

# Legal FAQ: Introduction to Patent Litigation

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## 1. Who enforces a patent?

The U.S. Patent and Trademark Office grants a patent. Contrary to popular belief, a patent does not give its holder the right to practice the invention, but the right to preclude others from practicing it. A patent holder can enforce this right by filing suit in a federal district court or, where the infringement includes importing a product into the United States that affects a domestic industry, the patent holder can ask that the International Trade Commission institute a proceeding to enforce the patent. A request to the ITC is often accompanied by a district court action because the ITC cannot award damages; its remedy is an exclusion order.

## 2. Where can a district court patent case be filed?

A patent infringement case can be filed in any district in the United States that has personal jurisdiction over the defendant, which may include those states or districts where the defendant's products are sold but where the defendant may not have offices. The likelihood of one party or the other prevailing in the litigation varies depending on the district in which the action is filed. The venue for a district court patent case impacts how quickly the case moves, the likelihood that it will be resolved prior to trial, and the jury composition at trial. Patent holders thus often choose the place of the litigation based on a belief that one forum or another is generally more favorable to patent holders.

Parties accused of infringement may seek transfer of a district court patent case to their "home" district, if they can show that is the logical place to site the trial.

In addition, if a patent holder has threatened a company or its customers with an infringement action, that company may be able to preemptively file suit for "declaratory judgment," namely a judgment from the court declaring the patent invalid, unenforceable, or not infringed. Such a suit can be filed if the controversy between parties is of sufficient

immediacy and reality to warrant the attention of the court.

An action for declaratory judgment may be brought in any district where there is personal jurisdiction over the patent holder. Personal jurisdiction over the patent holder is not found in the district where the declaratory judgment plaintiff resides or has a principal place of business simply because the patent holder has sent a letter there about the patent. Rather, personal jurisdiction only exists where the defendant has established "minimum contacts," which can be established by selling products or conducting business in the forum.

## 3. What are the roles of the judge and the jury in a federal district court action?

If either party makes a timely jury trial request, the patent infringement case is largely tried to a jury, which decides such things as whether the patent is valid and infringed, whether infringement was willful, and what damages to award. A judge will usually decide prior to trial what the patent claims mean (this is often called a *Markman* ruling, after the core case that clarified that claims construction is a matter of law for the court rather than a fact question for the jury) and instruct the jury on their meaning. The judge will also hear any challenge that the patent is indefinite or unenforceable, and consider any equitable defenses such as laches or estoppel. The judge will also determine whether to enhance damages or assess attorneys' fees upon a jury finding of willful infringement, or a finding that the case is otherwise an "exceptional" one. The judge will also determine whether to award preliminary or permanent injunctive relief.

## 4. What is different about an ITC proceeding?

The International Trade Commission hears patent cases involving the import of products into the United States. It is an arm of the Department of Commerce, and its proceedings conform to various international treaties, most notably the General Agreement on

Trade and Tariffs (GATT). Proceedings before the ITC are similar to, but often faster than, proceedings in the federal district courts. They follow rules for administrative proceedings instead of the Federal Rules of Civil Procedure applicable to district court cases, and there is no jury.

Another key difference between a case in district court versus before the ITC is that the ITC has discretion regarding whether to institute a formal investigation based upon a complaint that there has been infringement. A further difference is that once the ITC initiates a formal proceeding, an administrative law judge makes the initial determination about whether the imported goods infringe the patent and recommends a remedy. The initial determination becomes a final determination of the ITC unless it is revised or reversed on administrative or judicial appeal.

Another key distinction is that damages are not recoverable in an action before the ITC. The ITC can issue either a general or limited exclusion order, which is enforced by Customs; a temporary exclusion order; and/or a cease-and-desist order, which can be enforced in federal district court and which can be the basis for civil penalties. ITC complainants often initiate a parallel district court case for damages.

#### **5. Who hears appeals in patent cases?**

Appeals from decisions of the federal district courts are taken to the Court of Appeals for the Federal Circuit, located in Washington, D.C. Appeals from International Trade Commission proceedings are also heard by the Federal Circuit, but only after further interim administrative action.

The United States Supreme Court is the court of final appeal on patent matters. However, it has discretion whether to review patent-related appellate court decisions.

#### **6. What are a defendant's responses to a patent infringement suit?**

A defendant may raise a number of defenses permitted under patent law, including that it does not infringe the patent, that the patent is invalid, or that the Patent and Trademark Office was materially misled during the patent prosecution process. (These

defenses are discussed in more detail in FAQs 10 and 11, below.)

A defendant may also raise other claims, such as antitrust claims and claims of unfair competition, based on the assertion of the patent. Certain antitrust claims require proof that the assertion of the patent was objectively baseless, and may be stayed pending resolution of the underlying patent action.

The Federal Trade Commission ("FTC") may also decide to institute action when a patent holder runs afoul of the antitrust laws, such as with its actions before a standards organization relating to a patented technology or in negotiating patent licenses or settlements.

An increasing number of defendants are taking advantage of newly instituted post-grant proceedings at the Patent and Trademark Office. In particular, accused infringers are challenging the validity of patents asserted against them in *inter partes* reviews, post grant reviews, covered business method reviews, and *ex parte* reexaminations. Each of these proceedings offer a way for a party to ask that the patent office reconsider whether the patent should have been granted. (Post-grant proceedings discussed in more detail in FAQ 7, below.) A district court has discretion to stay the action before it where there is a post-grant proceeding ongoing.

#### **7. What is a post-grant proceeding?**

Recent legislation introduced several new proceedings to challenge the validity of patents at the patent office, including *inter partes* reviews, post grant reviews, and covered business method reviews. Overseen by an appeal board at the patent office, these new procedures, along with traditional *ex parte* reexaminations, provide additional avenues to challenge the validity of a patent. By law, any member of the public can request that the Patent and Trademark Office reexamine an issued patent via *ex parte* reexamination. Similarly, anyone other than the patent owner can initiate an *inter partes* review, covered business method review, or post grant review. Typically, each of these proceedings is initiated and based on prior art that the patent

examiner did not consider during the initial examination that makes the patent claims invalid.

Post grant reviews may be initiated within nine months of issuance of a patent having a claim with a priority date (meaning the earliest filing date for which the patent application can claim the benefit) on or after March 16, 2013. To convince the patent office to institute a post grant review, the petitioner (the person seeking review) must prove that it is more likely than not that at least one claim of the patent is invalid, and may use any available means to prove invalidity.

*Inter partes* review may be initiated immediately following issuance of patents filed before March 16, 2013, or beginning nine months after the patent has issued (*i.e.*, after the period in which a post grant review may be instituted) for patents filed after March 16, 2013. The petitioner's standard of proof in an *inter partes* review, slightly different than the standard for post grant review, requires a reasonable likelihood that the petitioner would prevail on at least one challenged claim. Additionally, invalidity grounds in *inter partes* reviews are limited to patents, published patent applications and printed publications.

Covered business method proceedings are limited to review of patents related to "financial services" and without "technological invention." Covered business method reviews are only available to petitioners who have been charged with infringement of a covered business method patent and may only be instituted if post grant review is unavailable. The petitioner bears the burden of proving that it is more likely than not that at least one claim of the covered business method patent is unpatentable and may, similar to post grant review, use any grounds to prove invalidity.

Each of the post-grant proceedings described above offer effective mechanisms for challenging the validity of a patent. Remember, however, that with each of these post-grant proceedings—post grant review, *inter partes* review, and covered business method review—petitioners are estopped from later challenging the validity of the patent on grounds they raised or reasonably could have raised in the instituted post-grant proceeding. Another option litigants may want to consider, one without an estoppel effect, is *ex parte* reexamination. *Ex parte* reexamination, however, does not permit the party

seeking reexamination to do much more than submit the prior art with an explanation of the reference.

#### **8. How can a company be sued if it does not do exactly what is described in the patent?**

The background section of a patent (the "specification") may describe specific devices or processes in detail. However, the actual boundaries of the patent holder's rights are spelled out in the claims—the numbered paragraphs at the end of the patent. They may be broader than or describe alternatives to what is discussed in detail in the specification. Any disputes about the scope of these claims is decided by the judge or administrative law judge during the case. (See Patent FAQs and FAQ 3, above.)

#### **9. What does the patent holder have to prove to win an infringement suit?**

The patent holder must prove by a preponderance of the evidence—that it is more likely than not—that the defendant either directly infringed a claim of the patent, contributed to another's infringement, or induced another to infringe. In a district court case, the patent holder must also prove the amount of damages that should be assessed for the infringement.

To prove direct infringement, the patent holder must prove that the defendant made, used, sold, offered for sale or imported the claimed invention. Direct infringement may occur literally, meaning that a claim of the patent, when compared to the accused device or process, is an exact match. Alternatively, under a theory known as the doctrine of equivalents, infringement may be found where an element of the accused device, while not literally identical to what is described in a claim of the patent, is interchangeable with what is claimed. An accused product or process infringes under the doctrine of equivalents if the equivalent element does the same work in substantially the same way to accomplish substantially the same result as the patented product or process. This doctrine prevents would-be infringers from avoiding liability by making only trivial changes to their product.

Contributory infringement arises where a defendant supplies only a portion of the infringing product or process. To establish liability for contributory infringement, the patent holder must prove that

the defendant sold, offered for sale, imported or exported a component that is a material part of a patented invention, and that the defendant knew that the component was especially made or adapted for use in the infringing product. An exception is made for sale of “staple” products—those that have a substantial noninfringing use or uses.

To prove inducement, the patent holder must prove that the defendant actively induced another to directly infringe the patent holder’s patent. This requires that the defendant knew of the patent.

**10. What are the statutory defenses to a claim of patent infringement?**

A defendant can argue one or more of the following defenses: that the patent has not been infringed, that the patent is invalid, or that the patent is unenforceable. (See FAQ 9, above). Because patents are presumed to be valid, a defendant in district court must establish the invalidity or unenforceability of a patent by “clear and convincing evidence,” *i.e.*, as many districts view this, that it is “highly probable” that the patent is invalid or unenforceable. This is a more rigorous standard than the “preponderance of the evidence” standard that applies to infringement and most civil claims and defenses, but not as rigorous as the criminal law standard of “beyond a reasonable doubt.”

There are a number of statutory bases for invalidity of U.S. patents. The most common are the following:

- (a) Anticipation: The same invention was first made by another or was known or used by others or publicized before the invention date. For a claim of a patent to be anticipated, each limitation of the claim must be found in a single prior art reference.
- (b) Obviousness: The invention was obvious to one of “ordinary skill in the art” given the state of the art at the time that the patent application was filed, as shown by one or more prior art references.
- (c) Statutory Bars: An “on sale” or “public use” bar occurs if, more than a year before the patent application was filed, the inventor, or someone other than the inventor, offered for sale or publicly used the invention. Prior art that establishes an

“on sale” or “public use” bar can also be used to establish obviousness.

(d) Enablement: The patent does not describe the invention well enough to enable a person of ordinary skill in the art to make and use the patent.

(e) Indefiniteness: The terms of the claim are not sufficiently definite.

**11. What are the equitable defenses to a claim of patent infringement?**

Three equitable defenses are among those most commonly asserted. First, a patent is unenforceable if the patent applicant or their counsel intentionally failed to disclose material information to the Patent and Trademark Office during prosecution of the patent.

Second, a patent may also be unenforceable if there is an equitable estoppel. Equitable estoppel applies where a patent holder has misled the alleged infringer into reasonably believing that the patentee no longer intends to enforce the patent against the alleged infringer, who then relies on that misleading conduct to his or her detriment.

Third, laches, which requires a showing that a patent holder unreasonably delayed in bringing a lawsuit, to the material prejudice of the alleged infringer, will bar past damages. Patent holders should recognize, however, that a recent Supreme Court decision eliminating laches as an absolute defense for copyright claims also casts doubt on the rule that laches can bar damages incurred before a patent suit is filed.

**12. It looks like the patent is about something that has been known in the industry for a long time; why was it issued?**

The United States Patent Office has access to information about other patents and about publications. The patent examiners have limited time to examine any application, and locate the most relevant prior art. In addition, the patent examiners generally do not have information about products in the marketplace. The patent’s validity may be

challenged in litigation (see FAQ 10, above), or in a post-grant proceeding.

### **13. What damages are available for patent infringement?**

Where a valid and enforceable patent has been infringed, the patent holder is entitled to recover at least a reasonable royalty. Where the patent holder can prove that it lost profits, it can recover profits on the sales that it would have made, and a reasonable royalty for the remainder of the infringer's sales. It may also be able to recover up to treble damages and attorneys' fees for willful infringement.

### **14. Can U.S. patents reach overseas?**

In some instances, yes. As a general rule, a patent is specific to the country where the patent is granted. A patent granted in the United States only prevents parties from selling, making or using the patented technology in the United States, or importing or exporting it or a substantial component of it into or out of the United States. Actions that take place entirely in a different country are typically not covered. However, there are some exceptions to this, such as if the alleged infringement involves a system, aspects of which take place in multiple countries but a significant part of the control and benefit of that activity takes place in the United States; or if the overseas activities induce infringement by another in the United States. (See FAQ 9 re inducement.)

### **15. What is a reasonable royalty?**

A reasonable royalty is a calculation of how much the patent holder would have received from the defendant in a hypothetical license negotiation taking place at the time the infringement began. In making this determination, the court will assume that the parties would have entered into the hypothetical negotiations as a willing buyer and a willing seller, and that the patent is assumed to be valid, enforceable and infringed. The amount of the reasonable royalty is determined by analyzing a number of different factors, including whether there are other licenses by the patent holder, or other comparable licenses, which would tend to prove an established royalty; the established licensing policies of the patent holder; the nature and scope of the license; the commercial relationship between the licensor and licensee; the profitability of the product using the license; and the portion of the profits of

the product that is due to infringing the patent versus profits from non-infringing elements of the product.

### **16. What are lost profits?**

Lost profits are the profits the patent holder would have made but for the defendant's infringement of the patent. To recover lost profits, a patent holder must show its profit margin; market demand for the patented feature; the absence of non-infringing substitutes for the invention; and that it had capacity to meet the needs of the defendant's customers. In a multi-player market, the patent holder can instead recover its lost profits as determined by applying its share of the market to the sales of the defendant.

Additionally, depending on the sensitivity of the market to price competition, a patent holder may be able to recover an additional amount for any price erosion that occurred as a result of the infringer pushing prices down where the patent holder made the sale.

### **17. How does patent notice or marking affect damages?**

If the patent holder sells, or licenses another to sell a physical embodiment of the invention, no damages start running until the patent holder has given notice of its patent. One way to do so is to give constructive notice by marking the patent number on the physical device or thing. Another is to send actual notice to the alleged infringer, either by letter or by filing a complaint. The earlier of actual notice or marking of substantially all of the devices at issue will start damages accruing for infringement.

There is no notice or marking requirement for patent holders whose patents are not practiced, or for patents covering purely methods.

### **18. How can the patent holder get treble damages?**

The court may order the infringer to pay up to three times the actual money damages (for lost profits or reasonable royalties) if the patent holder can show that the defendant's infringement was "willful." To determine whether the infringement was willful, the jury is allowed to consider a number of factors, including whether the defendant knew of the patent and either copied it or tried to design around it, whether the defendant has substantial defenses to

the lawsuit, and whether it engaged in any litigation misconduct.

Businesses accused of patent infringement will often seek advice from an independent patent attorney as to whether the accused products infringe the patent and whether the patent is invalid or unenforceable. The patent counsel's opinion can be introduced into evidence and may aid the accused infringer in arguing that it was not willful because it had a good faith belief that its product did not infringe the patent or that the patent was invalid or unenforceable. Using counsel's opinion in this way usually results in a waiver of the attorney-client privilege that might otherwise exist between the accused infringer and their patent counsel rendering the opinion.

#### **19. Can injunctions be granted in patent cases?**

Yes. A patent holder who prevails at trial can ask the court to enter a permanent injunction to prevent the defendant from continuing to infringe the patent. Injunctions are usually only available where the patent holder competes with the defendant; patent holders who do not practice their patents have a difficult time meeting the standard for issuance of a permanent injunction.

In some cases, a patent owner may obtain a preliminary injunction prohibiting infringing activity by the accused infringer during the time the law suit is pending prior to trial. Recent decisions have found that in order to be granted a preliminary injunction, the plaintiff must, in addition to showing "irreparable harm" by the infringement, make a "clear showing" or one that is "beyond question" that it is likely to succeed at trial in proving infringement and survive any validity challenges. In deciding whether to issue a preliminary injunction, the court will then weigh the evidence of irreparable harm, the balance of the hardships to the parties if the injunction is granted or denied, and the public interest.

#### **20. Can either party be awarded attorneys' fees?**

Generally each party bears its own attorneys' fees. Attorneys' fees, however, may be assessed in favor of the prevailing party in extraordinary cases. Recently, the Supreme Court relaxed the standard for determining a case as extraordinary. While it is uncertain how lower courts will apply the Supreme Court's relaxed standard, it is now clear that an extraordinary case is one that "stands out" from

others. Specifically, district courts are now advised to analyze the substantive strength of each party's litigating position and the manner in which the case is litigated to determine whether that manner was unreasonable. Importantly, district courts may use their own discretion in determining whether a case is extraordinary, without a precise formula or rule.

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