



APRIL 21, 2015

Global Patent Enforcement Strategy and
the European Unified Patent Court – the
Drastically Changing Landscape



ORRICK

Table of Contents

- 1. Global Patent Litigation: A Case Study Approach**
- 2. Unitary Patent and Unified Patent Court**
- 2. Speaker Biographies**



Global Patent Litigation: A Case Study Approach

Nagendra Setty and Alex Chachkes¹
ORRICK, HERRINGTON & SUTCLIFFE LLP²
Partners

April 21, 2015

¹ Nagendra Setty: Mr. Setty is an Orrick trial lawyer and IP partner. He has tried more than 20 IP cases to verdict and been lead counsel in ~200 IP cases for an array of leading global businesses and emerging companies. He has been featured and recognized in *Benchmark Litigation*, *IAM 1000*, *Chambers USA*, *American Lawyer*, *Law360*, *Diversity*, *SuperLawyers* and *Managing Intellectual Property* and is a frequent lecturer and author on IP related topics.

Alex V. Chachkes: Mr. Chachkes is an Orrick trial lawyer, IP partner, and co-chair of the global patent practice. He has tried cases for leading global businesses in district courts and before the ITC. He has been featured and recognized in *SuperLawyers* and *Managing Intellectual Property*. We are indebted to the following for materials and data regarding foreign jurisdictions: China – Xiang Wang and Carol Yan, Orrick; Japan – David Evan Case and Miwa Ozaki, Orrick; Korea – Samuel Sungmok Lee, Yulchon; India – Nikhil Krishnamurthy, Krishnamurthy & Co.; Australia – Paul Harrison and Mark Vincent, Shelston IP Lawyers; Canada – Ian MacPhee and Catherine Daigle, LaPointe Rosenstein Marchand Melancon, LLP; Brazil – Marcello Do Nascimento, David do Nascimento Advogados Associados; Mexico and South America – Agustin Velazquez Garcia Lopez and Tomás Arankowsky, Avah Legal, S.C.

² Notwithstanding the authors' connection with Orrick, the views expressed in this article are purely those of the authors on a set of fictitious factual assumptions and cannot and should not be applied to or presumed to be the views of Orrick, our colleagues, or our clients.

Global Patent Litigation: A Case Study Approach

Introduction

This article takes a slice of life approach to the tactical basics of domestic and cross-border patent litigation. We first take a pass through the issues that a technology company client needs to consider in planning for patent litigation, whether offensive or defensive. We (a) address basic domestic (U.S.) strategy from both such perspectives, (b) trace the contours, the up- and downsides of litigating patents in leading foreign forums, and (c) discuss the demands of cross-border discovery and a handful of key hurdles many companies face in satisfying such obligations.

Rather than approaching these issues purely academically, we take a practical bent—using a case study as an organizational paradigm. A long-time friend and client is taking her maiden voyage into patent litigation, turning to her trusted counsel for advice on the array of issues she must consider. Although fictitious, the case facts provide a framework and context for the decisions the client must make and then implement. Because patent litigation is neither fast nor easy, this article scratches the surface and provides reference material across each of these topics. We hope you find it useful.

Arsenal v. Bayern: A Tale of Two Companies

It is Friday afternoon in the office, and I am readying for the weekend, checking the weather and the sports lineups. I hesitate to grab the ringing phone, as I might end up on what is all too often a long call. I pick up anyway.

“Hey, it’s Loren.” Loren is my college classmate and old friend. She is now general counsel of Arsenal, an up-and-coming multinational technology company. Arsenal’s innovative products have gained a solid foothold in international markets in recent years, but Arsenal now is facing stiff competition in the U.S., Europe, and Asia. Like any sophisticated technology company, Arsenal has steadily grown its worldwide patent portfolio, but so have its competitors.

Arsenal believes that several competitors are already gearing up to sue it for patent infringement. In particular, Bayern, a German firm that makes products competitive with Arsenal’s, has stronger patents in several key jurisdictions and is making noises in sales and marketing channels that

cause Arsenal to believe that Bayern is preparing for suit. Loren understands that a patent battle on multiple fronts may be unavoidable and is seriously concerned that the costs and burdens of protracted patent litigation would be as seriously impactful as the potential outcomes.

Loren asks for advice in formulating a coordinated patent litigation strategy that will best suit Arsenal's current situation and its core business objectives. I agree to advise.

Overall Strategic Considerations

Forum selection—choosing where to sue—is a critical threshold decision that structures an entire patent infringement campaign. In order to get good advice, Arsenal must first articulate its business hopes, goals, and aspirations. I can then define how patent litigation fits into that plan and allow for strategic choices as to forum, scope, manner, and a host of more granular decisions before we effectuate that plan.

Arsenal must act in those jurisdictions where the most harmful infringing activities are transpiring, incorporating a sense of the geographic reach and strength of Arsenal's patent portfolio.³ Each forum's costs, procedures, speed, and available remedies must be considered carefully in defining a global strategy. Decisions on forum selection must also be tuned—strategies differ based on the nature of the technology at issue, product life cycles, and other material timing issues. It is likely pointless to seek to enjoin a product that will be obsolete in two years if the particular court on average takes four years to adjudicate the merits. And these are not academic timeframes; as discussed below, mapping out strategies for the next two, five, or even ten years is not uncommon.

Domestic Offensive Strategy

I explain to Loren that Arsenal must first focus on U.S. forums—the magnitude of the U.S. market cannot be avoided, explaining why so many foreign companies resolve their global patent disputes in U.S. courts. There is simply no substitute for the value of an injunction blocking a

³ It may be possible to purchase patents relevant to aspects of a competitor's product line, or useful in particular geographies, to augment Arsenal's organically-grown patent portfolio. It is usually less expensive to purchase such patents before litigation than after, and there is a growing trend toward such offensive acquisitions. See Chris V. Nicholson, *Apple and Microsoft Beat Google for Nortel Patents*, N.Y. TIMES DEALBOOK (July 1, 2011), <http://dealbook.nytimes.com/2011/07/01/apple-and-microsoft-beat-google-for-nortel-patents/>; Quentin Hardy, *Google Buys Motorola for Patent Parts*, FORBES (8/15/2011), <http://www.forbes.com/sites/quentinhardy/2011/08/15/google-buys-motorola-for-patent-parts/>.

product from the entire U.S. market, reaching 300 million users in fifty states, and resulting from perhaps just one case. Contrast that scenario to the situation in Europe, where achieving a similar landscape change might require twenty separate suits in as many jurisdictions.

U.S. district courts, the traditional forum for domestic patent disputes, offer a number of advantages to patentees: low barriers to entry, broad discovery, the potential for significant damage awards, and injunctive relief.⁴

⁴ I describe for Loren the liberal notice pleading standards under the U.S. Federal Rules of Civil Procedure. In most cases, a plaintiff need only provide a short and plain statement of the facts giving rise to an allegation of infringement. The Rules do not require that one prove any facts, and the allegations can be amended liberally later in the case as new information comes to light. See, e.g., 1-1 FEDERAL LITIGATION GUIDE §§ 1.30 (“Plaintiffs are granted broad discretion to determine the structure of their actions.”), 1.122 (“A district court must possess a substantial reason to deny a request for leave to amend.”); c.f. 6 ROBERT A. MATTHEWS, JR., *General Aspects of Notice Pleading in a Complaint*, in ANNOTATED PATENT DIGEST § 39:1, 2 (2010); Richard Alan Kamprath, *Patent Pleading After Iqbal: Using Infringement Contentions As A Guide*, SMU SCI. & TECH. L. J. (2010).

Regardless of these forgiving notice pleading rules, the standards are receiving attention, including from the Supreme Court. See *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 557–58 (2007) (tightening pleading requirements and noting that “[t]he threat of discovery expense will push cost-conscious defendants to settle even anemic cases before reaching those proceedings.”); See *Ashcroft v. Iqbal*, 556 U.S. 662, 686–87 (2009) (raising notice pleading requirements).

U.S. courts are also known for broad discovery. See, e.g., *Hickman v. Taylor*, 329 U.S. 495, 506 (1947) (“It is said that inquiry may be made under these rules, epitomized by Rule 26, as to any relevant matter which is not privileged; and since the discovery provisions are to be applied as broadly and liberally as possible”), *New Litigation — Cost Data Underscores Financial Logic of Defensive Patent Litigation*, RPX, <http://www.rpxcorp.com/index.cfm?pageid=14&itemid=6> (last visited Jan. 3, 2014) (“After surveying approximately 430 attorneys involved in patent assertions with between \$1 million and \$25 million in potential damages at risk, the American Intellectual Property Law Association (AIPLA) determined that, for a single defendant in a case with only one patent at issue, legal costs through the discovery phase alone are averaging \$1.8 million in 2009, up from \$1.6 million in 2007. Total costs for such cases—including all outside counsel, paralegals, travel, analytics, expert witnesses, etc.—are averaging \$3.1 million in 2009, almost 20 percent higher than the average of \$2.6 million two years ago.”).

Damages awards in the U.S. are often large and nonlinear, though a recent analysis suggests that certain factors frequently inform the likely size of an infringement verdict. See Michael Mazzeo, Jonathan Hillel, & Samantha Zyontz, *Explaining the “Unpredictable”: An Empirical Analysis of Patent Infringement Awards*, 35 INT’L REV. OF L. & ECON. 58 (August 2013) (describing the factors affecting patent infringement damages awards).

Remedies are, of course, material to the decision as to where to sue. It is axiomatic that a patentee in a competitor suit will seek both damages and an injunction. See *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006) (discussing factors courts must consider in deciding whether to grant injunctive relief in patent cases).

The choice of district(s) depends on the particular circumstances,⁵ but there are generally applicable presumptions. Patentees generally prefer a venue that is pro-plaintiff, such as where juries are more likely to make the material decisions (as opposed to bench trials) or where such decisions come quickly,⁶ creating sufficient *in terrorem*⁷ threat or weight to cause certain behaviors in logical defendants. Popular districts include the Eastern District of Texas,⁸ the District of Delaware, and so-called “rocket docket” such as the Eastern District of Virginia⁹ or the Western District of Wisconsin.

Where the technology is complex and that complexity runs in one’s favor, a patentee should consider a forum featuring patent-savvy and often technically-sophisticated judges, such as

⁵ In patent cases, pleading personal jurisdiction and venue is often straightforward. A simple allegation that infringing products or services were sold or used within the district is sufficient to satisfy these standards. 35 U.S.C. § 1400(b) (2012) (“Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.”); *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583–84 (Fed. Cir. 1990) (finding proper the assertion of patent infringement jurisdiction wherever a corporation is subject to personal jurisdiction).

⁶ See Mark A. Lemley, *Where to File Your Patent Case*, 38 AIPLA Q. J. 401, 403 (2010). This study found that, as of 2010, the average pendency time (including cases that settled) ranged from 0.56 years in the Western District of Wisconsin to 1.32 years in the Eastern District of Pennsylvania. The Eastern District of Virginia had an average pendency of 0.64 years. Average times to trial, which reflects timing for more significant cases, ranged from 0.67 years in the Western District of Wisconsin to 3.51 in the Eastern District of Wisconsin. Average times to trial in the Eastern District of Texas and the District of Delaware were 2.13 years and 2.03 years, respectively. Patentee win rates in the Eastern District of Texas and District of Delaware were 40.3% and 45.3%, respectively, while the percentages of their cases that proceeded to trial were 8.0% and 11.8%, respectively.

⁷ See *Twombly*, 550 U.S. at 557–58 (quoting *Dura Pharm., Inc. v. Broudo*, 544 U.S. 336, 347 (2005)) (“The requirement of allegations suggesting an agreement serves the practical purpose of preventing a plaintiff with a largely groundless claim from taking up the time of a number of other people, with the right to do so representing an *in terrorem* increment of the settlement value. It is one thing to be cautious before dismissing an antitrust complaint in advance of discovery, but quite another to forget that proceeding to antitrust discovery can be expensive.” (internal quotation marks omitted)).

⁸ See *Why East Texas Courts Are Back on “Top” For Patent Lawsuits*, ARS TECHNICA, (Jan. 16, 2013 7:30 PM), <http://arstechnica.com/tech-policy/2013/01/east-texas-courts-are-back-on-top-for-patent-lawsuits> (“East Texas has other qualities that have made it perennially attractive to patent holders. Most importantly, defendants are very unlikely to win a case on summary judgment, as judges in the district are much more likely to find that it’s appropriate for juries to rule on patent issues. That dramatically raises the cost, and risk, for defendants.”)

⁹ See Associated Press, *Virginia’s Rocket Docket for Patent Cases*, LAW.COM (Sept. 28, 2011), http://www.law.com/jsp/lawtechnologynews/PubArticleLTN.jsp?id=1202517003978&Virginias_Eastern_District_a_Rocket_Docket_for_Patent_Cases (“Patent cases in the district were resolved in less than eight months between 2000 and 2010. Defendants won thirty-two of the 373 patent cases filed during the period. Out of court settlements occurred in a vast majority of cases, according to a study authored by Mark Lemley.”).

those in the Northern District of California, which inspired the proliferation of patent local rules to most districts where patent suits are brought frequently.¹⁰

I also remind Arsenal about the risk of transfer, whereby a defendant, in certain circumstances, can have a case transferred to a more favorable venue.¹¹ In the current patent litigation environment, one must incorporate transfer risk into any venue calculus.

If one of Arsenal's goals is to drive Bayern out of the U.S. market or to make such an entry more onerous, it must consider pursuing an administrative patent infringement proceeding against Bayern in the U.S. International Trade Commission (ITC).¹² Such Section 337 investigations usually lead to a decision within twelve to eighteen months of initiation,¹³ and a finding of

¹⁰ Northern District of California Local Patent Rule 3-1 requires patentees to serve detailed infringement contentions explaining how an accused product infringes the asserted patent claims. Rule 3-2 requires a concomitant production of specific categories of documents that would generally be requested in a patent case such as documents relating to public use and sale of the invention. These documents must be produced without any document request; Rule 3-2 is effectively a mechanical court-ordered set of standard patent document requests. For a tabular summary of local patent rules see <http://www.localpatentrules.com>.

¹¹ In recent years, the Federal Circuit, which reviews transfer issues on appeal, has granted an unusually high number of petitions for *mandamus*. In the last five years, as to cases in the Eastern District of Texas alone, the Federal Circuit has issued over a dozen writs of *mandamus* requiring transfer. See, e.g., *In re TOA Techs., Inc.*, No. 13-153, 2013 WL 5486763 (Fed. Cir. Oct. 3, 2013) (granting *mandamus* and reviewing transfer factors).

¹² The ITC is "an independent, quasi-judicial Federal agency with broad investigative responsibilities on matters of trade." *About the USITC*, U.S. INT'L TRADE COMM'N, http://www.usitc.gov/press_room/about_usitc.htm (last visited Dec. 12, 2013). Section 337 of the Tariff Act of 1930 empowers the ITC to investigate and address unfair importation practices, including the importation of items that infringe a valid U.S. patent or that are made using an infringing process. 19 U.S.C. § 1337(a)(1)(B) (2012). An ITC investigation is an administrative proceeding overseen by an Administrative Law Judge pursuant to the adjudicative provisions of the Administrative Procedure Act. *Answers to Frequently Asked Questions*, U.S. INT'L TRADE COMM'N (Mar. 2009), http://www.usitc.gov/intellectual_property/documents/337_faqs.pdf, at 1–2. The proceeding is similar to federal district court litigation, but with the ITC's Office of Unfair Import Investigations involved as a third party representing the public interest. *Id.* However, following any ITC determination that results in a finding of a violation, the President has the authority to reverse the finding on policy grounds. 19 U.S.C. § 1337(j)(2).

¹³ The ITC must complete a proceeding "at the earliest practicable time." 19 U.S.C. § 1337(b)(1). In recent years the average time to completion has ranged from 13.7 months in fiscal year 2011 to 18.4 months in fiscal year 2010. *FY 2011 Highlights: USITC Sees Record Number of Intellectual Property Infringement Cases Filed*, U.S. INT'L TRADE COMM'N, http://www.usitc.gov/press_room/documents/featured_news/337_timeframes_article.htm (last visited Dec. 12, 2013). The procedural rules for an ITC proceeding help ensure the time to completion remains short. After a complaint is filed, the Commission has thirty days to decide whether to institute an investigation, 19 C.F.R. § 210.10 (2013). The complainant must also file any motion for temporary relief prior to the Commission making this determination, § 210.53, and the administrative law judge (ALJ) must decide on this motion within seventy days of publication of a notice of investigation in the Federal Register (120 days for complex cases). § 210.66. The respondent has only twenty days to serve a response to the complaint, § 210.13, and only ten

infringement may result in an exclusion order precluding altogether Bayern from importing its infringing goods into the U.S.¹⁴

The pace of an ITC case can work in Arsenal's favor, as it can prepare most of the case materials before filing the petition and place Bayern in a fire drill—that is, where the defendant is forced to concurrently develop expedited noninfringement theories, expedited prior art searches, and expedited discovery. A more subtle advantage is that the ITC proceeding can also cause a stay in any parallel district court litigation, including any counterclaims a defendant/respondent raises.¹⁵ This is not an automatic stay, and only one party has the right to request it—so in theory, the district court case could proceed in parallel.¹⁶ Bayern does, of course, have the option of instituting an ITC investigation against Arsenal, so it is in Arsenal's interest to consider carefully all options.

I also warn Arsenal of some potential downsides to moving into the ITC. First, an ITC case will be very costly upfront¹⁷ because it compresses a full patent case, which would normally last years,

days to respond to any written motions. § 210.15. Motions for summary adjudication can be made as early as twenty days after notice of institution of an investigation. § 210.18. Parties may begin seeking discovery as soon as the notice of investigation is published, §§ 210.28–.31, and the ITC has nationwide subpoena power. See § 210.32. See generally PETER S. MENELL ET AL., SECTION 337 PATENT INVESTIGATION MANAGEMENT GUIDE 1-4 to 1-5 (2012) (charting the typical investigation timeline).

¹⁴ See 19 U.S.C. § 1337(d) (establishing exclusion as a remedy for violations). An exclusion order effectively serves as an automatic injunction on a finding of infringement, which makes an ITC proceeding especially appealing to patentees in the wake of *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006).. See discussion *supra* note 2.

¹⁵ Under 28 U.S.C. § 1659 (2012), a party in a district court case who is also an ITC respondent is entitled to a stay until the investigation terminates upon timely request.

¹⁶ A respondent may raise counterclaims in the response, but must immediately “file a notice of removal with a United States district court in which venue for any of the counterclaims raised by the party would exist.” 19 U.S.C. § 1337(c); see also 19 C.F.R. § 210.14 (2013). The respondent then has the option of requesting a stay of the district court action pending termination of the ITC investigation, which the district court must grant if the request is made within thirty days. See 28 U.S.C. § 1659.

¹⁷ According to survey data, the median costs incurred through the end of discovery in an ITC investigation range from \$375,000 in cases where less than \$1 million is at stake, to \$1.25 million where \$1 million to \$25 million is at stake, to \$3 million where more than \$25 million is at stake. AMER. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 2013 I-153 to I-160 (2013). By the time an investigation terminates, the median costs range from \$550,000 to \$5 million. *Id.* Fact and expert discovery typically finish within four to six months of the ITC instituting an investigation, which means a party in a high-stakes case could be spending roughly \$750,000 per month during the early stages of an ITC investigation. See MARK LYON & SARAH PIEPMEIER, PRACTICAL LAW CO., ITC SECTION 337 INVESTIGATIONS: PATENT INFRINGEMENT CLAIMS 9 (2011), available at <http://www.gibsondunn.com/publications/Documents/LyonPiepmeier-ITCSection337Investigations.pdf>.

into the span of months (although Bayern will bear similar cost burdens in defense). Second, Arsenal must also investigate its ability to satisfy the domestic industry requirement, which limits the ITC's reach only to actions in which a legitimate U.S. industry requires the protection of the Executive Branch.¹⁸ Arsenal expressed some initial concern about this requirement since it does not manufacture its products in the U.S. But based on recent cases, Arsenal's U.S. research and development relating to patented products may satisfy the domestic industry hurdle.¹⁹ Finally, since the ITC does not award damages for infringement, Arsenal would need to consider filing a parallel district court action, perhaps in a slower forum, to recover damages.

Domestic Defensive Strategy

Arsenal also needs a defensive strategy to ward off the anticipated patent infringement claims from Bayern. Of course, a defendant wants the converse of what a plaintiff wants: defendants generally prefer slower venues, opportunities for careful review of dispositive motions, and proceedings before judges.²⁰ Under some circumstances, an accused party can seek declaratory

¹⁸ Section 337 applies “only if an industry in the United States, relating to the articles protected by the patent . . . exists or is in the process of being established.” 19 U.S.C. § 1337(a)(2). This is typically described as the “domestic industry requirement.” See *generally* MENELL ET AL., *supra* note 13, at 14-8 to 14-14 (discussing the domestic industry requirement). The requirement can be satisfied by showing “significant investment in plant and equipment,” “significant employment of labor or capital,” or “substantial investment” in exploiting the patent, “including engineering, research and development, or licensing.” 19 U.S.C. § 1337(a)(3). This requirement no longer sets a high bar—even licensing activities, standing alone, typically satisfy the domestic industry requirement. *InterDigital Commc’ns, LLC v. Int’l Trade Comm’n*, 690 F.3d 1318, 1330 (Fed. Cir. 2012) (collecting ITC cases finding licensing activities sufficient). However, investment in litigation is not sufficient to satisfy the domestic industry requirement. See *Motiva, LLC v. Int’l Trade Comm’n*, 716 F.3d 596, 600–01 (Fed. Cir. 2013).

¹⁹ See *Microsoft Corp. v. Int’l Trade Comm’n*, 731 F.3d 1354, 1362 (Fed. Cir. 2013) (requiring evidence that the domestic company’s “substantial domestic investment—e.g., in research and development—relates to an actual article that practices the patent, regardless of whether or not that article is manufactured domestically or abroad”); *InterDigital Commc’ns, LLC v. Int’l Trade Comm’n*, 707 F.3d 1295, 1303 (Fed. Cir. 2013) (“Under the clear intent of Congress and the most natural reading of the 1988 amendment, section 337 makes relief available to a party that has a substantial investment in exploitation of a patent through either engineering, research and development, or licensing.”); MENELL ET AL., *supra* note 13, at 14-11 to 14-13.

²⁰ See Lemley, *supra* note 6. Popular slow venues include the Northern District of California (average pendency 1.28 years), the District of Massachusetts (average pendency 1.29 years) and, somewhat surprisingly, the Eastern District of Texas (average pendency 1.24 years). Times to trial, which more accurately reflects timing in more significant cases, are 2.92 years and 2.66 years for the Northern District of California and the District of Massachusetts, respectively.

judgment in a district court of its choice, asking the court to declare a patent invalid or not infringed.²¹

Before one can sue for declaratory judgment, however, the patent owner must take some affirmative step to create an “actual controversy.”²² Such actions can include demand letters suggesting that Arsenal’s activities infringed Bayern patents or suggesting that Arsenal needs a license to continue with its current business activities.²³ Before filing a declaratory judgment action, one must also consider whether the patent holder can make a compelling argument for transfer to its chosen forum, thus negating any potential forum selection advantages of the declaratory judgment action.²⁴

In the U.S., Arsenal also has the option of choosing from a number of defensive procedures available in the U.S. Patent and Trademark Office (PTO), in which the PTO administratively revisits the validity of patents at issue. The implementation of the America Invents Act (AIA) has radically increased the number of such procedures available. *Ex parte* reexaminations, available since 1981, remain available under the AIA.²⁵

²¹ A declaratory judgment action in federal court arises under 28 U.S.C. § 2201 (2012), which permits a court to “declare the rights and other legal relations of any interested party.” Such a declaration has the force and effect of a final judgment or decree. *Id.*

²² A federal court has declaratory judgment jurisdiction only over “case[s] of actual controversy.” 28 U.S.C. § 2201. The Supreme Court interpreted this jurisdictional requirement broadly. See *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 137 (2006) (holding that a licensee is not required to terminate or materially breach its license agreement before bring a declaratory judgment action for noninfringement or invalidity).

²³ Whether a demand letter triggers declaratory judgment must be assessed on a case-by-case basis. A demand letter that contains a specific allegation of patent infringement or a specific demand for licensing fees will likely trigger declaratory judgment jurisdiction. See, e.g., *Sony Elecs., Inc. v. Guardian Medial Tech.*, 497 F.3d 1271 (Fed. Cir. 2007). Nevertheless, a demand letter must typically also place the recipient on actual notice of the patent for purposes of accruing damages. Actual notice is given when the recipient is: (1) informed of the existence of the patent; (2) informed of the activity that is believed to be infringing; and (3) the notice is accompanied by a request to abate the infringing activity. *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1470 (Fed. Cir. 1997). Thus, meeting the actual notice requirement while avoiding triggering declaratory judgment jurisdiction can mean walking a fine line for the patent holder.

²⁴ See discussion *supra* note 6.

²⁵ See 35 U.S.C. §§ 301–307 (2012). *Ex parte* reexaminations allow any party to raise invalidity arguments based on prior art references. They are inexpensive and offer the requester anonymity, but often take more than two years to complete. Note that the AIA eliminated *inter parte* reexamination, replacing it with *inter partes* review and post-grant review, as described below.

The new procedures under the AIA include *inter partes* reviews (IPR)²⁶ and post-grant reviews (PGR).^{27,28} For Arsenal, the most attractive defensive option at the PTO may be an IPR, a proceeding before administrative law judges at the Patent Trials and Appeals Board (PTAB). IPRs offer an alleged infringer (or a potential one) the ability to challenge patents without engaging in full-scale litigation in the courts, before a panel with significant technical and patent law expertise. IPRs are relatively fast,²⁹ inexpensive,³⁰ and do not afford reviewed patents a presumption of validity as district courts must do statutorily.

But IPRs also have some disadvantages. Unlike in a district court proceeding, one can only use prior art consisting of patents or printed publications to challenge patent validity in an IPR.

Without equitable defenses such as inequitable conduct or laches, the patent has to be invalidated claim-by-claim.³¹ Also, any validity challenges raised (or which could have been raised) in an IPR cannot subsequently be raised in district court or in the ITC,³² so the challenger

²⁶ See 35 U.S.C. §§ 311–317 (2012). IPRs are unavailable until the later of (1) nine months from the patent’s issue or reissue date, or (2) the termination of an instituted PGR. 35 U.S.C. § 311(c). Furthermore, an IPR becomes unavailable after more than one year has passed since the petitioner was served with the patent infringement complaint, 35 U.S.C. § 315(b), or after the petitioner files a civil action challenging the validity of a claim of the patent. 35 U.S.C. § 315(a)(1). To institute an IPR, the petitioner must show a reasonable likelihood of prevailing on at least one claim challenged in the petition. 35 U.S.C. § 314(a).

²⁷ See 35 U.S.C. §§ 321–329 (2012). PGRs, modeled after opposition proceedings in Europe, must be filed within nine months of the patent’s issue or reissue date. PGRs allow the requestor to raise any ground of invalidity, including those under 35 U.S.C. §§ 101 and 112. To institute a PGR, the requestor must show that it is more likely than not that at least one of the challenged claims is invalid. 35 U.S.C. § 324(a). (It is unclear whether this differs from the reasonable likelihood standard for instituting an IPR.) PGRs apply only to patents issued after March 16, 2013; as such, not many PGRs have been filed as of the date of this writing, but the authors expect that the numbers of PGRs will rise sharply in the coming years.

²⁸ The AIA also introduced several additional procedures, such as a review procedure for covered business method patents and supplemental examination for a patent owner to cure potential inequitable conduct.

²⁹ By statute, an IPR or PGR must be concluded within one year of institution (eighteen months for special cause). 35 U.S.C. §§ 316(a)(11), 326(a)(11).

³⁰ An *inter partes* review costs \$9,000 to file plus \$200 for each claim over twenty; there is also a post-institution fee of \$14,000 plus \$400 for each claim over fifteen.

³¹ Juries often collapse the invalidity inquiry into a single analysis, finding an array of claims invalid or not based on asserted prior art. The PTO is more likely to engage in a disciplined claim-by-claim review.

³² See 35 U.S.C. § 315(e)(2). The estoppel provisions apply when a “final written decision” has been issued in an IPR/PGR, and precludes issues that petitioners raised or reasonably could have raised during the proceeding from being subsequently raised in district court, the ITC, or another PTO proceeding. There is some uncertainty regarding when estoppel is applicable. For example, it is currently unclear whether the estoppel provisions apply to claims raised by the petitioner, but not instituted by the PTAB. Another source of uncertainty is the scope of the “real

has to consider these estoppel effects and ensure that it has the best prior art at its disposal before filing such a challenge. Given these AIA provisions have been in effect for only one year, the district courts and Federal Circuit have not faced these estoppel issues, but the statutory language is tight, and the estoppel effects apply to all parties participating in the IPR.

From a tactical perspective, a well-timed IPR request can derail an opponent's litigation schedule to yield an important tactical advantage. If Bayern had already sued Arsenal in district court, Arsenal's best strategy may be to file for an IPR on the asserted patents and then seek a stay of Bayern's case pending the outcome of the IPR.³³ An IPR could take eighteen months or more to resolve, effectively stalling Bayern's lawsuit while Arsenal's offensive cases proceed. If Arsenal wins in the ITC or district court while Bayern's case is bogged in the PTO, Bayern may be left without effective countermeasures.

Effectively Using Foreign Forums

Outside the U.S., Arsenal will need to consider the key foreign markets and largest economies, as reviewed below.

Europe: Patent rights in Europe are jurisdictional, forcing a patentee to sue separately in each country to enforce its rights across Europe.³⁴ This will all change with the introduction of the European Union Unified Patent Court (UPC), which looks likely by 2017. Leading EU firm, Bardehle Pagenberg, has a comprehensive review of the UPC court at

party in interest" that the preclusive effect applies. The PTO has defined a "real party in interest" as one who "desired review of the patent," which includes one who "funds and directs and controls an IPR . . . petition or proceeding." 77 Fed. Reg. 48759 (Aug. 14, 2012).

³³ District courts and the ITC have discretion to stay their proceedings pending resolution of parallel proceedings at the PTO, including IPRs and *ex parte* reexaminations. The factors that courts will consider in granting stays pending IPRs and PGRs have yet to develop, but will likely be similar to standards courts currently apply to stays pending *ex parte* reexaminations. Such factors include the time until decision, the state of the lawsuit, whether the PTO proceeding simplifies issues for trial, and whether there is undue prejudice to the non-moving party. See, e.g., *Achates Reference Publ'g, Inc. v. Symantec Corp.*, No. 2:11-cv-294 (E.D. Tex. Apr. 5, 2013) (granting stay pending IPR). Note that, while courts may be reluctant to grant stays for *ex parte* reexaminations because of their lack of a time limit, the fact that IPRs and PGRs must be resolved within eighteen months of institution favors stays. If a PGR or IPR petitioner later files a civil action challenging the validity of the patent, the civil action is automatically stayed unless the patent owner (1) moves the court to lift the stay, or (2) files a claim or counterclaim alleging the petitioner or real party in interest infringes the patent. 35 U.S.C. §§ 315(a)(2) and 325(a)(2).

³⁴ There are current considerations of a unified patent court for Europe, in large part driven by a desire to ameliorate the multiple suits issue. See, e.g., *Unified Patent Court*, EUR. PAT. OFF., <http://www.epo.org/law-practice/unitary/patent-court.html> (last visited Jan. 3, 2014). There is also a potential for cross-border injunctions under certain circumstances.

http://www.bardehle.com/fileadmin/contentdocuments/broschures/Unitary-Patent_Unified-Patent-Court.pdf. This summary provides current status as well as attributes and guiding principles.

In present pre-UPC practice, patentees focus on a few important forums such as Germany, France, Spain, Italy, and the Netherlands, with Germany being the most popular.³⁵ In Germany, as in most civil law jurisdictions, infringement and validity are bifurcated into separate proceedings. Infringement actions are brought before the German District Courts, especially those in Dusseldorf and Mannheim, while invalidity (nullity) actions are brought before the Federal Patent Court in Munich.

German District Courts have a patentee-friendly reputation.³⁶ German District Courts can reach an infringement decision in under a year, often before validity can be determined,³⁷ giving the patentee a time window where the alleged infringer may be subject to an injunction without an invalidity defense. Bayern will almost certainly consider suing for infringement in Germany, if this dispute is truly of global proportion.³⁸

If Arsenal's European patents are strong, one strategy is preemptive—suing Bayern in Germany before Bayern does so. German patent litigation is highly efficient and has an associated low cost. Despite Bayern's home country advantage, a suit brought in Bayern's home market can be highly distracting for the company, and an injunction issued there could have devastating effects.

If Arsenal's European patents are weak, a strategy to forestall Bayern's European offensive is deploying an "Italian Torpedo." This is a request for a declaration of patent noninfringement in

³⁵ Nicolas van Zeebroeck et al., *Patent Litigation Across Countries*, EPIP, (Sept. 9, 2011), <http://www.epip.eu/conferences/epip06/papers/Keynotes/Nicolas%20VAN%20ZEEBROECK.pdf>; Michael Knospe, *Strategies for Successful Patent Enforcement in Germany*, ROYAL SOC'Y OF CHEM., available at http://www.rsc.org/images/Michael_Knospe_tcm18-236901.pdf (finding that 1250 patent infringement suits were filed in Germany in 2011; in comparison, the number of patent infringement suits filed in France, Italy, U.K., and the Netherlands in 2011 were 280, 260, 53, and 50, respectively).

³⁶ In the Dusseldorf District Court, where 38% of German patent cases were held in 2011, a sampling of cases from 2006 to 2010 showed that patentees won on infringement in 63% of cases. Knospe, *supra* note 35.

³⁷ The German District Court has discretion to stay infringement proceedings if a revocation proceeding has been instituted, but the standard is high. A stay of a first instance infringement proceeding is appropriate only where it is "highly likely that the patent in suit will be cancelled or annulled in the validity proceedings." *Id.* (citing Federal Court, GRUR 1987, 284).

³⁸ See JOSEPH M. CASINO & MICHAEL J. KASDAN, *PATENT LITIGATION: MAPPING A GLOBAL STRATEGY* (2012), available at http://www.arelaw.com/downloads/ARElaw_PatLit_Mapping_PracticeNote.pdf (commenting on litigation in Germany and Japan in the context of the smartphone wars).

Italy, which has the effect of giving Italy exclusive jurisdiction in Europe to decide matters relating to the patent.³⁹

Significant delays in most Italian courts will, regardless of the merits, “sink” the patentee by preventing it from suing in a faster European forum. Delaying Bayern’s case in Europe gives Arsenal the opportunity to win in other forums first, and then use these victories to leverage a favorable settlement in Europe.

China: Despite China’s reputation for not effectively enforcing IP rights, Arsenal would be remiss to dismiss Chinese enforcement options. China has made significant efforts to curtail patent infringement, designating courts at multiple tiers to hear patent infringement cases.⁴⁰ In China, as in many foreign jurisdictions, validity issues are bifurcated from infringement proceedings. One can challenge validity in China before the Patent Reexamination Board, and the court that determines infringement may stay its proceedings pending the outcome of the Reexamination Board.⁴¹ Chinese patent infringement cases are tried relatively quickly from a U.S. perspective; first instance cases must be concluded within six months after the court accepts a case, and second instance cases (*i.e.*, appeals) must be concluded within three months.⁴²

³⁹ Studio Legale Jacobacci & Associati, *Italian Supreme Court News: The Rise of the Italian Torpedo*, LEXOLOGY (July 19, 2013), <http://www.lexology.com/library/detail.aspx?g=8c7b00c4-80dd-43e4-89f3-fdd453a19420>.

⁴⁰ First instance patent cases are usually brought before the intermediate People’s Courts. In some cases, China’s Supreme People’s Court may also designate certain basic level courts to hear first instance patent cases. If the amount in controversy is high or if the case potentially has significant impact, the provincial or autonomous municipality high courts may become the first instance courts for hearing such patent cases. The superior courts directly above the first instance courts hear appeals of such cases. According to a 2012 White Paper on Intellectual Property Protection that the Supreme People’s Court released in April 2013, there are eighty-four intermediate courts and six basic level courts with jurisdiction over first instance patent disputes. Including the thirty-one high courts and the Supreme People’s Court, there are a total of 122 courts with jurisdiction over patent disputes in China. The number of patent cases in China is growing rapidly, with 9680 first instance cases filed in 2012 (a 23.8% increase over 2011). See *Chinese Courts Judicial Protection on Intellectual Property (2012)*, SUP. PEOPLE’S COURT OF THE PEOPLE’S REP. OF CHINA (2013-04-22 12:05), <http://www.chinacourt.org/article/detail/2013/04/id/949841.shtml>.

⁴¹ Chinese courts typically will not stay a lawsuit for reexamination of Chinese invention patents. Courts are more likely to stay for reexamination of utility model or design patents, since neither is examined substantively before being granted.

⁴² See Civil Procedure Law of the People’s Republic of China (promulgated by the Nat’l People’s Cong., Apr. 9, 1991, effective the same day; First Amendment issued on Oct. 28, 2007, effective April 1, 2008; and Second Amendment issued on Aug. 31, 2012, effective 2013), arts. 149, 176, 270. Note, however, that these time limits are inapplicable when the case involves a foreign party.

Litigating a patent case in China comes with a number of procedural hurdles.⁴³ Chinese civil procedure laws do not provide for U.S.-style discovery. It is often critical to take steps to investigate privately and to preserve evidence. Under Chinese patent law, if a patentee has some evidence to show that another is infringing or will soon infringe, and such action will cause irreparable harm, the patentee can ask the court to “adopt measures for ordering the suspension of relevant acts and the preservation of property.”⁴⁴ Under circumstances where evidence could be lost or will be difficult to obtain afterwards, a patentee may apply to a people’s court for evidence preservation before initiating legal proceedings.⁴⁵ Such evidence preservation can be filed simultaneously when filing for a preliminary injunction, or can be filed separately without filing a preliminary injunction request.

While remedies for patent infringement may be limited, in some cases they may help further Arsenal’s business goals. Damages for patent infringement are calculated in ways similar to the U.S.: according to losses the patent owner has suffered, profits the infringer has earned, or according to reasonable royalties under similar circumstances.⁴⁶ However, when the above approaches are “not possible” there is a statutory damages limit of RMB 1,000,000 (approximately USD \$154,000).

Unlike the situation in the U.S., obtaining large (or even reasonable) damage awards in China is difficult. Although top damage awards can be significant,⁴⁷ one must bear in mind that the goal of patent enforcement in China may be to secure injunctive relief instead.

In practice, if there is a foreign party involved in the suit, the first instance proceeding often takes one year or longer.

⁴³ See U.S. Pat. & Trademark Off., *Report on Patent Enforcement in China*, USPTO, [http://www.uspto.gov/ip/global/China_Report_on_Patent_Enforcement_\(FullRprt\)FINAL.pdf](http://www.uspto.gov/ip/global/China_Report_on_Patent_Enforcement_(FullRprt)FINAL.pdf) (last visited Jan. 3, 2014). This report compiled complaints from individuals regarding enforcing patents in China. Some problems identified in this report include: difficulty with evidence collection and preservation, difficulty with introducing evidence from outside of China and through expert testimony, statutory ceiling on damages absent sufficient evidence, difficulties obtaining injunctions, and difficulty in enforcing judgments.

⁴⁴ Patent Law of the People’s Republic of China (promulgated by the Standing Comm. Nat’l People’s Cong., Mar. 12, 1984, effective Apr. 1, 1985), art. 66 (amended Dec. 27, 2008).

⁴⁵ *Id.* art. 67.

⁴⁶ *Id.* art. 65.

⁴⁷ China’s largest patent verdict to date involves a utility model patent. See *Chint v. Schneider Elec.*, Wenzhou Intermediate People’s Court (2007) (awarding patentee Chint RMB 330 million (USD \$48.5 million); after two years, the parties settled for USD \$23 million). Chris Neumeyer, *China’s Great Leap Forward in Patents*, IPWATCHDOG (Apr. 4, 2013)

Japan: In Japan, the first instance patent and utility-model litigations are heard in the Tokyo and Osaka District Courts,⁴⁸ and patent appeals are heard in the IP High Court.⁴⁹ These patent courts have significant technical expertise.⁵⁰ Patent validity is generally bifurcated into separate proceedings at the Japan Patent Office.⁵¹ Patent litigation in Japan is relatively fast and inexpensive compared to the U.S. Patent cases in Japan are generally resolved within 18 months in the first instance, and within 9 months on appeal.⁵² Costs for a patent case in Japan through appeal are usually under USD \$1 million.⁵³

Despite these advantages in speed and cost and the economic importance of the Japanese market, Japan has developed a reputation as an unfavorable venue for patentees. In recent

<http://www.ipwatchdog.com/2013/04/04/chinas-great-leap-forward-in-patents/id=38625>. Non-Chinese companies routinely under-appreciate and under-utilize China's utility model patents, which are not substantively examined.

⁴⁸ See *Jurisdiction*, INTELL. PROP. HIGH CT.,

<http://www.ip.courts.go.jp/eng/aboutus/jurisdiction/index.html> (last visited Jan. 3, 2014). The Tokyo District Court has exclusive jurisdiction over patent litigation in Eastern Japan, while the Osaka District has exclusive jurisdiction over patent litigation in Western Japan. MINSOHŌ, Law No. 108 of 2003, art. 6.

⁴⁹ The Japan IP High Court, established in 2005, is a special branch of the Tokyo High Court. The IP High Court hears appeals from district court patent and utility-model cases, appeals from decisions by the Japan Patent Office, and other civil and administrative cases requiring expertise on intellectual property matters. Law for Establishing the IP High Court, art. 2, *translated at* http://www.wipo.int/wipolex/en/text.jsp?file_id=187361.

⁵⁰ The intellectual property divisions of the Tokyo and Osaka district courts are staffed with technical judges (*Saibansho Chōsakan*), typically from the JPO. Courts may have technical experts whom the Supreme Court of Japan appoints (*Senmon lin*), who give the courts or parties neutral technical advice about a specific case. David W. Hill & Shinichi Murata, *Patent Litigation in Japan*, 1 AKRON INTELL. PROP. J. 141, 151-52 (2007).

⁵¹ An invalidity action may be filed in the JPO or the IP High Court. TOKKYO HŌ, Law No. 47 of 2003, arts.123(1),178(1), *translated at* <http://www.cas.go.jp/jp/seisaku/hourei/data/PA.pdf>. A court may stay a patent infringement proceeding pending the outcome of an invalidity action. *Id.* art.168(2). Since 2000, an accused infringer may assert patent invalidity as a defense in court proceedings. *Texas Instruments v. Fujitsu Corp.*, H-10(o)364 (Sup. Ct., 2000), MINSHU, vol. 54, No. 4, 1368; see also Hill & Murata, *supra* note 50.

⁵² In 2012, the average pendency for first instance IP cases was 15.7 months, the average pendency for IP appeals was 7.1 months, and the average pendency for JPO invalidity proceedings was 8.0 months. These pendency times have held roughly steady over the past three years. *Statistics*, INTELL. PROP. HIGH CT., http://www.ip.courts.go.jp/documents/statistics/stat_03/index.html.

⁵³ A 2010 estimate of a district court proceeding and a JPO invalidation proceeding, plus appeals at the IP High Court for both, is between USD \$300,000 to \$1,000,000. Masahiro Samejima, *Is Japan a Hostile Environment for Patents?* INTELL. ASSET MGMT. 88 (Jan./Feb. 2010).

years patentees have won fewer than one-in-three cases.⁵⁴ Arsenal should probably avoid initiating suit in Japan absent other strategic reasons for doing so.

Korea: Korean patent litigation is strictly bifurcated. Civil actions for patent infringement are held at the District Courts and appealed to the High Courts. Patent invalidity proceedings are held at the Korean Intellectual Property Tribunal (KIPT) and appealed to the Patent Court.⁵⁵ These proceedings usually run in parallel, and the decisions of both the High Courts and the Patent Court may be finally appealed to the Korean Supreme Court.⁵⁶ Despite low pendency times,⁵⁷ Korean tribunals are generally unfavorable to patentees.⁵⁸

India: While patent litigation in India is still in its infancy,⁵⁹ the 2005 implementation of the third amendment to India's Patents Act has led to a number of well-known patent disputes, particularly in the areas of food, chemicals, and pharmaceuticals.⁶⁰ A patent infringement dispute in India is

⁵⁴ For example, in 2011, patentees won only 31% of first instance cases (11/35) decided on the merits. Patentees fared slightly better on appeal, winning 47% of cases (8/17). See *President Column*, NRI CYBER PAT. CORP. (Mar. 16, 2012), <http://www.patent.ne.jp/company/column/20120316.html>.

⁵⁵ Korean Patent Act arts.16,132-2, translated at <http://www.kipo.go.kr/upload/en/download/PatentAct.pdf>. The Korean Intellectual Property Tribunal is an administrative tribunal that operates within the Korean Intellectual Property Office, and has exclusive first-instance jurisdiction over issues of validity of patents, utility-models, trademarks, and designs. The IPT also has exclusive first-instance jurisdiction over confirmation-of-scope proceedings. Both the IPT and Patent Court are staffed with judicial assistants from the KIPO who help the tribunals clarify relevant scientific and technical issues.

⁵⁶ See generally Jay (Young-June) Yang et al., *Overview of Korean IP Laws*, http://www.buildingipvalue.com/n_ap/397_399.htm.

⁵⁷ The average pendency times to judgment for first-, second-, and third-instance patent infringement actions are 17.2 months, 12.8 months, and 10.7 months, respectively, as measured over cases where the court rendered judgments between January 1, 2000 and June 30, 2009. Data courtesy of Samuel Sungmok Lee, Yulchon (Nov. 27, 2013) (citing KOREA INST. OF INTELL. PROP., STUDY ON INFRINGEMENT ACTIONS TO PROMOTE DEVELOPMENT OF THE PATENT-RELATED JUDICIAL SYSTEM 133 (Sept. 2009)).

⁵⁸ Depending on the district court, patentee first-instance win rates are typically around 30 to 40-percent. Lee, *supra* note 57. The KIPT is also much more likely to invalidate patents than to uphold them. For example, in 2012, the KIPT accepted 405 invalidation requests and rejected 207; an additional 165 requests were dismissed or withdrawn. KOREAN INTELL. PROP. OFF., ANNUAL REPORT 2012 78–9, available at http://www.kipo.go.kr/upload/en/download/annualreport_2012_10.pdf.

⁵⁹ 29 patent litigations were filed in India in 2009, representing a steady increase since 2006 (when 7 cases were filed). Resham Jain, *Patent Disputes – Arbitrating All the Way!* LAWYERS CLUB INDIA (Sept. 30, 2013), <http://www.lawyersclubindia.com/articles/Patent-Disputes-Arbitrating-All-The-Way--5698.asp#.UoNHjPIBMXs> (citing BHOLA RAVI, PATENT PROCUREMENT AND ENFORCEMENT IN INDIA (2012)).

⁶⁰ See, e.g., Rama Lakshmi, *India Rejects Novartis Drug Patent*, WASHINGTON POST (April 1, 2013), http://www.washingtonpost.com/world/asia_pacific/india-rejects-novartis-drug-patent/2013/04/01/bf5f13de-9ab6-11e2-9219-51eb8387e8f1_story.html (discussing Indian courts

initiated at the District Court and can be appealed to the High Court and subsequently to the Supreme Court.⁶¹ In India, only the High Courts have simultaneous jurisdiction over both infringement and invalidity matters.⁶² The High Court delegates adjudication powers over patent appeals and patent revocation to the Intellectual Property Appellate Board (IPAB).⁶³ Given the growing importance of the Indian economy in the overall global economy, patent litigation in India will continue to rise, and India patent litigation strategy will be increasingly integral.

Australia: In Australia, patent litigation is conducted almost exclusively in the Federal Court of Australia, which has jurisdiction over both patent infringement and patent revocation actions.⁶⁴ Before filing a formal patent infringement pleading, a patentee must first send the alleged infringer a formal Letter Before Action, setting forth the infringing activity and demanding that it cease infringement.⁶⁵ Where the patent owner can make a *prima facie* case of infringement, the court may grant preliminary discovery to allow it an opportunity to find additional facts supporting infringement.⁶⁶ As an alternative to commencing an action by pleading, a patentee can seek an immediate interlocutory injunction against the infringing product or activity.⁶⁷ Little empirical data

finding invalid Novartis patents for Glivec®); Kamakhya Srivastava, *Inside Views: A Glance at Current Patent Litigation in India*, INTELL. PROP. WATCH (July 20, 2011), <http://www.ip-watch.org/2011/07/29/a-glance-at-current-patent-litigation-in-india/>; *Bajaj Auto Ltd. v. TVS Motor Co. Ltd.*, (2008) ILLJ 726 Mad (landmark 2007 patent case involving spark plug technology).

⁶¹ The Patents Act, 1970 (last amended by the 2005 Patents Act), arts. 32, 133, 135, 142, 226-27, available at http://www.wipo.int/wipolex/en/text.jsp?file_id=295102.

⁶² See, e.g., IPPRO SERVICES (INDIA) PVT. LTD., PATENT INFRINGEMENT & LITIGATION IN INDIA, 8 (2009), available at <http://www.ipproinc.com/admin/files/upload/dc8904b7508e51355b25f6ca0d386e8e.pdf>.

⁶³ The IPAB, headquartered at Chennai, was created under the 2002 Amendment to the Patent Act; the High Court transferred all patent appeals to the IPAB in 2007. While the IPAB has exclusive jurisdiction to adjudicate appeals arising from a district court decision, the High Court retains jurisdiction over counter-claims in patent infringement suits. *Id.*

⁶⁴ *The Court's Jurisdiction*, FED. CT. OF AUSTRALIA (Apr. 2013), <http://www.fedcourt.gov.au/about/jurisdiction>. While the Federal Court shares first instance jurisdiction over patent cases with the Supreme Courts of the States and Territories, in practice the latter have ceded their expertise to the Federal Court since the 1970s. Patent appeals are heard before a panel of three judges of the Federal Court. *Id.*

⁶⁵ Data courtesy of Mark Vincent & Paul Harrison, Shelston IP (Nov. 11, 2013). A Letter Before Action should be sent only after a detailed examination of facts supporting a finding of infringement. If the patent owner subsequently decides against bring suit, the alleged infringer can sue for groundless threat of infringement. *Id.*

⁶⁶ *Id.*

⁶⁷ For an interlocutory injunction, a patentee must provide evidence justifying the urgency of the application. Similar to the bond requirement for preliminary injunctions in the U.S., the patentee must also provide an “undertaking as to damages,” allowing reimbursement to the alleged infringer for any losses suffered because of the injunction. *Id.*

is currently available on Australian patent litigation; an older study found that the patentee win rate is roughly 38 percent.^{68,69}

Canada: Patent litigation in Canada is similar to that in the U.S. in many ways, keeping the following key differences in mind. Most patent cases in Canada are tried before a single judge of the Canadian Federal Court, and appeals are before the Federal Court of Appeal.⁷⁰ Canadian Federal Courts have no juries.⁷¹ The Federal Court does not hold a separate pre-trial claim construction hearing; rather, claim construction is decided as part of the overall decision on the merits.⁷² Without a pre-trial claim construction ruling, judges are reluctant to grant summary judgment.⁷³ Canada does not have U.S.-style depositions. Instead, questioning of each party is limited to one individual selected as a representative of that party, who is informed of the relevant information, and there is no opportunity to examine adverse expert witnesses before trial.⁷⁴ While few patent cases are filed in Canada compared to the U.S., damage awards for patent

⁶⁸ Kimberlee G. Weatherall & Paul H. Jensen, *An Empirical Investigation Into Patent Enforcement in Australia Courts*, 33 FED. L. REV. 239 (2005). This study of 50 patent cases between 1997 and 2003 that proceeded through judgment found that, through appeal, patentees succeeded on infringement allegations 55% of the time, on validity determinations 58% of the time, and both 38% of the time. Mean pendency was 1000 days for first instance and 419 days for appeals.

⁶⁹ For a survey of newer patent cases in Australia, see KING & WOOD MALLESONS, COMMENTARY, GUIDANCE AND KEY DECISIONS: REVIEW OF AUSTRALIA'S PATENT CASES FOR 2012, available at http://www.mallesons.com/Documents/Patent_Review_Apr%2013.pdf.

⁷⁰ Canadian provincial courts and the Canadian Federal Court have concurrent jurisdiction over patent matters generally. In 2003, the Canadian Federal Court and Federal Court of Appeal heard 101 patent infringement cases. *Intellectual Property Proceedings in Federal Court for 2013*, IPPRACTICE.CA, <http://www.ippractice.ca/litigation-statistics/intellectual-property-proceedings-in-federal-court-for-2013/>.

⁷¹ Andrew M. Shaughnessy & Andrew E. Bernstein, *Patent Litigation: Choosing Between the United States and Canada*, THE METROPOLITAN CORP. COUNS., Feb. 2005, available at <http://www.torys.com/Publications/Documents/Publication%20PDFs/ARTech-51T.pdf>; Adam Bobker, *Canada: Patent Litigation in Canada v. the United States – How the System Differs South of the Border Compared to the Home Front*, MONDAQ (Jan. 2, 2014), <http://www.mondaq.com/canada/x/283668/Patent/Patent+Litigation+In+Canada+v+The+United+States+How+The+System+Differs+South+Of+The+Border+Compared+To+The+Home+Front>.

⁷² Patents in Canada are subject to “purposive constructions,” similar to practice in the U.K. Purposive claim construction involves reading the claims and specification and then separating essential from non-essential claim elements based on the intent and purposes of the inventor, as viewed in light of the level or ordinary skill in the art. This process usually excludes extrinsic evidence and the prosecution history. The result is that patents tend to be construed more broadly than in the U.S. See Shaughnessy & Bernstein, *supra* note 71.

⁷³ See Bobker, *supra* note 71.

⁷⁴ *Id.*

infringement can be significant,⁷⁵ and Arsenal should consider Canada if Bayern is infringing Arsenal's Canadian patents and impacting business there.

Brazil: Comprehensive patent laws were introduced in Brazil only in 1996, and Brazil is thus a relatively young forum for patent litigation.⁷⁶ In Brazil, state courts decide infringement actions,⁷⁷ while the federal courts hear actions involving the Brazilian Patent Office (e.g., appeals of nullity actions).⁷⁸ There is little empirical data available about Brazilian patent litigation.⁷⁹ An analysis of 64 cases filed in several major Brazilian patent litigation states shows that most cases involve patent invalidity, and that few injunctions have issued.⁸⁰

Mexico: In Mexico, both infringement and nullification proceedings are filed before the Mexican patent office in the first instance; appeals are taken before the IP Chamber of the Federal Tax and Administrative Tribunal and subsequently to the Federal Judiciary Appeal Courts.⁸¹ There have only been two- to three-hundred patent proceedings filed since 2001, and cases tend to be slow.⁸² Patent infringement damages are limited to statutory damages and collecting damages

⁷⁵ The largest patent infringement damage award in Canada of \$119 million, which the Federal Court awarded in 2013 in *Merck & Co., Inc. v. Apotex Inc.* (2013 FC 751).

⁷⁶ *Patent Litigation 250 Rankings*, INTELL. ASSET MGMT., <http://www.iam-magazine.com/patentlitigation250/rankings/Detail.aspx?j=Brazil>.

⁷⁷ The major Brazilian states for intellectual property litigation are Rio de Janeiro and São Paulo, which have specialized IP courts. Rio de Janeiro has four specialized IP courts in the first instance and two in the second instance; São Paulo has one recently created specialized IP court in the second instance. Information courtesy of Marcello do Nascimento, David do Nascimento Advogados, Nov. 2013.

⁷⁸ MARC HARGEN EHLERS, DANNEMANN SIEMSEN, BRAZILIAN PATENT LITIGATION AND PRACTICAL BUSINESS (2012), available at http://www.jpo.go.jp/torikumi/ibento/ibento2/pdf/brazil_seminar/sogaiyou_en.pdf.

⁷⁹ Empirical data about Brazilian patent litigation is available only after 2006, when Brazil started to digitize litigation information. Each state keeps separate digital records. A search of state courts in São Paulo, Minas Gerais, and Distrito Federal (but excluding Rio de Janeiro) showed 64 first instance patent cases filed since 2006, the majority of which are still pending. Average patent case pendency is 5–6 years, though such estimates can vary significantly from one court to another. do Nascimento, *supra* note 77.

⁸⁰ *Id.*

⁸¹ Also known as the Instituto Mexicano de la Propiedad Industrial ("IMPI"), <http://www.impi.gob.mx/>. Data is from Tomás Arankowsky, Avah Legal, S.C.

⁸² *Id.* The IMPI handled ~2000 intellectual property cases since 2001, and roughly 10-15% of these are patent cases. The IMPI takes an average of 24 months to resolve each case, and each appeal can take from 12 to 18 months.

can be a daunting task;⁸³ injunctions are possible but require that the requesting party post a bond.⁸⁴

Table 1: Summary of Patent Litigation by Country

Country	Forums	Patent Cases per Year	Patentee Win Rate	Bifurcation of Inf/Inv	Tech. Expertise	Avg. Pendency	Top Damage Awards
U.S.	District Courts; Federal Circuit; ITC	6101 district court cases filed in 2013	11.5-55%, depending on district	No	No	0.56-1.32 years, depending on district	\$1.67 billion (<i>Centocor v. Abbott</i> , 2009; reversed in 2011)
Germany	District Courts; Federal Patent Court	1250 cases filed in 2011	63% on infringement in Dusseldorf	Yes	No	< 1 year	(not available)
China	Intermediate and Superior People's Courts	9680 cases filed in 2012	(not available)	Yes	No	3-6 months (but longer for foreign parties)	\$48.5 million (<i>Chint v. Schneider Electric</i> , 2007)
Japan	District Courts (Tokyo and Osaka); IP High Court	631 cases filed in 2010	37% (2011 cases, including first instance and appeal)	Yes, but invalidity may be raised as a defense in infringement proceedings	Yes	<18 mo.	\$74 million (<i>Aruze Corp. v. Sammy Corp.</i> , as of 2005)
Korea	District Courts, High Court, KIPT, Patent Court	~46 cases decided per year from 2000 to 2009	30-40%	Yes	Yes	~18 mo. for first-instance proceedings	(not available)
India	District Court, IPAB	29 cases filed in 2009	(not available)	Yes, but High Courts have jurisdiction over both infringement and invalidity	No	(not available)	(not available)
Australia	Federal Court of Australia	(not available)	38%, including through appeal	No	No	2.7 years for first instance proceedings	(not available)
Canada	Federal Court and Federal Court of Appeal	101 cases in 2013 in the Federal Court and Federal Court of Appeal	(not available)	No	No	(not available)	\$119 million (<i>Merck v. Apotex</i> , 2013)
Brazil	State courts	>64 cases since 2006	(not available)	Yes	No	5-6 years	(not available)
Mexico	IMPI	~200-300 cases since 2001	(not available)	Yes	No	2 years first instance, 12-18 months on appeal	(not available)

⁸³ *Id.* Damages awards cannot be less than 40% of the retail price of each infringing good or service. Industrial Property Law, art. 221-*Bis*. However, the IMPI and higher appeals courts do not rule on damages. Instead, because of precedent from the Mexican Supreme Court, the affected party must obtain a final ruling on infringement of its rights before collecting damages. Such proceedings can easily take four to five years, and collection is difficult.

⁸⁴ *Id.* The enjoined party can post a counter-bond, equal to 140% of the patentee's bond, to have the injunction lifted. The IMPI fixes the bond after the patentee requests the injunction.

Coping with Foreign Discovery

Having heard about the main litigation forums available to Arsenal, Loren asked how much exposure a global business like Arsenal will have to cross-border discovery obligations, and likewise how that will affect Bayern. I explain to Loren that multi-jurisdictional patent litigation typically requires parties to gather evidence from outside the U.S., whether its own evidence in the hands of overseas corporate affiliates, the adversary's evidence, or third party evidence. International treaties and foreign laws complicate international discovery, including foreign blocking statutes, which forbid entities from producing in the U.S. the very sort of material of which U.S. courts require production.

A few pivotal facts determine what discovery methods are available to obtain information from a foreign entity: the foreign entity's relationship to the litigation, whether the country that the foreign entity calls home is a Hague Convention signatory,⁸⁵ and what type of information is sought. The foreign entity's relationship to the litigation is a primary factor. If the foreign entity is a party to the litigation, it is subject to the personal jurisdiction of the U.S. court, and thus subject to the Federal Rules of Civil Procedure.⁸⁶ If the foreign entity is not itself a party to the litigation, but subject to the control of a party, e.g., via a corporate affiliation or contractual obligation, the U.S. court can compel the party to exercise its control over the foreign entity.

⁸⁵ The Hague Convention is a multi-lateral treaty that governs cross-border discovery of documents and testimony. Hague Conference on Private International Law, Hague Convention of 18 March 1970 on the Taking of Evidence Abroad in Civil and Commercial Matters ("Hague Convention"), (Entered into force 7 Oct. 1972), U.N.T.S. 37/1976. As of 2013, 57 countries are contracting states to the Hague Convention, including the U.S., U.K., France, Germany, China, Russia, and India (Japan is a notable exception).

⁸⁶ See *Société Nationale Industrielle Aérospatiale v. U.S. Dist. Court*, 482 U.S. 522 (1987). *Société Nationale* held that the Hague Convention does not provide exclusive or mandatory procedures for obtaining documents and information located in a foreign signatory's territory, but merely one method U.S. litigants can choose to employ. *Id.* at 540–41. To decide whether litigants can conduct foreign discovery under the Federal Rules of Civil Procedure, U.S. trial courts conduct a balancing test that weighs "the particular facts, sovereign interests, and likelihood that such resort will prove effective." *Id.* at 541–46; see also *In re Auto. Refinishing Paint Antitrust Litig.*, 358 F.3d 288 (3d Cir. 2004). When foreign blocking statutes are litigated before U.S. courts, they are usually trumped under the *Société Nationale* test because of the perception that such statutes are unfair and hostile to U.S. interests, especially where the blocking statute is invoked by a plaintiff who sought to avail himself of U.S. laws in the first place.

If the foreign entity is neither a party nor subject to the control of a party, then fewer options are available. The discovery procedures defined in the Hague Convention are likely available,⁸⁷ though possibly of limited use.⁸⁸ The type of discovery sought will affect the availability of process; the rules treat document discovery and testimony differently in some cases.⁸⁹ I recommend that Arsenal map out the global markets in which it may consider enforcement against Bayern. Once that is done, the various procedures and associated complexities discussed above can be assessed, weighed, and effectuated.

⁸⁷ Document discovery under the Hague Convention is typically carried out using a Letter of Request (also known as Letters Rogatory), a formal written communication from the domestic court where the action resides to the contracting state where discovery is sought. Under Hague procedure, the Letter of Request is transmitted to an official body of the foreign state known as the Central Authority, which then transmits the Letter of Request to the appropriate judicial body for execution. Letters of Request can be used to obtain both documents and deposition testimony and are the only way to compel evidence from an unwilling witness under Hague process. Hague Convention art. 2.

⁸⁸ Letters of Request require the comity of foreign courts and are typically restricted by the laws of the jurisdiction where the information is sought. Foreign courts follow their own procedural laws in their execution of the Letter of Request; thus, parties' procedural requests must be compatible with the laws of the jurisdiction, and must not be made impossible by the "practical difficulties" of the foreign jurisdiction's practices and procedures. Hague Convention art. 9. Furthermore, a person may refuse to give evidence under the request insofar as he has a privilege or duty to do so under foreign law. *Id.* at art. 11. Even when foreign courts do cooperate with the request, they usually take several months to a year to execute. Additionally, the Hague Convention has specific limitations that prevent parties from using the broad pre-trial discovery tactics common in the U.S. For example, the Hague Convention allows any contracting State to "declare that it will not execute Letters of Request issued for the purpose of obtaining pre-trial discovery of documents as known in Common Law countries." *Id.* at art. 23.

⁸⁹ For example, many foreign courts will not permit parties to invoke Hague procedure to take depositions. French courts require one to provide translated questions to a magistrate, who conducts the inquiry on one's behalf. China, one of the most restrictive jurisdictions for discovery, flatly prohibits the taking of depositions for use in U.S. courts because that would entail taking an oath to a foreign tribunal in Chinese territory. Depositions of Chinese nationals are usually at the U.S. embassy or in a nearby country such as Korea or Hong Kong. Since Japan is not a signatory to the Hague convention, similar procedures are used to depose Japanese nationals.

Lessons Learned: The Conclusion of the Client Conference

Success in high stakes global patent wars requires a comprehensive litigation strategy *ab initio*, with a clear understanding of the client's goals, aspirations, strengths, and weaknesses. By using the timing, procedures, and remedies available in the various forums discussed above, one can move from weakness to strength and secure decisive competitive advantages in the global marketplace.

In this case example, Loren thanked me for the advice and agreed that we, collectively and collaboratively, needed to initiate an immediate, deeper dive into the facts, strategies, and tactics outlined above. As discussed above, cross-border patent litigation has been growing and will continue to do so over the next decade, and the upward trends in nearly every forum discussed in this Article bears out that Arsenal needs to be fully apprised of cross-border patent litigation strategies, risks, and keys to success.

Key Takeaways

- The key to any successful enforcement strategy is ensuring that the defined IP enforcement goals are in full alignment with the client's business and strategic goals. IP enforcement strategies rarely make sense in a vacuum and must be used to further defined business goals.
- As such, first and foremost, the client and patent litigation counsel must be on the same page—that is, together, they must reach and operate from a clear understanding of the client's strategic needs and goals with respect to the domestic or cross-border patent enforcement campaign.
- Based on that predicate understanding of how they will later assess whether the campaign was a success, client and counsel can develop and agree on a plan that accounts for tactical choices as to forum, scope, and manner, and a host of more granular decisions, such as which patents to assert and which to hold back.

- Resource management is a critical aspect of any successful strategy, so the client should prioritize action in those jurisdictions where the most harmful infringing activities are transpiring. Each forum's costs, procedures, pace, and available remedies must be considered carefully with the defined strategic goals in mind.
- There is no single strategy that works for all clients, industries, or situations. Strategies will differ based on the nature of the technology at issue, product life cycles, and the nature and scope of the competitive harm being done. The shortest time to injunctive relief may be dispositive of strategy in some situations, while in others a slower strategy and more definite damages recovery may drive decision-making.
- Using a mix of domestic forums, district courts and the ITC, much of a client's global strategic calculus can be addressed through enforcement actions in the U.S. alone. Supplementing that strategy with key foreign enforcement actions, particularly a European strategy that accounts for the changes the UPC will bring, can make sense when resources allow, especially when dealing with a blockbuster consumer electronics device or pharmaceutical.