



What's Your Next Move: IP in the New Business Reality

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What's Your Next Move: IP in the New Business Reality

New Day, New Target:

Changing Venue and Methods for IP Litigation



Panelists

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Background of Patent-Friendly Districts

- Several districts have tended to favor patentees:
 - E.D. Texas among the top of the list
 - E.D. Virginia, Delaware also typically pro-patentee
- E.D. Texas has resisted transferring patent cases
 - Oftentimes patentees form LLC in E.D. Texas and/or name at least one defendant in the district
 - Court has resisted transferring cases out of the district
- Recently, Federal Circuit has used mandamus power to transfer cases
 - Federal Circuit has enforced 5th Circuit venue tests in the E.D. Texas
 - E.D. Texas has begun to follow its own venue tests

Motions to Transfer Venue – 28 U.S.C. § 1404(a)

- Plaintiff's choice of forum is not a proper §1404(a) factor
 - Plaintiff's choice is given deference
 - Choice of venue corresponds to the burden that a moving party must meet to show that another forum is clearly more convenient
- Federal Circuit recently has granted writs of mandamus ordering the transfer of patent cases from one district to another
 - *In re TS Tech USA Corp*, 551 F.3d 1315 (Fed. Cir. 2008)
 - *In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009)
 - Writ granted when party shows clear abuse of discretion by refusing transfer

Federal Circuit Granted Writs of Mandamus

- *In re TS Tech USA Corp*, 551 F.3d 1315 (Fed. Cir. 2008)
 - District court (E.D. Tex.) gave too much weight to plaintiff's choice of venue
 - District court ignored 5th Circuit's "100-mile" rule regarding witness travel
 - District court failed to consider the location of evidence
 - District court gave no weight to localized interests
- *In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009)
 - District court (E.D. Tex.) ignored the "100-mile" rule
 - District court failed to consider the location of evidence
 - District court gave unfair weight to defendant's prior litigation in the same district
 - District court gave no weight to localized interests

Recent Trend in E.D. Tex. Favoring Transfer Motions

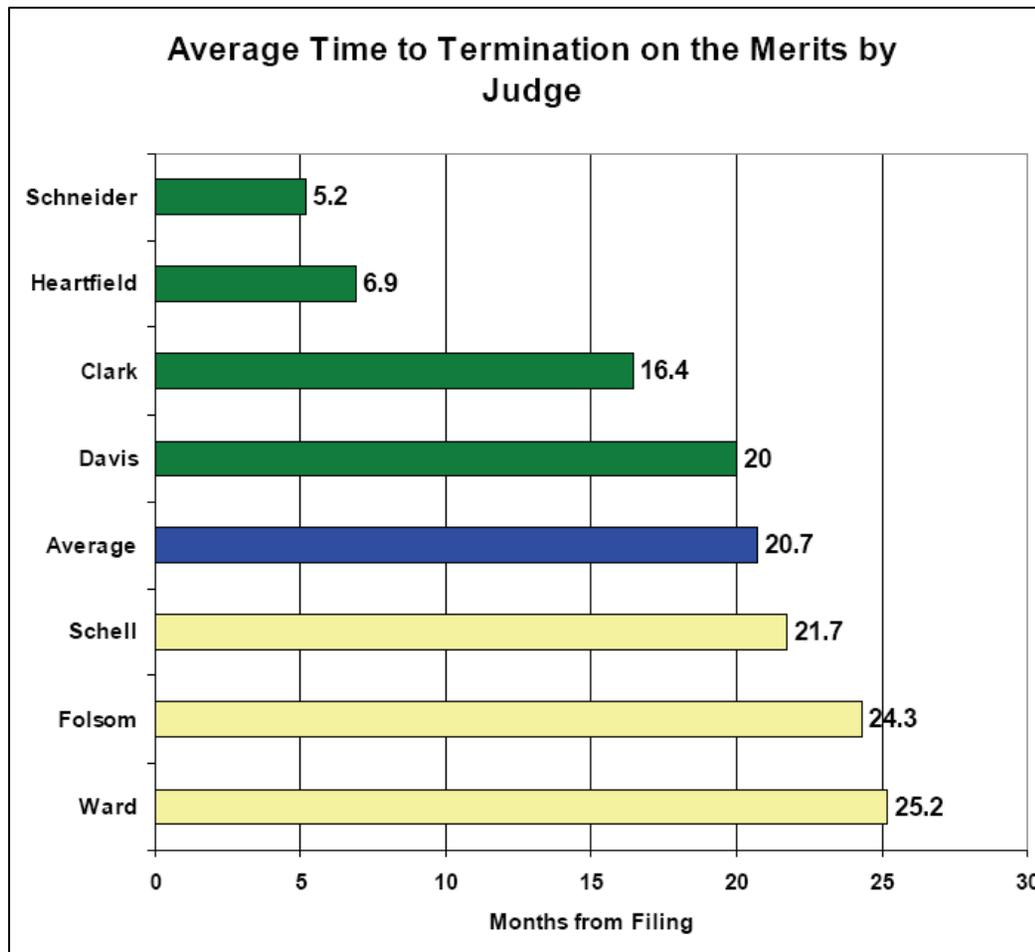
- Transfer motions in E.D. Tex. decided since *TS Tech* and *Genentech* demonstrate that the Federal Circuit's mandamus power has not gone unnoticed
 - *ATEN Int'l Co. v. Emine Tech. Co.*, 2009 WL 1809978 (E.D. Tex. Jun. 25, 2009)
 - E.D. Tex. recently granted a motion to transfer venue to C.D. Cal.
 - *ICHL, LLC v. NEC Corp. et al.*, 2009 WL 1748573 (E.D. Tex. Jun. 19, 2009)
 - But, E.D. Tex. also recently denied a motion to transfer venue to C.D. Cal.

Eastern District of Texas – *Overview and Statistics*

- Fastest growing number of patent cases
- Traditionally known for being pro-patentee
 - Very much the case before 2006 – Things are changing
 - Discovery still favors patentees
- Used to be very fast district
 - Relatively few cases decided on summary judgment
 - Tremendous backlog has placed strain on the court
- Big Damage Awards by Juries – Recent examples:
 - I4i L.P. v. Microsoft Corp. – \$200M + \$40M enhanced (2009; Davis)
 - Saffran v. Boston Scientific Corp. – \$431M (2008; Ward)
 - Grantley Patent Holdings v. Clear Channel - \$66M (2008; Clark)
 - Pioneer v. Samsung – \$59M (2008; Folsom)

Source: LegalMetric, LLC

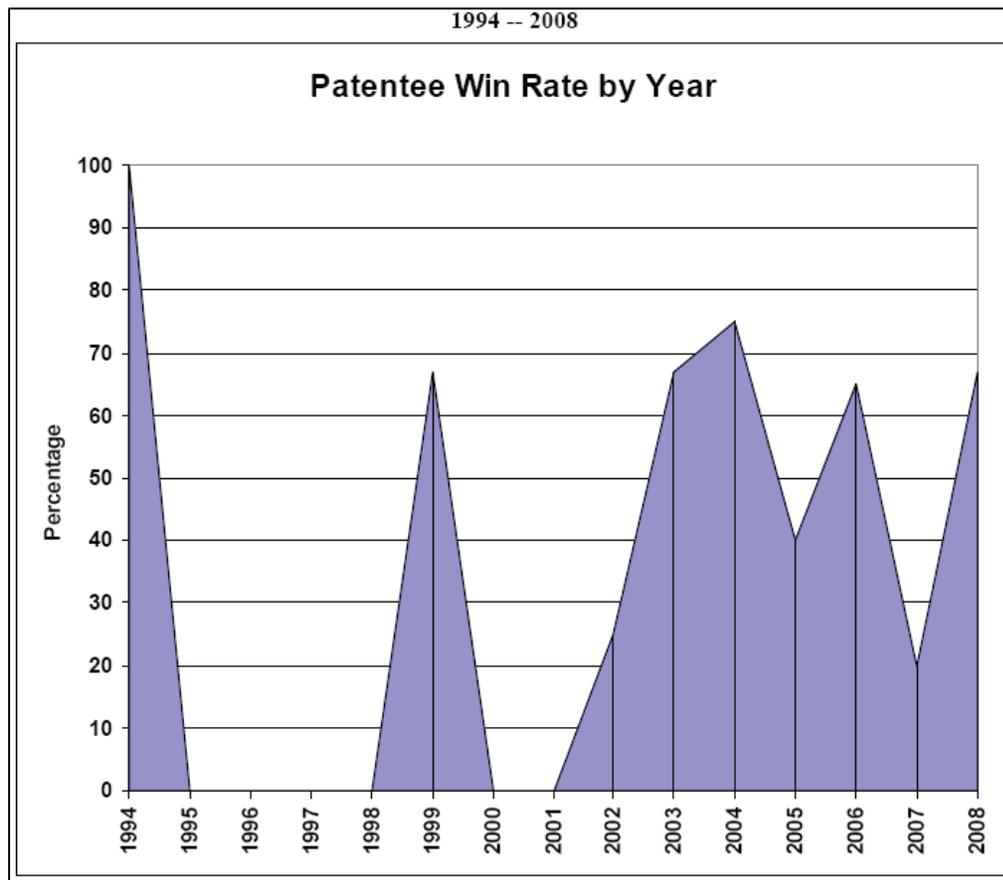
Eastern District of Texas – *How Long Cases Are Taking*



- Newly filed cases are taking nearly 3 years to trial for Judge Ward
- But, preliminary infringement contentions and responses thereto are due in normal time after scheduling order
- *Markman* hearing to trial remains short

Source: LegalMetric, LLC

Eastern District of Texas – *Patentee Win Rate*



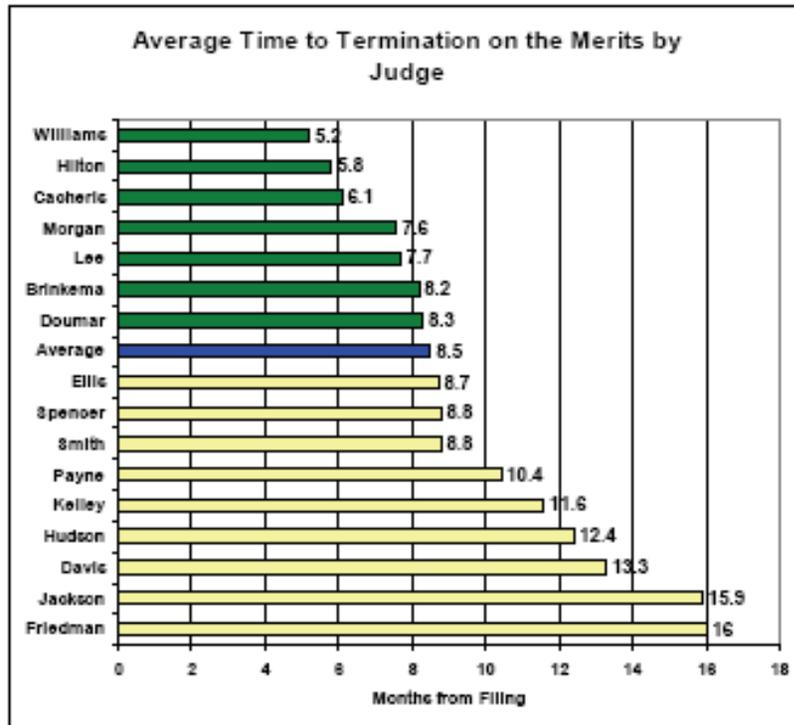
- Late 1990s to about 2006:
 - Effectively, patentees seem to win every patent case, with big money awards
 - Very difficult to invalidate patents with an E.D. Tex. jury
- Since 2006:
 - Defense wins are growing, both noninfringement and invalidity
 - When the patentee wins, judgments can still be big

Source: LegalMetric, LLC

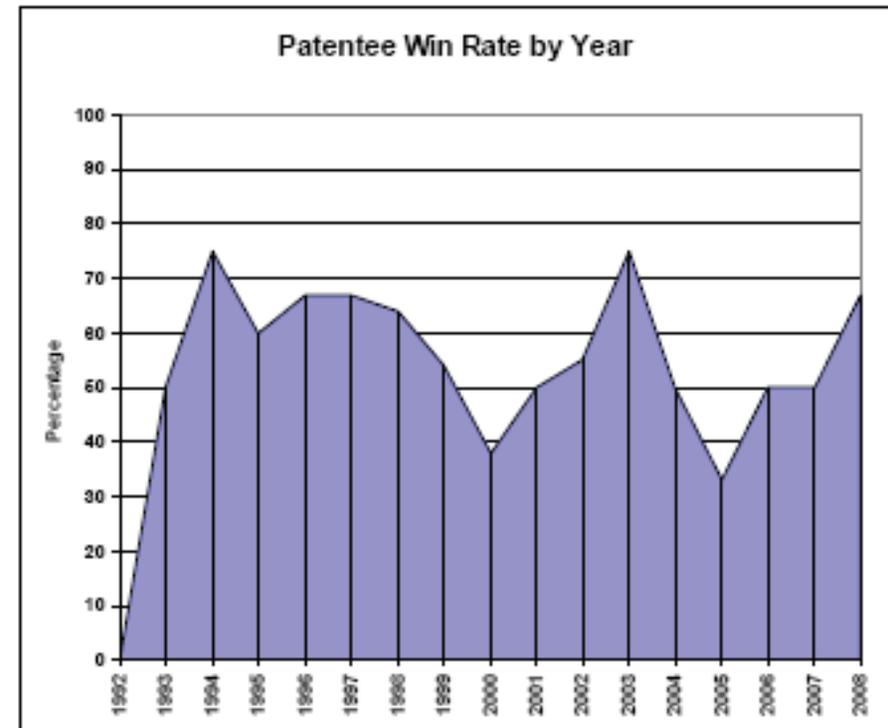
Eastern District of Virginia – *Overview and Statistics*

- 1 in 4 cases assigned to the Alexandria Division – the original “Rocket Docket”
- As a whole, the E.D. Va. has significant experience with all phases of patent litigation:
 - 613 total patent cases through 2008
 - 547 summary judgment rulings through 2008
 - 119 *Markman* rulings through 2008
 - 137 judgments on the merits through 2008
 - 29 trials through 2008

Eastern District of Virginia



- Average time to termination for all cases – 6 months



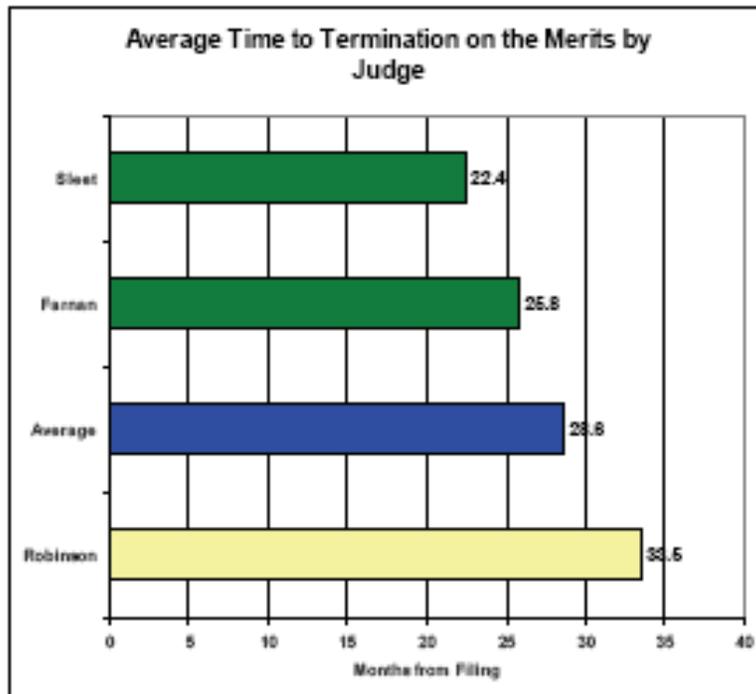
- Average win rate 57% over the past decade

Source: LegalMetric, LLC

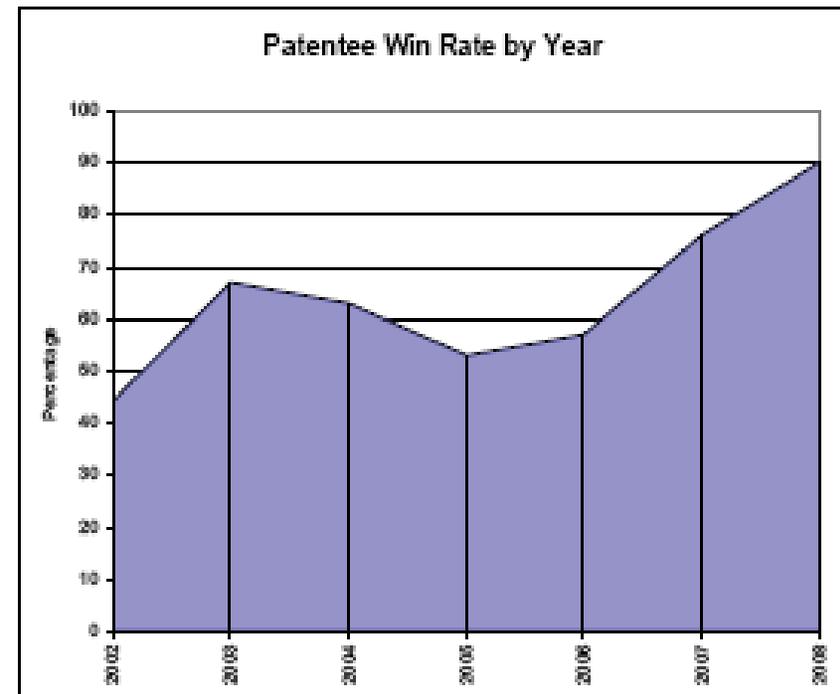
District of Delaware – *Overview and Statistics*

- Extensive patent experience:
 - 991 total patent cases through 2008
 - 676 summary judgment rulings through 2008
 - 459 *Markman* rulings through 2008
 - 144 judgments on the merits through 2008
 - 59 trials through 2008
- High patentee win rate
- But, cases move much slower

District of Delaware



- Average time to termination for all cases – 15.7 months



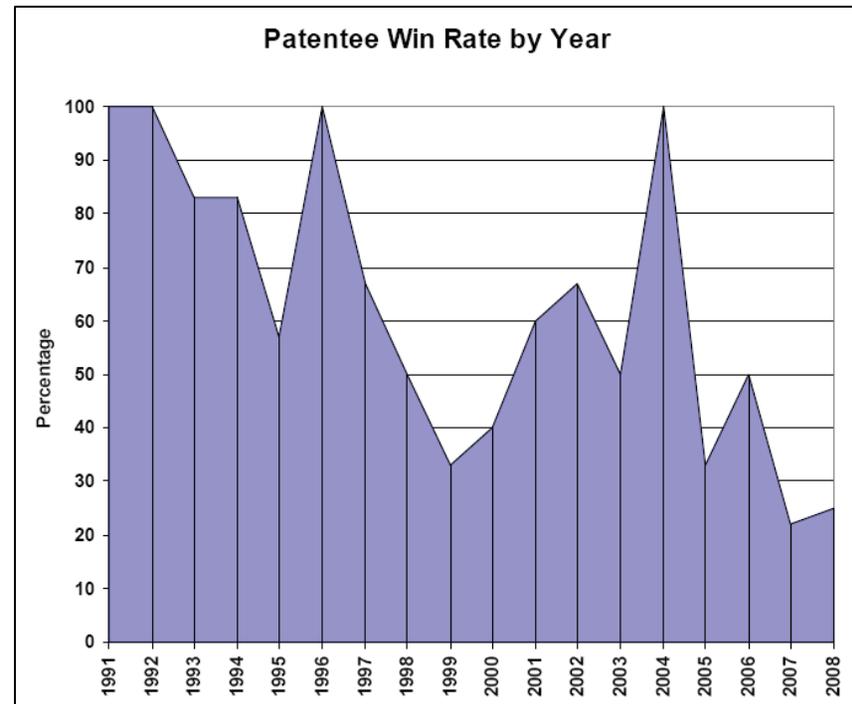
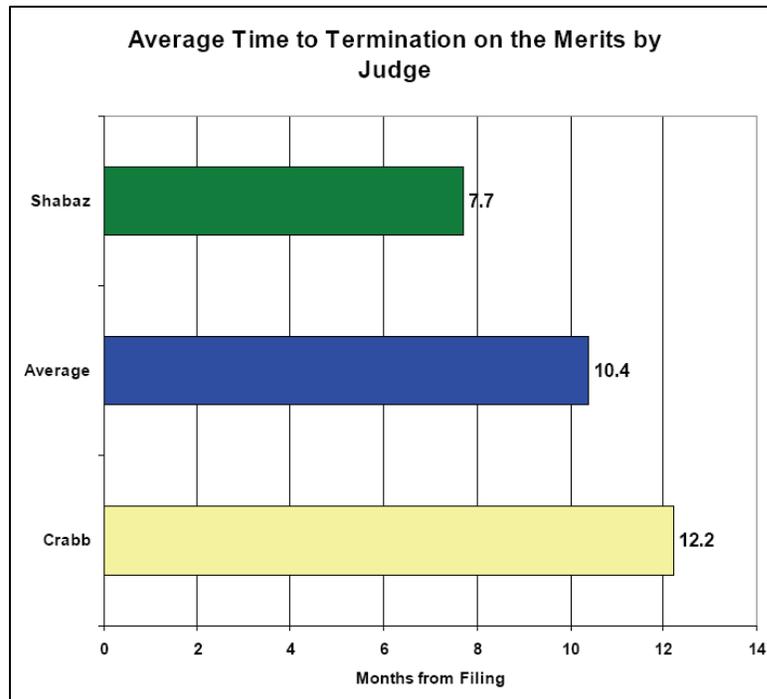
- Average win rate 65% over the past decade

Source: LegalMetric, LLC

Western District of Wisconsin – *Overview and Statistics*

- **Rocket Docket.** The W.D. Wis. is, and for many years has been, among the fastest federal courts in the country
- **Judges Like Patent Cases.** The current Article 3 judge, Judge Crabb, and the magistrate, Judge Crocker, both like and are comfortable with patent cases
 - But, Judge Crabb recently has announced an intent to retire—will her replacement be as patent-savvy?
- **Expedited Pretrial Procedure.** Court deals very summarily and efficiently with pretrial matters, as well as discovery disputes
- **Willingness To Grant Summary Judgment.** Willing to grant summary judgment; typically favors defendants
- **Favorable Standing with Appellate Courts.** Judge Crabb has high affirmance rate by the Federal Circuit, and by the Seventh Circuit on non-patent and procedural matters

Western District of Wisconsin



- Cases have gone to trial 5 months after filing!

- Average win rate 53% over the past decade

Source: LegalMetric, LLC

Patent Reform Act – *Background*

- Act is derived from the 2005 and 2007 Patent Reform Acts
- March 3, 2009: Senators Leahy and Hatch introduce Senate Bill S. 515 titled “Patent Reform Act of 2009”
- March 3, 2009: Rep. Conyers introduces House Bill H.R. 1260, also titled “Patent Reform Act of 2009”
- March 17, 2009: Sen. Kyl Introduces competing patent reform bill, S. 610
- April 2, 2009: A revised S. 515 is approved in a 15-4 vote by the Senate Judiciary Committee
- Bill is now before the Senate floor

Patent Reform Act – *Impact on Venue*

- The current version of the Act has significant potential impact on patent-friendly districts:
 - Under amended 28 USC § 1400, the district court “*shall transfer* any civil action ...relating to patents upon a showing that the transferee venue is *clearly more convenient* than the venue in which the civil action is pending” (Act, Sec. 8(a))
 - Compare to 28 USC § 1404(a): “a district court *may transfer* any civil action to any other district or division where it might have been brought”

Patent Reform Act – *Impact on Reexamination*

- Reexamination (generally)
 - No reexamination after a District Court decision that a patent is not invalid (as opposed to a “Final Decision”) (Act, Sec. 5(e))
- *Inter Partes* Reexamination
 - No longer conducted by PTO examining corps
 - Instead handled by Administrative Patent Judge (Act, Sec. 5(c))
 - Estoppel effect diminished
 - Parties are only barred from litigating what was actually raised in the reexam, not what they “could have raised” (Act, Sec. 5(d))

Kyocera v. ITC – Background

- ITC can provide relief to patentees in the form of exclusion orders (19 USC § 1337(d)-(f)):
 - Limited exclusion order (LEO) is the default and excludes particular products of named respondents
 - General exclusion order (GEO) excludes all infringing articles regardless of the identity of the manufacturer or importer, but GEOs are difficult to obtain
 - Must show that it is necessary to prevent circumvention of a LEO, *or*
 - There is a pattern of violation and it is difficult to determine the underlying source

Kyocera v. ITC – Background

- In *Kyocera v. ITC*, 545 F.3d 1340 (Fed. Cir. 2008), the Federal Circuit limited enforcement of LEOs to named respondents
 - Previously, LEOs were commonly used to exclude downstream products of non-respondents
 - Now, consistent with the statute, LEOs are only enforceable against named respondents

Impact of *Kyocera v. ITC*

- The *Kyocera* ruling is likely to impact ITC litigation strategies:
 - If seeking an LEO, must name all possible respondents, including downstream manufacturers of components
 - Will this cause an increase in multi-respondent ITC actions?
 - Will multi-respondent ITC actions work against the patentee?
 - The ruling may trigger a rise in patentees seeking a GEO
 - But, seeking a GEO likely will significantly increase the cost of an ITC case, which may offset the speed and other benefits of bringing an ITC action in the first place

Growing Trend of NPEs

- In recent years, the number of patent cases brought by non-practicing entities (NPEs) has increased significantly
- Recent filings target numerous defendants in targeted industry groups:
 - Financial services sector most often targeted
 - Retail, automotive, telecommunications, and computer hardware/software also frequently targeted

Typical NPE Litigation Strategy

- NPE litigation strategy typically is to extract a quick settlement for less than the cost of defending a case through trial
- NPEs typically engage in a number of litigation tactics to spur settlement discussions:
 - Exhaustive document production and expensive discovery disputes
 - Extensive third-party discovery
 - Broad infringement contentions spanning numerous business lines and/or accused services

Joint Defense and Collaboration Strategies

- Form or join a joint defense group
 - Save expense on common issues such as: claim construction, invalidity, reexamination, inequitable conduct
 - Reduce risk of collateral harm from co-defendants' improvident approaches
- Delay early settlement offers
 - Relatively low expense through time that NPE will have to provide all defendants with detailed infringement contentions
 - Preparing infringement contentions in compliance with local patent rules is a major undertaking

Joint Defense and Collaboration Strategies (cont'd)

- Consider moving to consolidate pending cases into a Multi-District Litigation (MDL)
 - MDL is appropriate when cases pending in different districts involve a common question of fact such that the cases should be transferred to one district for coordinated pretrial proceedings
 - Patent validity and claim construction are common issues justifying an MDL
 - Moving for an MDL provides defendants an opportunity to pool resources and coordinate defense strategy

Multi-Defendant Patent Cases May Be Good Strategy for Plaintiff

- Multi-defendant cases provide for efficiency and consistency
 - Single or coordinated proceedings minimize discovery and litigation costs
 - Single *Markman* ruling and consistent application of claim construction by the Court
- Where single forum is not possible because of lack of jurisdiction, consider moving for MDL
 - MDL may consolidate multiple cases in single forum or at least provide for coordinated discovery
- MDL also can be used to secure forum of choice in the face of an earlier-filed DJ action²

Growing Trend of Naming Retailers

- Patent statute provides for remedy for those who make, use, *offer to sell*, or *sell* any patented invention, within the United States, or *import* into the United States. 35 USC § 271.
- *Quanta Computer v. LG Electronics*, 128 S. Ct. 2109 (2008)*, has changed the law of patent exhaustion
 - Prior to *Quanta*, suits typically named both manufacturers and sellers/importers
 - Recent trend of focusing suit on sellers/importers (e.g., retailers and end-users)

*United States Reporter citation not yet available.

Growing Trend of Naming Retailers

- Why are retailers more susceptible?
 - Retailers and end-users typically can be found in the U.S. and are readily amenable to U.S. courts
 - As opposed to overseas manufacturers
 - Retailers and end-users typically have deeper pockets
 - Consider “Big Box” retailer vs. small overseas manufacturer
 - Suing a retailer can make damages look bigger
 - Consider retail revenue vs. wholesale

Managing Indemnification Issues

- Indemnification agreements must include specific provisions for patent claims and duty to indemnify
 - Many standard agreements are flawed when put into the context of a patent case
- Retailers need to have procedures for monitoring claims and enforcing indemnification agreements:
 - Notifying supplier once claim arises and seeking acknowledgement of indemnification
 - Conducting independent review of patent claims and developing noninfringement and invalidity positions
 - Coordinating litigation strategies with suppliers and retaining shadow counsel to protect retailers' interests

Reexamination as a Litigation Strategy

- Two types of reexamination:
 - *Ex parte* reexamination (35 USC § 302-07) provides for reexamination without participation by third-party requestor
 - *Inter partes* reexamination (35 USC § 311-18) allows third-party requestor to participate in proceedings and provides third-party requestor with right to appeal
- Reexamination can be a cost-effective alternative to litigation where strong invalidity positions exist
 - Often, reexamination can be conducted for 2-5% of the cost of taking a patent litigation through trial

Reexamination as a Litigation Strategy

(cont'd)

- Reexamination may be an effective strategy to delay existing litigation through obtaining stay
 - Stays are not automatic, though many district courts grant stays if litigation is in an early phase
 - Many judges have a standard practice that can be determined in advance
- Also, reexamination may force patentee to provide its claim interpretations and views on prior art substantially early than in litigation
 - Advance notice of patentee's positions allows time to develop defense strategies

Reexamination as a Litigation Strategy (cont'd)

- Courts appear to be granting stays in about 50% of the cases where there is concurrent reexamination
 - In about *half* the cases where reexamination was brought concurrently, *neither party* moved for a stay
 - Of those cases where a motion to stay was brought, about *half* of the motions were unopposed, joint, or on behalf of the patent owner
 - Where the defendant moved for a stay that was opposed by the patent owner (24 total cases), 11 motions were granted and 10 were denied

Source: Matthew A. Smith, *Inter Partes Reexamination*, Ed. 1E, 232-32 (Jan. 31, 2009)



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QUESTIONS

