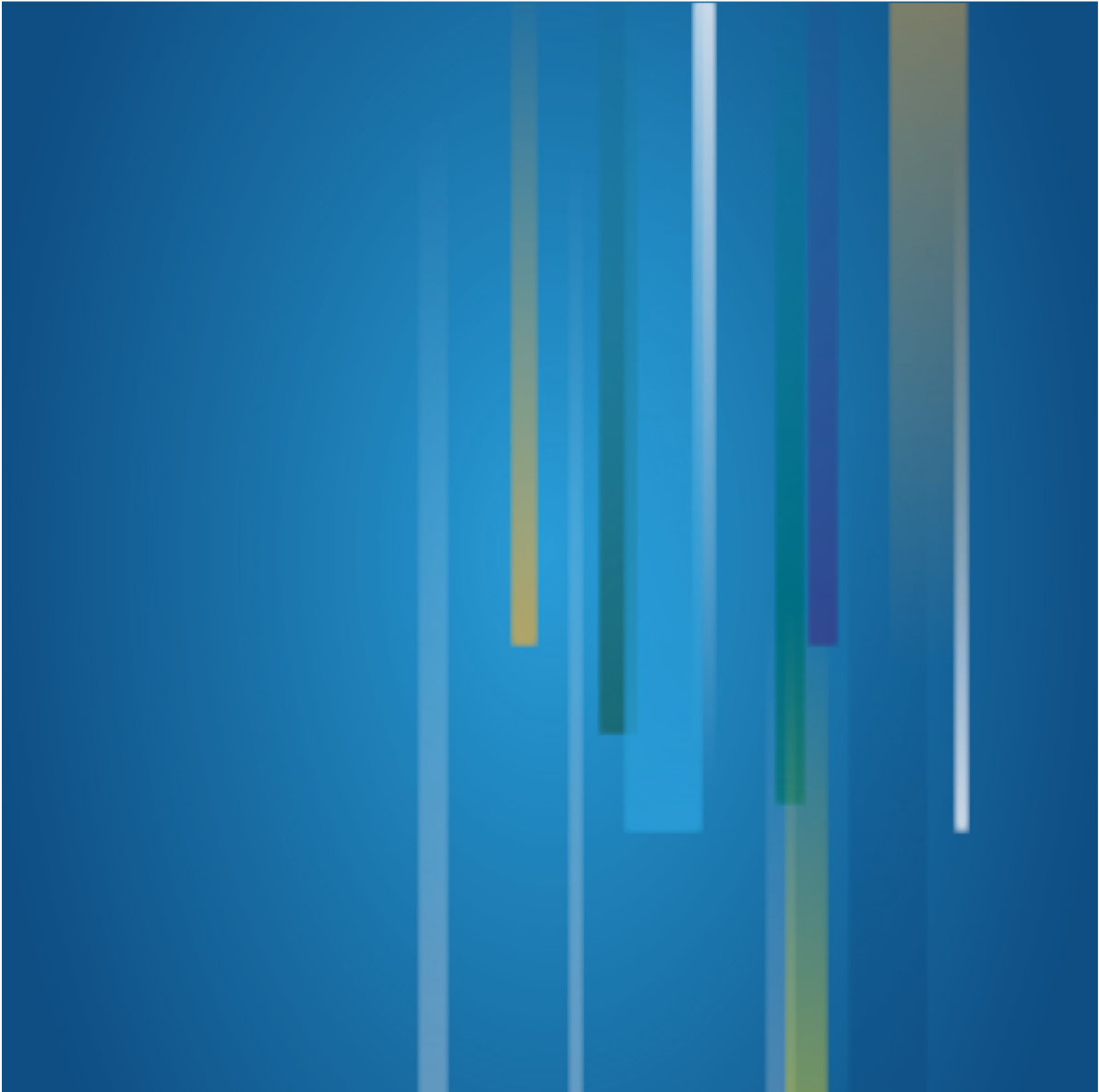




Knobbe Martens

Overview of Patent Litigation in the United States

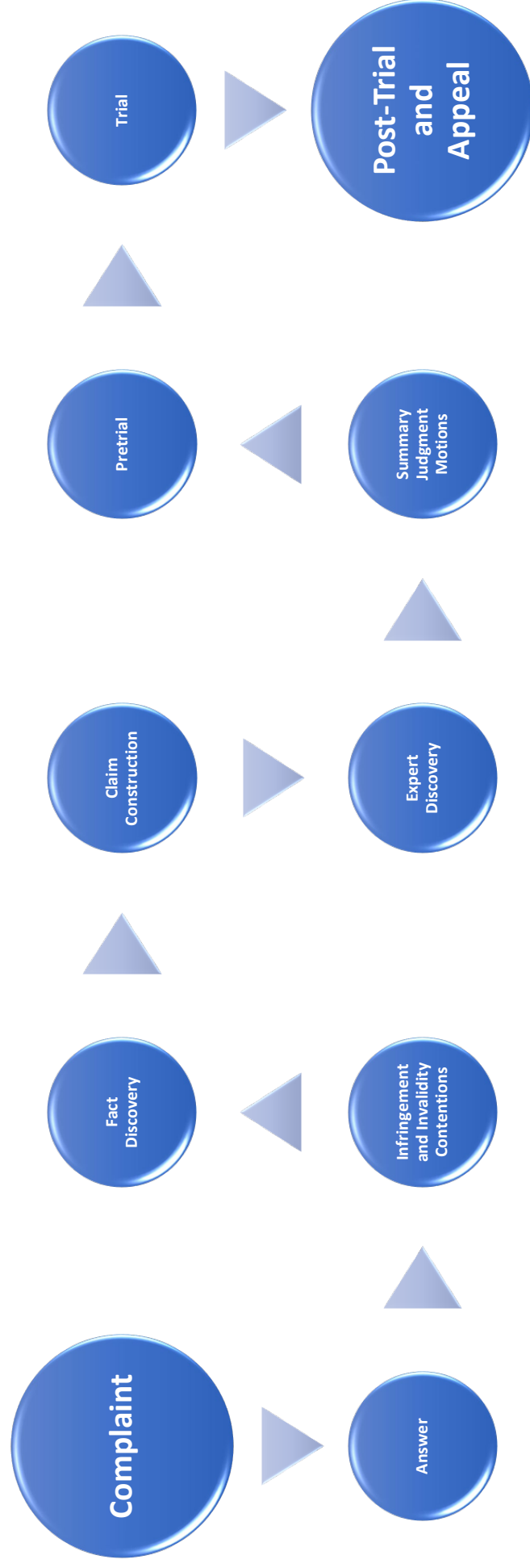
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ANATOMY OF PATENT INFRINGEMENT SUIT

Key Case Milestones



AVERAGE TIMELINE FOR KEY CASE MILESTONES

Case Event	Typical Timing After Complaint
Complaint	
Answer	+ 1 month
Infringement and Invalidity Contentions	+ 2-3 months; + 4-5 months
Fact Discovery • Document production • Written discovery • Depositions	+ 10-14 months
Claim Construction	+ 5 months
Expert Discovery	+ 16 months
Summary Judgment Motions	+ 10-18 months
Pretrial	+ 18-22 months
Trial	+ 18-24 months
Post-Trial and Appeal	+12-18 months after final judgment

VERY FEW U.S. PATENT CASES GO TO TRIAL



- Less than 3% of all civil cases filed in the United States result in a trial

VERY FEW U.S. PATENT CASES GO TO TRIAL

- Reasons:
 - Settlement
 - Summary judgment
 - Expense
 - Explosion of NPE litigation
 - Recent § 101 (patentable subject matter) decisions
 - Venue restrictions limiting cases in pro-trial forums
 - Parallel proceedings – Patent Trademark and Appeal Board (PTAB)

DISCUSSION OF PATENT LITIGATION PHASES

THE COMPLAINT

- Must be based on thorough pre-suit investigation and good-faith belief of infringement
- Contains high-level description of the infringing product and infringing activity
- Must identify the type of infringement (direct, indirect) and the remedy sought (damages, injunction, enhanced damages/fees)
- Does not need to contain specific evidence of infringement or amount of damages

SERVICE OF COMPLAINT

- Must be personally “served” on the named defendant(s)
- For foreign defendants, service must comply with foreign law (e.g. Hague Convention)
- Court will occasionally order alternative service methods (e.g. through a U.S. subsidiary or its counsel)

THE ANSWER

- Usually due 21 days after service of the complaint (often extended 30 days or more)
- Admits or denies allegations in the complaint
- Asserts defenses and counterclaims (e.g., invalidity, inequitable conduct)

CONTENTIONS – PLAINTIFF’S INFRINGEMENT CLAIMS

- Direct and Indirect Infringement
 - Direct – the accused party makes, sells, uses the accused product or performs all steps of a claimed method
 - Indirect – the accused party causes others to perform the claimed method or contributes to the infringing by a third party by providing components of the claimed apparatus without non-infringing use
- Literal infringement and the doctrine of equivalents
 - Literal – accused product or method meets every word of the claim
 - Equivalents – accused product or method has an element that performs the same function, in the same way and achieves the same result as any missing claim limitation

CONTENTIONS – DEFENDANT’S INVALIDITY CLAIMS

- Basis for Invalidity Position
 - Inappropriate Subject Matter (Section 101)
 - Defect in Specification or Claims (Section 112)
 - Prior Art – Printed Publications and Use/Sales
 - Others – Improper Inventorship
- IPR Estoppel – Limits to Invalidity Assertions in District Court
 - Applies to grounds that a party “raised or reasonably could have raised” during the subject IPR
 - No IPR Estoppel for Non-Instituted IPR Petitions

CLAIM CONSTRUCTION OR “MARKMAN” HEARING

- Process by which the court interprets the terms of the claims and provides definitions that will govern the case
- Claim construction basics:
 - terms generally given their ordinary meaning to someone of skill in the art in light of the patent specification
 - terms can vary from ordinary meaning if special meaning provided in the patent specification or prosecution history
 - meaning of a term can come from patent documents (intrinsic evidence) or from dictionaries, books, treatises, articles and expert testimony (extrinsic evidence)
- Timing – usually before or during fact discovery, but can be after expert discovery in rare cases

FACT DISCOVERY

- Process through which parties in litigation can request and obtain relevant documents and testimony
- Discoverable materials include:
 - paper documents
 - electronic records
 - e-mails
 - other records
- Failure to follow discovery rules can result in penalties, including:
 - monetary fines
 - loss of rights
 - adverse rulings

FACT DISCOVERY

- Requests for Production
 - Written requests for documents, electronically stored information, tangible objects, or inspection of physical locations
- Interrogatories
 - Written questions requiring written answers
- Requests for Admission
 - Written statements asking a party to admit that each statement is true
- Depositions
 - Out-of-court proceedings during which a witness responds under oath to questions presented by an attorney

EXPERT DISCOVERY

- Experts
 - Paid witnesses hired by each party to explain the facts of the case to the jury and provide opinions based on their expertise concerning the issues that the jury must decide
- Technical Expert
 - Engineers or scientists with expertise in technical field (e.g., mechanical engineering)
 - Will testify about noninfringement and invalidity issues
- Damages Expert
 - Typically economists or accountants
 - Calculate lost profits and reasonable royalty rates

SUMMARY JUDGMENT

- Can dispose of a single issue or entire case without a trial if:
 - Moving party entitled to judgment based on undisputed facts
- Usually filed after close of fact discovery
- Frequently denied if other party can show a dispute of a fact material to the issue
- Typical examples:
 - Summary judgment of non-infringement possible if no dispute over the operation of the accused products
 - Summary judgment of invalidity possible if no dispute over the disclosure of the prior art

PRE-TRIAL

- Court resolves objections to the admissibility of evidence:
 - Objections to witnesses
 - Objections to exhibits and demonstratives
 - Limits on expert testimony
- Court also issues (*in limine*) rulings regarding the admissibility of evidence or conduct at trial
- Examples:
 - Patentee cannot compare its product to the accused product to show infringement
 - Defendant not permitted to call patentee a “troll”
 - Patentee may not refer to total sales of the defendant

TRIAL

- Jury (members of public decide) or Bench Trial (judge decides)
- Jury selection – process of choosing jurors to decide facts
- Opening statement: lead counsel discusses evidence and shows how they intend to prove their case
- Presentation of evidence: exhibits, witnesses, deposition testimony
- Closing argument: lead counsel argues why the jury/judge should find in their favor based on the evidence presented
- Verdict – decision of jury/judge on issues presented

APPEAL – COURT OF APPEALS FOR THE FEDERAL CIRCUIT

- May raise the following issues on appeal:
 - Legal errors (claim construction)
 - Fact errors (infringement, validity, damages)
 - Equitable and procedural errors (inequitable conduct, evidentiary rulings)
- Three standards of review on appeal:
 - Legal issues: de novo
 - Fact issues decided by the court: clear error
 - Fact issues decided by the jury: substantial evidence
 - Equitable issues decided by the court: abuse of discretion

REMEDIES

REMEDIES

- Possibilities in patent cases:
 - Lost profits - profits patent owner would have received absent infringement
 - Reasonable Royalty – amount reasonable patent owner and infringer would have agreed to if negotiated prior to infringement
 - Injunction – court order halting continued sales of the infringing product
 - Lost profits and injunction generally not available to NPEs

DAMAGES PERIOD

- Up to six years prior to filing suit, but only if patentee gives “notice” of infringement through:
 - Actual notice (letter or other communication identifying patent and alleged infringement)
 - Constructive notice (marking patented products made or licensed by patent owner)
 - Does not apply to NPEs since they have no products

ENHANCED DAMAGES

- U.S. rule – attorney’s fees are not automatic to prevailing party
- Available only in “exceptional cases” involving willful infringement or other egregious conduct (e.g., litigation misconduct or frivolous allegations)
- Available to plaintiff or defendant
- If court finds case exceptional it may increase damages 3x and/or award attorney fees to the prevailing party

INJUNCTIONS

- Court order to stop selling infringing products
- Only available to parties that can show:
 1. that they have suffered an irreparable injury
 2. monetary damages, are inadequate to compensate for that injury
 3. the balance of hardships between the plaintiff and defendant favor an injunction
 4. the public interest furthered by a permanent injunction
- NPEs are rarely able to make above showing

DISTRICT AND ANY PATENT LOCAL RULES MATTER

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- **Northern District of California:** generally pro defendant due to experienced judges; local rules that require early disclosure of infringement theories by plaintiff; high possibility of summary judgment and juries that often have technically trained members.
- **Eastern District of Texas:** generally pro plaintiff due to a single judge that prefers jury trials and frequently denies motions for summary judgment, and refuses to stay cases for PTAB proceedings. Also has a pro plaintiff jury pool that may be biased against foreign defendants.
 - Patent local rules are balanced but require early disclosures

DISTRICT AND ANY PATENT LOCAL RULES MATTER

- **Western District of Texas:**

- New #1 forum for patent cases primarily based on NPE filings
- Nearly 12% of all patent cases filed since January 2019 have been assigned to Judge Alan Albright
- Generally pro plaintiff due to a single judge that prefers jury trials, almost always denies summary judgment, and refuses to stay cases in favor of PTAB proceedings
- A default scheduling order calling for an early *Markman* hearing, usually within 6 months of the case management conference, followed by fact and expert discovery.
- Average time to trial is a little over one year – incredibly fast!

FEES AND COSTS

MEDIAN FEES OF PATENT LITIGATION THROUGH TRIAL AND APPEAL

<u>AMOUNT AT STAKE</u>	<u>MEAN FEES</u>
\$1-10M	\$1.9M
\$10-25M	\$3.1M
>\$25M	\$5.2M

<u>AMOUNT AT STAKE</u>	<u>75% - THIRD QUARTILE</u>
\$1-10M	\$3.5M
\$10-25M	\$6.0M
>\$25M	\$9.0M

- Varies greatly on district court
- Varies greatly on litigation conduct of parties

APPENDIX

KEY MILESTONES IN U.S. PATENT LITIGATION IN FEDERAL COURT

