d 1308, 1322 (Fed. Cir. 2014).

54 *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 493 F.3d 1368, 1377 (Fed. Cir. 2007) (citation omitted).

55 *Seachange Int’l, Inc. v. C-COR Inc.*, 413 F.3d 1361, 1378 (Fed. Cir. 2005).

56 *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 95 (2011). The ‘clear and convincing’ standard is a higher standard of proof than the ‘preponderance of the evidence’ standard necessary to prove infringement and has been described by the U.S. Supreme Court as a ‘heavy burden.’ See *id.* at 104.

57 See *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S.Ct. 2347, 2355 (2014).

claimed. For example, an invention that is ‘inoperative’, in the sense that it does not operate to produce the results claimed, is not a ‘useful’ invention for the purposes of meeting the utility requirement.⁵⁸

Third, an accused infringer may argue that an invention lacks ‘novelty’, meaning it is anticipated by the prior art. ‘Prior art’ refers to any information or other evidence that was publicly known prior to a certain date.⁵⁹ Prior art references may include, for example, patents, patent applications, books, articles, advertisements or even pre-existing products. A patent is anticipated when a single prior art reference describes every limitation of the claimed invention.⁶⁰

Fourth, a patent may be rendered invalid as being ‘obvious’. This means a particular invention would have been obvious to a person of ordinary skill in the art⁶¹ at the time of the invention. For example, an invention may be obvious if someone working in the relevant technical field could have come up with the invention by combining certain prior art references. The obviousness analysis entails several basic factual inquiries:

- a determining the scope and content of the prior art;
- b ascertaining the differences between the prior art and the claims at issue; and
- c evaluating the level of ordinary skill in the pertinent art.⁶²

In addition, the obviousness analysis must take into account evidence that supports a finding that an invention is not obvious. Such evidence includes:

- a whether the invention was commercially successful;
- b whether there was a long-felt but unresolved need for the invention;
- c whether others failed to come up with the invention; and
- d whether the invention yielded unexpected results.

Fifth, under the ‘written description’ and ‘enablement’ requirements, a patent may be found invalid if it lacks a description of the invention sufficient to enable one of ordinary skill in the art to make and use the invention.⁶³ A patent’s specification must describe the invention in full, clear, concise, and exact terms.⁶⁴ The written description requirement is met where there is sufficient information in the specification to show that the inventor possessed the invention at the time of the original filing.⁶⁵ The enablement requirement is met where one skilled in the art, having read the patent’s specification, could practice the invention without undue experimentation.⁶⁶

Sixth, a patent may be found invalid to the extent the claims are not ‘definite’. A patent specification must conclude with claims particularly pointing out and distinctly claiming the

58 *Newman v. Quigg*, 877 F.2d 1575, 1581 (Fed. Cir. 1989).

59 After the passage of the AIA, any information or evidence disclosed before an inventor files a patent application will be considered prior art.

60 *Net MoneyIN Inc. v. VeriSign Inc.*, 545 F.3d 1359, 1369 (Fed. Cir. 2008).

61 The phrase ‘person of ordinary skill in the art’ refers to a hypothetical person who is presumed to have an average level of skill in the relevant technical field at the time of the invention.

62 *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966).

63 See 35 U.S.C. § 112(a).

64 *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 373 (1996).

65 *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1320 (Fed. Cir. 2003).

66 *Streck, Inc. v. Research & Diagnostic Sys., Inc.*, 665 F.3d 1269, 1288 (Fed. Cir. 2012). Various factors must be considered when determining whether a disclosure requires undue experimentation. See *id.*

subject matter of the claimed invention.⁶⁷ If the scope of a claim, when read in light of the specification and prosecution history, is not clear to a person of ordinary skill in the art, it may be found indefinite.⁶⁸

Unenforceability

Even when a defendant cannot prove invalidity, a patent may nonetheless be found unenforceable for a variety of reasons, including inequitable conduct or patent misuse. Inequitable conduct occurs when an inventor breaches the duty of candour and good faith owed to the PTO while applying for a patent. For example, either a misstatement or misrepresentation to the PTO can lead to a finding of inequitable conduct, if it was material in nature and done with an intent to deceive.⁶⁹ Inequitable conduct can render all claims of a patent unenforceable.

A patent may also be found unenforceable due to misuse. Misuse occurs when a patent holder attempts to impermissibly broaden the physical or temporal scope of the patent grant in a way that has anticompetitive effects.⁷⁰ For example, in the licensing context, one common form of misuse is when a patentee requires the purchase of an unpatented product as a condition for obtaining a licence to the patent.⁷¹ Another type of misuse would be charging royalties for a patent after the patent has expired. Misuse renders the patent unenforceable during the period of the misuse.

Additional defences

Additional defences that may be raised to counter a claim of infringement include licence, patent exhaustion and equitable estoppel. An accused infringer may rely on an express or implied licence to practice the patented invention. When an express licence defence is involved, there is typically a licence agreement that exists between the parties that must be interpreted. In contrast, an implied licence may arise in certain unique circumstances when the grant of a licence can be inferred.⁷² For example, when a patent holder sells a patented product, the sale carries with it an implied licence to engage in conduct that would otherwise constitute infringement.⁷³

A concept closely related to this form of implied licence is what is known as 'patent exhaustion'. Under the doctrine of patent exhaustion, the authorised sale of a patented product gives the buyer, or any subsequent purchaser, a right to use or resell that product.⁷⁴ In 2017, the Supreme Court found that patent exhaustion applies even with respect to foreign sales.⁷⁵

67 See 35 U.S.C. § 112(b).

68 *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S.Ct. 2120, 2124 (2014).

69 *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290 (Fed. Cir. 2011).

70 *Princo Corp. v. U.S.*, 616 F.3d 1318, 1328 (Fed. Cir. 2010).

71 See *id.*

72 *Monsanto Co. v. Scruggs*, 459 F.3d 1328, 1336 (Fed. Cir. 2006).

73 *Zenith Elecs. Corp. v. PDI Comm'n Sys., Inc.*, 522 F.3d 1348, 1360 (Fed. Cir. 2008).

74 *Bowman v. Monsanto Co.*, 133 S.Ct. 1761, 1764 (2013).

75 *Impression Prods., Inc. v. Lexmark Int'l, Inc.*, 137 S. Ct. 1523 (2017).

Finally, the defence of equitable estoppel is available to accused infringers. To prevail on an estoppel defence, there must be a showing that the patent holder's misleading statement or conduct led the alleged infringer to reasonably infer that the patent holder did not intend to enforce its patent.⁷⁶

V FINAL REMEDIES FOR INFRINGEMENT

There are two remedies for infringement: monetary damages and injunctive relief.

The Patent Act provides for the award of damages 'adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use of the invention made by the infringer'.⁷⁷ The courts have recognised multiple grounds for calculating the appropriate compensation, but lost profits and reasonable royalties are the two most common grounds. Lost profits typically results in larger damage awards and may be available if the patent owner can establish that, but for the infringement, it would have made the infringer's sales.⁷⁸ Proof of lost profits often includes evidence that:

- a the patented invention was in demand;
- b no non-infringing substitutes were available;
- c the patent owner was capable of fulfilling the demand; and
- d evidence of the profits the patent owner would have received.⁷⁹

If lost profits cannot be established, then the courts can award reasonable royalties. Reasonable royalties are most often determined by the rate a reasonable and willing patent owner and a reasonable and willing licensee would have hypothetically negotiated at the time the infringement began. Courts consider many factors in the hypothetical negotiation, including:

- a royalties paid by other licensees of the infringed or similar patents;
- b nature and scope of the licence;
- c whether the patent owner previously sought enforcement or licence of its patents;
- d whether the parties are competitors;
- e possibility of convoyed sales;
- f remaining term of the patent;
- g profitability of products covered by the patent;
- h advantages of the patent product over alternative products; and
- i the portion of profits that derive from patented components of a commercial product.⁸⁰

Injunctive relief may be available under 35 USC Section 283, which provides that:

[t]he several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

76 *Hynix Semiconductor Inc. v. Rambus Inc.*, 645 F.3d 1336, 1348 (Fed. Cir. 2011).

77 35 U.S.C. § 284.

78 *Akamai Techs. Inc. v. Limelight Networks, Inc.*, 805 F.3d 1368 (Fed. Cir. 2015).

79 *Mentor Graphics Corp. v. EVE-USA, Inc.*, 851 F.3d 1275 (Fed. Cir. 2017).

80 *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp.1116, 1120 (S.D.N.Y. 1970).

Until about 10 years ago, injunctions were routinely granted to most prevailing patent owners upon request. However, the Supreme Court's 2006 *eBay, Inc v. MercExchange* decision restricted the issuance of injunctive relief to patent owners that satisfied the traditional equitable test that:

- a absent an injunction, irreparable injury will occur;
- b monetary damages are inadequate to compensate for that injury;
- c the balance of hardships between the patent owner and the infringer favour injunctive relief; and
- d the public interest does not preclude an injunction.⁸¹

Following the *eBay* decision, courts have generally denied injunctive relief to patent owners who do not practise the patent at issue, but have granted injunctions when requested by owners who do practise their patent.⁸²

VI OTHER TYPES OF PATENT PROCEEDINGS

i Section 337 investigations at the US International Trade Commission

The US International Trade Commission (ITC) is authorised to exclude from importation into the United States articles that infringe a US patent that protects a domestic industry (19 USC Section 337). Although Section 337 proceedings are technically government investigations, patent owners and importers largely drive the proceedings. The adoption of free trade policies, the relocation of manufacturing industries into Asia and the dominance of globally traded products has increased the number and importance of patent infringement cases at the ITC. Although sometimes criticised as a tool of protectionist trade policies, about one-third of all Section 337 complaints are filed by non-US based companies.⁸³

Jurisdiction

The ITC has jurisdiction over parties that sell for importation into the United States, import into the United States or sell within the United States after importation (collectively, 'importers').⁸⁴ Like US district courts, the ITC can exercise personal jurisdiction over persons and companies that have at least some minimal level of contact with the United States, or that appear and defend in a Section 337 investigation. However, in addition, the ITC also has *in rem* jurisdiction over all products imported into the United States.⁸⁵ In order to attain economies of scale, most industries depend on the large and lucrative markets available in the United States and therefore are subject to Section 337 investigations.

81 *eBay Inc. v. MercExchange*, L.L.C., 547 U.S. 388 (2006).

82 Christopher B. Seaman, *Permanent Injunctions in Patent Litigation After eBay: An Empirical Study*, Iowa Law Review, vol. 101 (2016) at 1949.

83 Maskus, Keith E., *Private Rights and Public Problems: The Global Economics of Intellectual Property in the 21st Century* at 223 (2010).

84 19 U.S.C. § 1337(a)(1)(B).

85 *Scaled Air Corp v. U.S. Int'l Trade Comm'n*, 645 F.2d 976 (CCPA 1981).

To establish a violation of Section 337, a patent owner must establish by a preponderance of the evidence that (1) a valid and enforceable US patent is infringed (2) by products imported into the United States, and (3) that there are significant investments in a US domestic industry that exploits the patent.⁸⁶

Patent infringement

With a few exceptions, the ITC generally applies the same patent law as the US district courts. Because Section 337 applies to the ‘importation... of articles that infringe’, direct infringement is determined as of the moment of importation. Thus, at the ITC there is typically no direct infringement of method claims and claims covering systems that are not assembled until after importation – however, importers of those articles can be found to be indirectly infringing by contributing to or inducing a direct infringement by its customers. Liability for contributory infringement arises when an importer:

*[O]ffers to sell or sells...a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practising a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use.*⁸⁷

Liability for induced infringement arises when an importer ‘induces infringement of a patent’,⁸⁸ which the courts have interpreted as requiring both knowledge (or at least no wilful blindness) of the asserted patent and that its actions would lead another to directly infringe the patent.⁸⁹ This ‘infringing at the moment of importation’ test has had a substantial impact in the electronics industries where patents are often directed to methods of operation and components are often imported for assembly into infringing systems within the United States.

Importation

The Section 337 importation requirement is met when at least one unit of the allegedly infringing product is imported into the United States. The ITC takes an expansive view to find importation in each of the following circumstances:

- a* foreign manufacturers that sell products to trading companies with knowledge that the trading company would import the product into the United States;⁹⁰
- b* foreign manufacturers accepting purchase orders for delivery and installation of the product in the United States;⁹¹

86 19 USC § 1337(a)(1)(B) and § 1337(a)(2)-(d).

87 35 U.S.C. § 271(c).

88 35 U.S.C. § 271(b).

89 *Commil USA, LLC v. Cisco Sys., Inc*, 135 S. Ct. 1920, 1926 (2015).

90 *Certain Battery Powered Ride-On Toy Vehicles*, Inv. No. 337-TA-314, Commission Opinion at 4-5 (April 9, 1991).

91 *Certain Variable Speed Wind Turbines*, Inv. No. 337-TA-376, Order No. 11 (October 19, 1995).

- c foreign manufacturers who ship to the United States disk drives that include magnetic disk components that had earlier been made by an infringing process in the United States;⁹² and
- d importation of a single unit for use at a trade show.⁹³

Domestic industry

Section 337 requires (1) significant investments in plant, equipment, labour, and capital; or (2) substantial investments in research, development, engineering or operating a licensing business, that exploit at least one claim of each asserted patent.⁹⁴ Complainants must establish both the economic prong of domestic industry (the amount of the investment, considered in the context of the industry) and the technical prong (practice of the patent by either the complainant or its licensees). Historically, investments sufficient to manufacture in the United States a product that practises a patent is deemed a 'significant' investment. Investments in research, development, engineering or licensing must have a nexus to the claims of the asserted patent.⁹⁵ Complainants may rely upon their own investments, as well as the investments of their corporate affiliates,⁹⁶ investments made by their licensees under the patent⁹⁷ and investments made by their contractors.⁹⁸

Section 337 procedures

Section 337 investigations are governed by the ITC's Rules of Practice and Procedure.⁹⁹ Owners of US patents file with the ITC a complaint containing detailed allegations of the facts that, if later proven true, would constitute a violation of Section 337 and typically support those allegations with voluminous exhibits.¹⁰⁰

The procedures in Section 337 investigations are similar to those in district court patent infringement cases in several ways: Section 337 provides the full gamut of discovery tools;¹⁰¹ motions are available to resolve discovery disputes;¹⁰² motions for summary disposition are available¹⁰³ (although less frequently granted than in district court); and formal trials are

92 *Certain Sputtered Carbon Coated Computer Disks*, Inv. No. 337-TA-350, Commission Opinion at 8-9 (Nov. 3, 1993).

93 *Certain Abrasive Products*, Inv. No. 337-TA-449, Initial Determination at 6 (Feb 8, 2002).

94 19 U.S.C. § 1337(a)(2)-(3).

95 *Certain Integrated Circuit Chips and Products Containing the Same*, Inv. No. 337-TA-859, Commission Opinion (Aug. 22, 2014).

96 *Certain Liquid Crystal Display Devices and Products Containing the Same*, Inv. No. 337-TA-631, Order No. 18 (Sept. 23, 2008).

97 *Certain Automotive Parts*, Inv. No. 337-TA-651, Order No. 21 (Mar. 6, 2009).

98 *Certain Male Prophylactic Devices*, Inv. No. 337-TA-546, Order No. 22 (Mar. 15, 2006).

99 19 C.F.R. Parts 201 and 210.

100 See 19 C.F.R. § 210.12.

101 See 19 C.F.R. §§ 210.27-32.

102 See 19 C.F.R. §§ 210.33-34.

103 See 19 C.F.R. § 210.18.

held.¹⁰⁴ However, there are important procedural differences. Section 337 patent infringement investigations are typically completed in about 16 months,¹⁰⁵ whereas comparable cases in the district courts average about 30 months.¹⁰⁶

Section 337 investigations often involve extensive foreign discovery, complex technology (about 70 per cent of the cases involve the electronics industry), voluminous briefs and written testimony, and high demand trials that are compressed into very short time periods. While only about 3 per cent of district court patent infringement cases proceed to trial, about 40 per cent of Section 337 investigations proceed to trial. The ITC's dedicated administrative law judges preside over discovery and a trial, and they issue an initial determination (ID) on all issues that bear on whether the importers have violated Section 337 – all within about 12 months. The ITC commissioners then take over the case for the final four months during which they can review and modify the findings in the ID, and then rule on remedy, bonding and public interest issues.

Section 337 investigations can be terminated based on withdrawal of the complaint, settlement, dispositive decisions on motions for summary determination, or a final determination on the merits by the ITC. Of the investigations that went to a final determination during the period 2012–2016, complainants won in about 54 per cent of those cases.¹⁰⁷ When a complainant wins, unless contrary to the public interest, the ITC must issue an exclusion order that directs the US Customs and Border Protection to stop further importations of infringing products.¹⁰⁸ If the importers who were found in violation have commercially significant inventories of infringing products, the ITC has the discretion to also issue a cease-and-desist order prohibiting certain enumerated commercial activities involving that inventory.¹⁰⁹

Section 337 remedial orders are immediately effective, but subject to a 60-day review period during which the president can disapprove the remedy for policy reasons.¹¹⁰ During that period, importations can continue if the importers post a bond that is ultimately forfeited to the complainant unless the president disapproves the orders or the decision is reversed on appeal.¹¹¹ Losing parties in Section 337 investigations can appeal for modification of the decision by the Court of Appeals for the Federal Circuit.¹¹² In the event an importer is found to violate a cease and desist order, the ITC is authorised to impose civil penalties in the amount of US\$100,000 per violation day or alternatively up to twice the domestic value of the products.¹¹³

104 See 19 C.F.R. §§ 210.35–39.

105 U.S. International Trade Commission, *Section 337 Statistics: Average Length of Investigations* (July 14, 2017), available at https://usitc.gov/intellectual_property/337_statistics_average_length_investigations.htm.

106 PwC 2017 Patent Litigation Study: *Change on the Horizon?*, *supra* note 34 at 7.

107 U.S. International Trade Commission, *Section 337 Statistics: Number Cases in Which Violation Is Found/ Yr*, available at https://www.usitc.gov/intellectual_property/337_statistics_number_cases_which_violation.htm.

108 19 U.S.C. § 1337(d).

109 19 U.S.C. § 1337(f).

110 19 U.S.C. § 1337(j). Presidential review is now delegated to the U.S. Trade Representative.

111 19 U.S.C. § 1337(j)(3).

112 19 U.S.C. § 1337(c).

113 19 U.S.C. § 1337(f)(2).

ii Inter partes review at the US Patent and Trademark Office¹¹⁴

An IPR is a proceeding before the Patent Trial and Appeal Board (PTAB), a branch of the PTO that is authorised to review the validity of a patent.¹¹⁵ Any US patent that was issued on or after 16 September 2012 is eligible for IPR.

Anyone other than the owner of a patent may petition the PTAB to institute an IPR.¹¹⁶ During the first two years that IPRs were available, about 80 per cent of IPR petitions were directed to patents in pending litigations.¹¹⁷ IPR petitions are subject to detailed requirements, including: the identification of all real parties in interest; identification with particularity of each patent claim challenged; the proper interpretation of the claim; and the legal grounds and evidence supporting the challenge.¹¹⁸ Patent owners have the option of responding to the petition prior to the PTAB's determination of whether to institute an IPR.¹¹⁹

The PTAB will institute an IPR no later than six months after filing of the petition if there is a 'reasonable likelihood that the petitioner will prevail' with respect to at least one of the challenged patent claims.¹²⁰ IPR proceedings are called trials, but have limited procedures for discovery, submission of testimony, and are often decided on written submissions without an in-person hearing.¹²¹ The PTAB must issue a final written decision no more than 12 months after institution of an IPR.¹²²

IPRs have had two significant impacts on patent litigation:

- a* many district courts (but not the ITC) often stay infringement proceedings on patents that are undergoing IPR until the conclusion of the IPR proceeding; and
- b* IPRs that proceed to a final written decision invalidate all claims at issue in about 67 per cent of the cases, some of the claims in about 16 per cent of the cases and none of the claims in about 17 per cent of the cases.¹²³

VII APPEAL

All appeals of patent-related claims fall within the exclusive jurisdiction of the US Court of Appeals for the Federal Circuit, located in Washington, DC. The Federal Circuit was created to ensure there exists a nationwide uniform authority for patent law. The Federal Circuit takes appeals from decisions of various courts and agencies, including district court patent cases, PTAB decisions and final determinations of the ITC. For district court cases, the losing party must file a notice of appeal with the district court within 30 days after the court has

114 The America Invents Act ('AIA') was signed into law on September 16, 2011. The AIA created three types of post-grant review proceedings: *inter partes* review (discussed herein) and the less commonly used post-grant review and covered business method review, each of which became effective September 16, 2012.

115 35 U.S.C. §§ 311-319.

116 35 U.S.C. § 311(a); 37 C.F.R. § 42.101.

117 El-Gamel, Samuel, Siddoway, *The New Battlefield: One Year of Inter Partes Review Under the America Invents Act*, 42-1 AIPLA Quarterly Journal, 39, 55 (2014).

118 35 U.S.C. § 312(a); 37 C.F.R. § 42.104.

119 35 U.S.C. § 313; 37 C.F.R. § 42.107.

120 35 U.S.C. §§ 313 and 314(b); 37 C.F.R. § 42.107.

121 See 37 C.F.R. §§ 42.51-74.

122 35 U.S.C. § 314(b).

123 Patent Trial and Appeal Board Statistics (Mar. 31, 2016) available at http://www.uspto.gov/sites/default/files/documents/2016-3-31_per_cent20PTAB.pdf.

entered judgment.¹²⁴ For PTAB proceedings, a notice of appeal must be filed with the PTO no later than 63 days after the PTAB's final decision.¹²⁵ Finally, for ITC investigations, a losing party must file an appeal with the Federal Circuit no later than 60 days after the ITC's final determination.¹²⁶

After an appeal is docketed with the Federal Circuit, the parties submit a series of briefs setting forth their arguments why the lower decision should be affirmed or reversed. Generally speaking, the Federal Circuit will only review materials already in the record below and will not consider new evidence. After briefing is completed, oral arguments are often held before a panel of three Federal Circuit judges. The panel will issue an opinion, although no opinion may be provided when the panel determines to affirm a district court judgment.

The disposition of appeals to the Federal Circuit from the time of docketing an appeal to a decision typically requires a year.¹²⁷ In terms of outcomes, for the 12-month period ending 30 September 2016, the Federal Circuit reversed district court judgments for just 16 per cent of the time – that figure was 33 per cent for the ITC and 7 per cent for the PTO.¹²⁸ In the vast majority of instances, the Federal Circuit's decision will resolve a case, unless a losing party decides to seek review by the Supreme Court, which only rarely grants requests for review.¹²⁹ The cost of an appeal varies but ranges between a few hundred thousand dollars and several million, depending on the complexity of the issues.

VIII THE YEAR IN REVIEW

Historically, the Supreme Court rarely reviewed patent cases, leaving it to the Federal Circuit to guide the direction of patent law. Yet in recent years, the Supreme Court has been granting review of more cases and has generally narrowed the scope of protection available under the patent laws. During the past year, several cases have had a significant impact on patent enforcement, including the following three decisions by the Supreme Court.

i **TC Heartland LLC v. Kraft Foods Group Brands LLC**¹³⁰

In this landmark decision announced in May 2017, the Supreme Court narrowed where patent infringement lawsuits may be brought against corporate defendants. Previously, a patentee could file suit wherever a corporation was subject to personal jurisdiction, which therefore included almost any location in the country even if the corporation hardly engaged in any business there. This allowed plaintiffs to engage in 'forum shopping', choosing to

124 Fed. R. App. P. 4(a)(1).

125 37 C.F.R. § 90.3.

126 19 U.S.C. § 1337(c).

127 U.S. Court of Appeals for the Federal Circuit, *Median Time to Disposition in Cases Terminated After Hearing or Submission (2007-2016)*, available at http://www.cafc.uscourts.gov/sites/default/files/the-court/statistics/FY16_Median_Disposition_Time_for_Cases_Terminated_after_Hearing_or_Submission_Detailed_Table_of_Data_2.pdf.

128 U.S. Court of Appeals for the Federal Circuit, *Appeals Filed, Terminated, and Pending During the Twelve-Month Period Ended September 30, 2016*, available at http://www.cafc.uscourts.gov/sites/default/files/the-court/statistics/FY16_Appeals_Filed_Terminated_and_Pending_2.pdf.

129 After a panel reaches a decision, the losing party may also file a petition for rehearing by the panel or the whole Federal Circuit, but the latter is typically only granted if there is an important issue of patent law that the Federal Circuit decides should be addressed.

130 *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017).

file suits in district courts that are patentee-friendly, such as the US District Courts for the Eastern District of Texas and the District of Delaware, where 48 per cent of patent suits were filed in 2016.¹³¹ In *TC Heartland*, however, the Supreme Court held that patent suits must be brought either in the state where the defendant is incorporated or in any state where the defendant has committed infringing acts and has an established place of business. This decision has effectively eliminated the ability of plaintiffs to engage in extensive forum shopping and may result in cases having to be filed on defendants' home turf.

ii SCA Hygiene Products Aktiebolag v. First Quality Baby Products LLC¹³²

A second decision from the Supreme Court this year discarded the defence known as laches. Previously, the defence of laches barred a plaintiff from recovering damages if the plaintiff unreasonably delayed in bringing suit against an alleged infringer. Yet plaintiffs are statutorily prohibited from recovering damages for any infringement committed more than six years prior to the filing of a lawsuit.¹³³ In its decision, the Supreme Court reasoned that laches cannot be applied in patent cases because the six-year time limitation imposed by statute already acts to bar recovery for any plaintiff who delays in filing suit. The takeaway from this decision is that a party will remain exposed for damages even when a patentee otherwise delays in bringing suit after initially contacting that party about potential infringement.

iii Halo Electronics, Inc v. Pulse Electronics, Inc¹³⁴

A final noteworthy decision by the Supreme Court in 2016 made it significantly more difficult to obtain enhanced damages in patent cases. In reaching its decision, the Supreme Court rejected the framework established over a decade earlier by the Federal Circuit for determining whether such damages should be awarded. While noting that enhanced damages have been available for over 180 years for cases involving egregious infringement behaviour, the Supreme Court cautioned that enhanced damages should only be awarded for conduct that can be described as 'wilful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or – indeed – characteristic of a pirate'.¹³⁵ This decision will likely result in fewer cases where plaintiffs are able to recover enhanced damages, and potentially has made it harder for plaintiffs to even plead facts sufficient to state a claim for enhanced damages.

IX OUTLOOK

The United States has a long tradition of research and development of new technologies, large markets with high profit margins, and a tradition of rewarding intellectual property rights, all of which results in a great deal of patent litigation.

131 J. Bell, *Patent Litigation in U.S. District Courts: A 2016 Review*, Law360 (Mar. 1, 2017).

132 *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954 (2017).

133 35 U.S.C. § 286.

134 *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S.Ct. 1923 (2016).

135 *Id.* at 1932.

With the shift of manufacturing to Asia, Chinese patent infringement proceedings could emerge as viable additions or alternatives to proceedings in the United States. In 2016, a reported 9,680 patent litigations were filed in China, 10 per cent of which were filed by plaintiffs based outside of China, who won 70 per cent of those actions.¹³⁶

While IPR proceedings have delayed many patent infringement cases in the district courts and have invalidated many patents involved in those litigations, the US Supreme Court has agreed to consider whether IPRs violate the US Constitution by extinguishing private property rights embodied in patents without providing a trial in a district court before a jury.¹³⁷ If the Supreme Court eliminates IPRs, one can expect significant future growth above the 4,600 district court litigations and 64 ITC patent litigations filed in 2016.

136 B. Love, C. Helmers, and M. Eberhardt, *Patent Litigation in China: Protecting Rights or the Local Economy?* Santa Clara Law Digital Commons (2016).

137 *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC* (Dkt. No. 16-712).

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