Advanced Topics in Patent Litigation:
The New World Order in Patent Enforcement

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European Patent Enforcement and the E.U. Patent Court
The European Patent With Unitary Effect (UP)

The Unitary Patent In A Nutshell

- Creation of a “European patent with a unitary effect” (UP) in European Union (25 EU Member States except Italy, Spain and Croatia)
  - (EC Regulation No 1257/2012 of 17 December 2012)
- Current existing European Patent (EP) and national patent systems remain
- Creation of a Unified Patent Court (UPC) with seat in Paris having exclusive jurisdiction over validity and infringement of UPs and EPs under specific conditions
  - (Agreement on UPC of 19 February 2013)
- Entry into force in early 2015
What is a UP?

• A UP is an EP granted by the European Patent Office under the European Patent Convention which:
  – Within one month after its grant
  – Upon the request of the EP owner
  – Is given a unitary effect
  – In 25 EU Member States (except Italy, Spain and Croatia)

• A UP is an option available to the EP owner and obtained after the grant of the EP

Conditions

• UP status may be requested for an EP granted on:
  – Patent applications pending before the EPO on the date the system comes into force
  – EP patents previously registered with the EPO for unitary effect provided that the EP was granted:
    • With the same set of claims
    • In all 25 Member State

• Advice: New EP applications to be filed or pending should designate the 25 Member States to have the option for transformation into UP in 2015
Costs? Annual Fees?

- Single annual fee (50% for the EPO and 50% to be shared by the 25 Member States)
- Amount not determined yet: discussions still ongoing
  - Low enough to be attractive
  - High enough to ensure financing of the EPO and national offices

The Unified Patent Court (UPC)
The Structure of the UPC

- **Seat**: Paris
- **3 Central Divisions**
  - **Paris** (Section B: Performing Operations, Transporting; Section D: Textiles and Paper; Section E: Fixed Constructions; Section G: Physics; Section H: Electricity)
  - **London** (Section A: Human Necessities; Section C: Chemistry, Metallurgy)
  - **Munich** (Section F: Mechanical Engineering, Lighting, Heating, Weapons, Blasting)
- **Local Division** in each Member State (additional Local Division possible upon request for every 100 patent cases a year. No more than 4 per Member State)
- **Regional Division** for 2 or more Member States which do not set up a Local Division
- **Court of Appeal**: Luxembourg (facts and law)

Jurisdiction

- **Over UPs and EPs** (transitional period for 7 years: EP owners can opt out, so national courts remain competent, but opt-out may be revoked at any time)
- **Infringement**
  - Local Division where infringement took place (choice when several locations)
  - Local Division of domicile of defendant (choice when several defendants)
  - For non EU defendants: Central Division
  - Choice of the parties
Jurisdiction

- **Revocation**
  - As main action: Central Division
  - As a counterclaim:
    - Local Division hears both infringement and revocation
    - Local Division refers the case to the Central Division
      - Proceeds with both infringement and revocation
      - Stays the infringement case until outcome on revocation

Language of the Proceedings

- Before the Local divisions: national language or any EPO language (French, English or German)
- Before the Central Division: language of the patent
- Before the Court of Appeal:
  - Language of 1st instance
  - Language of the patent, upon parties’ agreement
  - Language chosen by the Court and approved by the parties
Territorial Effect of the UPC Decisions

- For Ups
  - In all the UP Member States
- For EPs
  - In each country where the EP is in force

Robert W. Ashbrook

*Inter Partes Review: Lessons from Garmin v. Cuozzo*
What Is *Inter Partes* Review

- Post-issue administrative procedure to challenge validity, inspired by European opposition practice
- Adversary procedure as part of the AIA
- Issues are limited
  - Only anticipation and obviousness challenges based on patents and printed publications
  - Only issues that were both raised in the challenger’s initial application and initially granted by the PTAB

- Claim construction preliminarily decided as part of any decision instituting the IPR
- Very limited discovery by agreement or motion
- “Trial” by a Patent Trial and Appeal Board panel
  - Trial is conducted primarily on the papers
  - Oral hearing permits attorney argument and questions
- First judgment in an IPR on November 13, 2013
  - *Garmin Int’l v. Cuozzo Speed Techs.*, IPR2012-00001
Inter Partes Review Timeline

Strategic Advantages for Defendants

- IPR resolves validity before infringement
  - About 2/3 of infringement litigation is stayed pending IPR
  - But continuation applications continue in prosecution

- Relatively quick
  - Concludes within one year after institution
  - Initial patent owner response due in 21 days

- Substantively easier to invalidate a patent
  - Preponderance standard, not clear and convincing
  - “Broader reasonable claim scope”
Strategic Advantages for Defendants

- Less costly than litigation
  - But requester incurs most costs up front
  - USPTO fee is $23,000 if instituted
- No jury confusion
  - PTAB judges have technical backgrounds
- If instituted, the result is appealable

Strategic Advantages for Plaintiffs

- Ability to amend during IPR
  - One time as of right
  - Amendment scope is restricted; burden on patent owner
  - Estoppel for cancellation
- Requester Estoppel
  - Any issue that reasonably could have been raised
  - Applies to district court, ITC, or other PTO procedures
  - Real parties in interest and privities are also estopped
- Effect on third parties
Additional Considerations — Institution

- **Eligibility to request IPR**
  - Timing: at least 9 months since issue
  - Timing: within 1 year after patentee’s infringement suit
  - Requester: cannot have sued for a declaratory judgment of invalidity (unless a counterclaim)

- **Standard for granting is a “reasonable likelihood of prevailing”**
  - Loser may request rehearing but may not appeal
  - Effect of previously cited art

- **Requester must include all possible issues up front**
  - Possible to file multiple petitions, then seek joinder

Additional Considerations — Process

- **Should the patentee oppose institution?**
  - No evidence permitted; tips the patentee’s hand

- **Default or negotiated protective order**
  - Unless information used in the PTAB decision

- **Choice of expert for litigation versus for IPR**
  - Consider future non-infringement position

- **Motions to exclude evidence**
  - All motions require PTAB authorization to file, usually via conference call with all parties

- **Observations upon cross examination**
Additional Considerations — Discovery

- Mandatory initial disclosures
- Documents: art and exhibits cited
- Depositions: cross of affiants (e.g., experts)
- Inconsistent evidence
- Objective evidence of non-obviousness
- Third party discovery by motion only

Additional Considerations — Resolution

- Estoppel
  - Petitioner, real parties in interest, privities
  - Patent owner
  - In the USPTO, district court, ITC
- Intervening rights
- Settlement is possible
  - No estoppel
  - Amendment can be a term of settlement
  - PTAB must accept the terms and approve confidentiality
  - *Interthinx v. Corelogic*: PTAB accepts settlement for petitioner but continues inter partes review anyway
Additional Considerations — Related Proceedings

- Parallel IPRs by different requesters
- Parallel litigation and ITC 337 investigations
  - Effect of claim construction
  - Effect of judgments; Fresenius and Versata
- Post-grant review
- Covered business method patent review
- Continuations still in prosecution
- Foreign oppositions and counterpart applications

IPR Experience since Sept. 16, 2012

- Extremely popular
  - Over 500 petitions so far
  - Busier forum than any court, including the E.D. Texas.
- PTAB usually grants IPR petitions
  - ~ 88% of petitions result in institution of an IPR
  - But half of grounds are denied as weak or cumulative
- Results
  - First covered business method decision August 16, 2013
  - Held invalid (non-patentable subject matter)
First IPR Judgment: *Garmin v. Cuozzo*, No. IPR2012-00001

- Dashboard speed limit alert device with GPS
- Jun. 15, 2012: Cuozzo sues Garmin and others for infringement
- Sep. 16, 2012: Garmin petitions for IPR
  - 20 claims alleged to be unpatentable on 8 different grounds
- Jan. 9, 2013: PTAB institutes IPR
  - Trial limited to 3 claims and 2 grounds of obviousness
  - Partial stay in court: *Markman* postponed until after IPR
- Mar. 11, 2013: Cuozzo moves to amend the 3 claims
- Aug. 16, 2013: Oral hearing
- Nov. 13, 2013: IPR final judgment

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First IPR Judgment: *Garmin v. Cuozzo*, No. IPR2012-00001

- PTAB “affirms” its initial claim construction from Jan. 9, 2013
- Patent owner’s attempt to swear behind the prior art is not proved
- 3 issued claims are held obvious
  - The initial finding of a “reasonable likelihood of prevailing” was correct
- Patent owner’s motion to amend is denied
  - Amendment would enlarge the original claims’ scope
- Motion to exclude evidence is denied as moot
First IPR Judgment: *Garmin v. Cuozzo*, No. IPR2012-00001

- Patent owner can request a rehearing
- Patent owner can appeal to the Federal Circuit
- Patent owner estoppel in the PTO, 37 CFR 42.73(d)
  - Continuation applications, reissues, subsequent IPRs, etc.
- 3 claims are dead
  - District court will presumably grant summary judgments
- 17 claims remain, including 10 asserted in court
  - “Prosecution” history estoppel against Cuozzo?
  - Collateral estoppel against Cuozzo?

First IPR Judgment: *Garmin v. Cuozzo*, No. IPR2012-00001

- Petitioner estoppel is moot unless reversal
  - “Real party in interest or privy;” touchstone is control
  - Would not apply to others sued by Cuozzo
  - Would apply in the PTO, Court, ITC
  - Amendment would trigger intervening rights
- Petitioner not estopped from asserting invalidity of the remaining 17 claims
  - Garmin can assert the 6 grounds not instituted
  - No collateral estoppel apply, but persuasive effect?
Kevin Flannery

Patent Reform

Do We Need Another Round Of Patent Reform?

• America Invents Act was passed in 2011 as the most significant change in patent laws since 1952
  – First to invent & Post-grant *Inter Partes* Review

• AIA passed after more than a decade of stop-starts to “harmonize” US and European laws
  – Attempts to specifically legislate patent litigation (*e.g.*, damages) failed

• Recent groundswell of legislative activity to curb “abusive” patent litigation tactics
Rep. Goodlatte’s Innovation Act

• Heightened Pleading Requirements
• Fee Shifting To Prevailing Party
• Limited Discovery Until Claim Construction
• Bill Has Bipartisan Support With Early Traction, But Opposition Has Been Rising
  – CAFC Chief Judge Rader – “the judiciary has the tools to restore confidence in the patent system”

Heightened Pleading Requirements

• Patentee must include in initial pleading (e.g., Complaint)
  – Asserted claims
  – Identification of “each” accused product
  – Map claims to accused products “with detailed specificity”
  – Details to support indirect infringement allegations
  – Description of “principal business”
  – Standard essential patent?
Fee Shifting To The Prevailing Party

- Court “shall award, to a prevailing party, reasonable fees”
  - Unless position “was substantially justified or that special circumstances make an award unjust”
- Patentee that tries to bail out by offering covenant not to sue “shall be deemed a nonprevailing party”
- Compared with standard for awarding fees against the U.S. under the Equal Access to Justice Act
- Applies only to complaints filed after enactment

Limits On Discovery Until The Completion Of Claim Construction

- Discovery “shall be limited” to information necessary to determine the meaning of the claims
  - If the Court determines that claim construction is necessary
- Safety valve if “resolution within a specified period of time” will “necessarily affect the rights” of the patentee (Hatch-Waxman Act identified)
Will Further Patent Reform Legislation Have Unintended Consequences?

• Do heightened pleading requirements simply accelerate current routine practice?
  – District of Delaware: identification of asserted claims 30 days after scheduling conference and claim charts 60 days later
  – Trial court’s more likely to grant a motion to dismiss?

• Should you have to pay your competitor’s legal fees?
  – Will competitor and university cases be presumptively “substantially justified”?
  – Is the patent context comparable to the determination of whether fees should be awarded against the government under the EAJA?

• If initial discovery is limited to Markman, will cases take even longer to get to trial?
  – Aren’t we trying to relieve docket congestion?