



Intellectual Property Litigation in the US—District Courts and the International Trade Commission

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**Increased Risk of
Intellectual
Property Litigation
in the US**

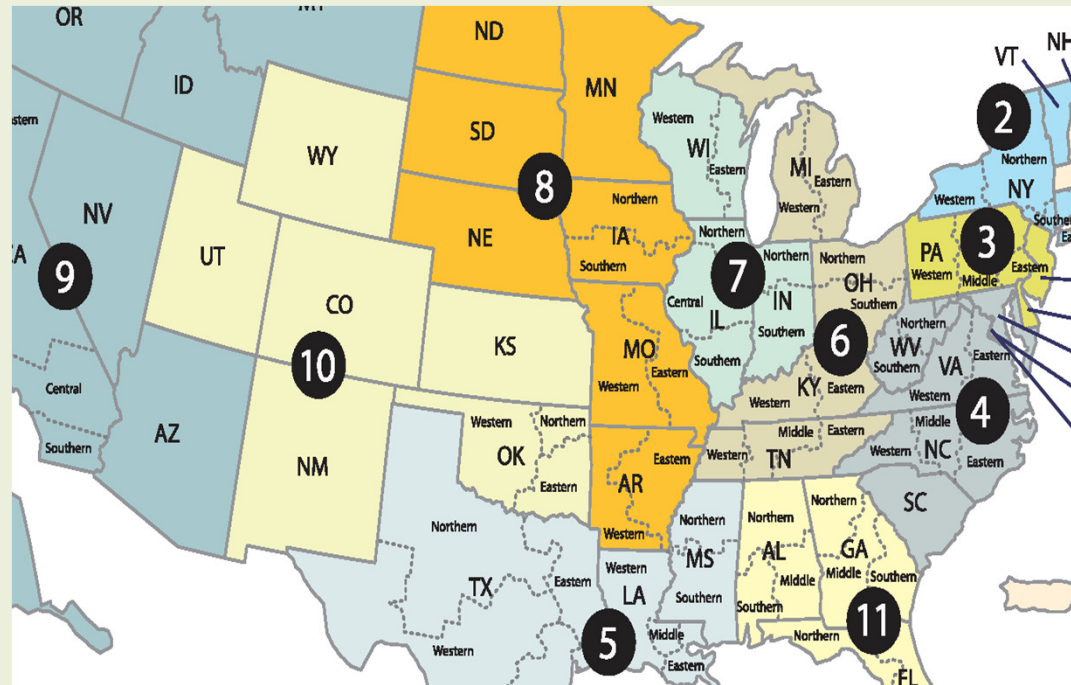


The Risks of IP Litigation Have Increased

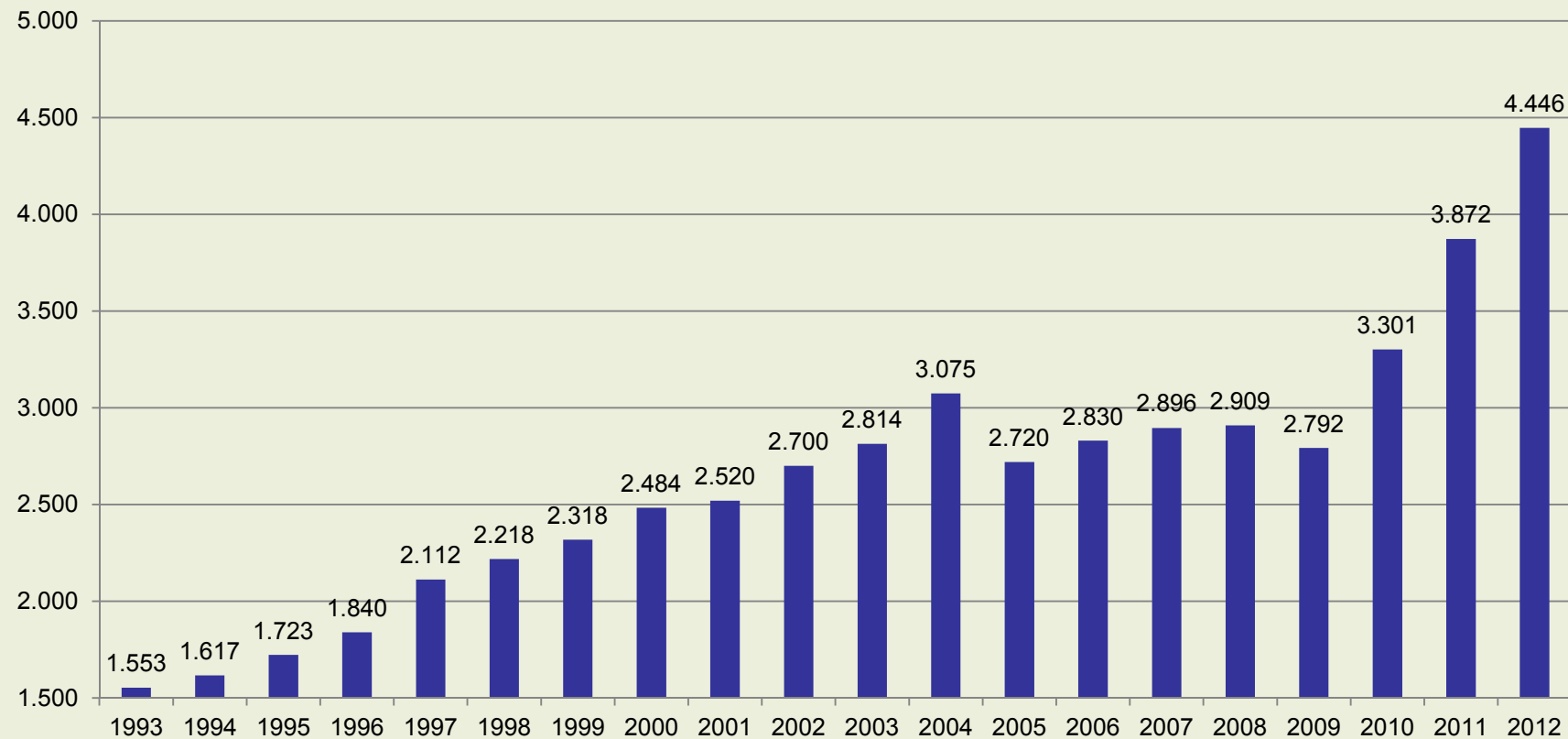
- The number of patents has increased.
- The number of patent lawsuits has increased.
- Juries continue to award large damages.
- Trademarks have increased; litigation is steady.

United States District Courts

- Federal System
- Article III Courts



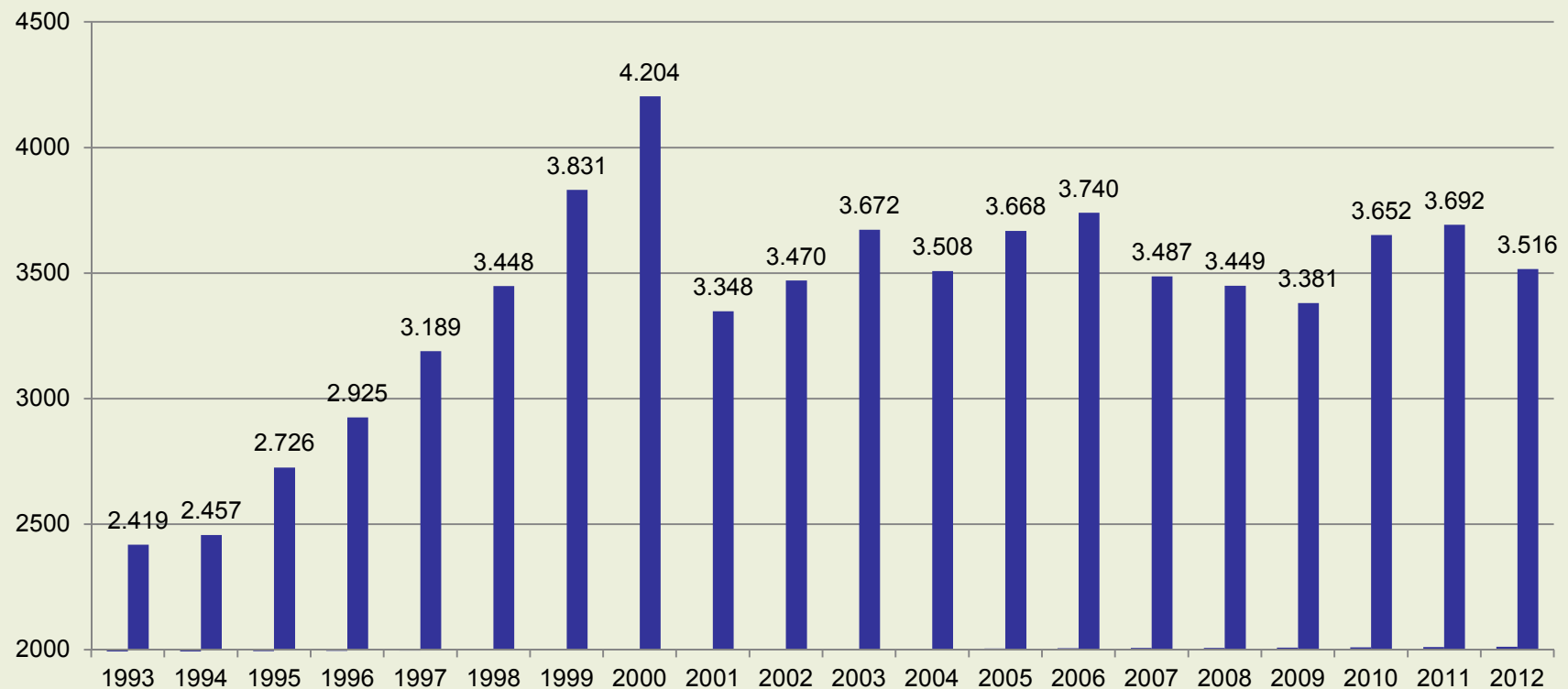
Patent Cases Filed in U.S. District Courts 1993-2012



Source: Administrative Office of the United States Courts



Trademark Cases Filed in U.S. District Courts 1993-2012



Source: Administrative Office of the United States Courts



Managing the Risks of IP Litigation

- Prepare to win a jury trial.
 - The stakes are huge.
- Prepare to win before the trial.
 - Percentage of cases never reaching trial:
 - Patent: 96.1%
 - Trademark: 98.3%
 - Prepare for the best pre-trial outcome.
- Prepare for District Court and the International Trade Commission
 - German companies that import goods to the United States should consider both the **District Court** and the **International Trade Commission (ITC)** for potential litigation

Significant Patent Settlements in 2011-2012

PARTIES	Settlement	Court
1 Nvidia v. Intel (2011)	\$1,500,000,000	Del. Ch.
2 TiVo v. Dish Network and EchoStar (2011)	\$500,000,000	E.D. Tex.
3 Advanced Micro Devices v. Samsung Electronics (2011)	\$283,000,000	N.D. Cal.
4 Activevideo v. Verizon (2012)	\$260,000,000	E.D.Va.
5 TiVo v. Verizon (2012)	\$250,000,000	E.D.Tex.
6 TiVo v. AT&T (2012)	\$215,000,000	E.D. Tex.
7 Boston Scientific v. Medinol (2011)	\$104,000,000	S.D.N.Y.
8 MedImmune v. PDL BioPharma (2011)	\$92,500,000	S.D. Cal.
9 Elan Pharma International v. Celgene (2011)	\$78,000,000	D. Del.
10 Broadcom v. SiRF Technology	\$67,500,000	C.D. Cal.

Source: Law 360, FTI Consulting, LexisNexis

Juries Affect Patent Litigation: Cases from 2006-2011

	<u>Jury Trial</u>	<u>Bench Trial</u>
Percent of Cases Where Patentees Prevail	76 %	59.3%
Median Damages Awards	\$8,700,000	\$400,000

The average damages award for jury trials is more than 20 times higher than the average award for bench trials.

Pre-trial Strategies for Plaintiffs

- Maximize pressure on defendants.
 - Sue in plaintiff friendly district.
 - Sue in a Patent Pilot Program District (e.g., N.D. Illinois).
 - Sue in the ITC, where it is easier to obtain an injunction.
 - Push for less discovery and quick trial date.
 - Seek preliminary remedies if practical.
- Don't overlook the early, reasonable settlement.
 - Expensive strategy to advance towards trial & lose on claim construction.
 - Time usually helps the defendant.

Pre-trial Strategies for Defendants

- Explore early settlement options.
- Consider an aggressive motion practice.
 - Jurisdiction or venue challenges.
 - Push for an early claim construction.
 - Summary judgment – timing is important.
 - Bifurcation – damages, willfulness, equitable defenses.
- Counterclaims – keep the patentee honest and provide a downside.
- Consider PTO procedures – fight on four fronts.
 - Post-grant review, Inter partes review, Transitional program for covered business method patents, or Ex parte reexamination
- TM opposition or cancellation proceedings.
- Defenses tend to get better over time.



Prioritizing Winning Strategies in a Patent Case

- **Winning the claim construction issues.**
 - Master the patent, prosecution history, prior art and technical experts.
- **Winning the summary judgment motions.**
 - The defendant's best chance to avoid trial.
 - The patentee's biggest obstacle to getting a trial.
- **Winning collateral attacks.**
 - Identifying strong counterclaims.
 - Reexamination and other PTO procedures.
- **Winning the trial.**
- **Winning the appeal.**



The United States International Trade Commission (ITC)

- Administers U.S. international trade laws
- An independent federal agency
- Handles Section 337 investigations





Essential Elements of an ITC 337 Case

- Infringement of a U.S. intellectual property right
- Caused by an import
 - Imminent or actual imports
 - U.S. made and re-imported products
- The existence of a U.S. domestic industry
 - Technical and Economic Prongs
 - These can be established through a variety of activities in the U.S., including licensing activities
- Injury or threat of injury to domestic industry
 - Assumed for registered patents, trademarks, copyrights or mask works



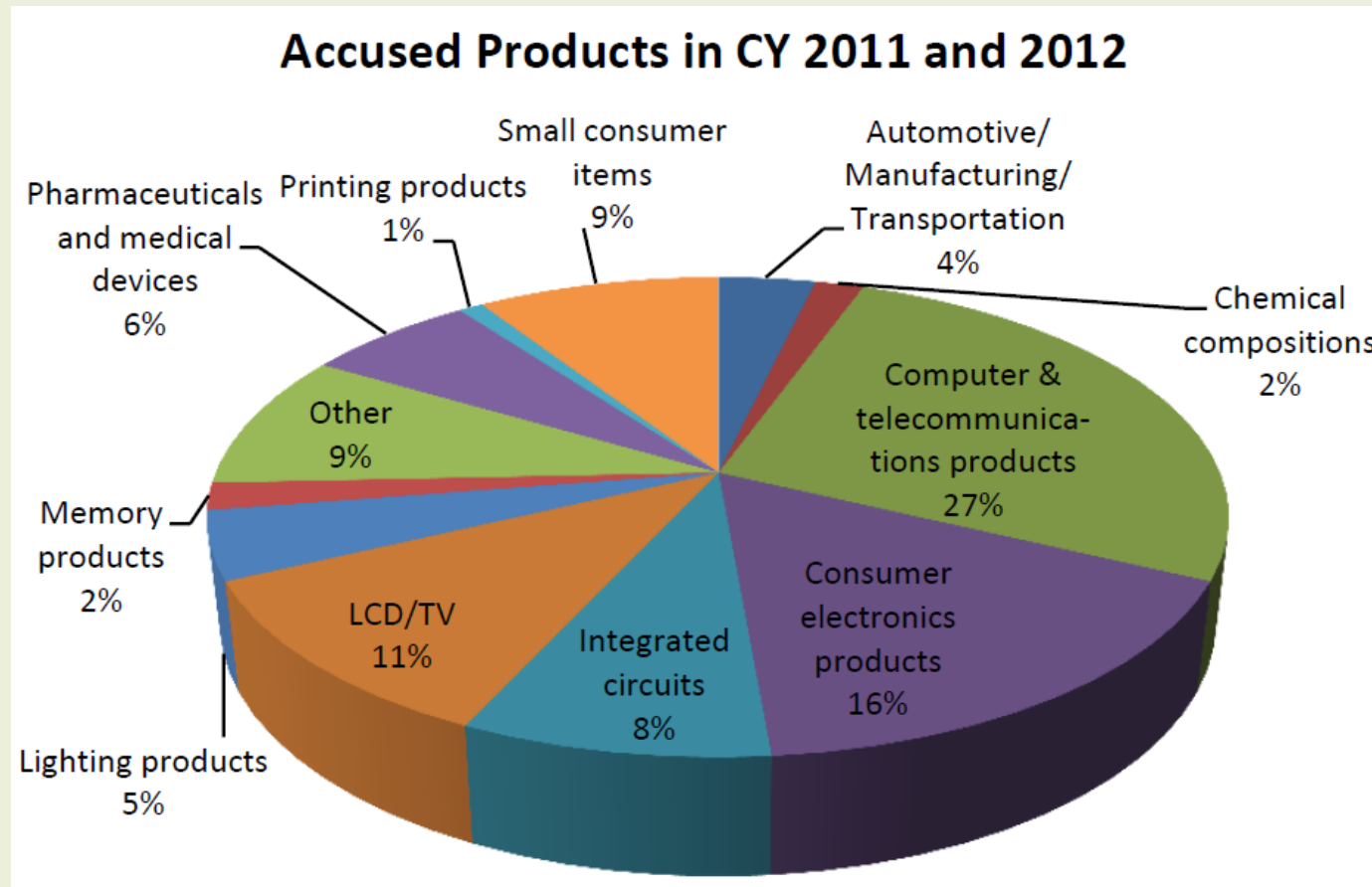
Recent Trends In ITC Cases

Cases at the ITC are Increasing in Number

Section 337 Investigations (2000-2012)

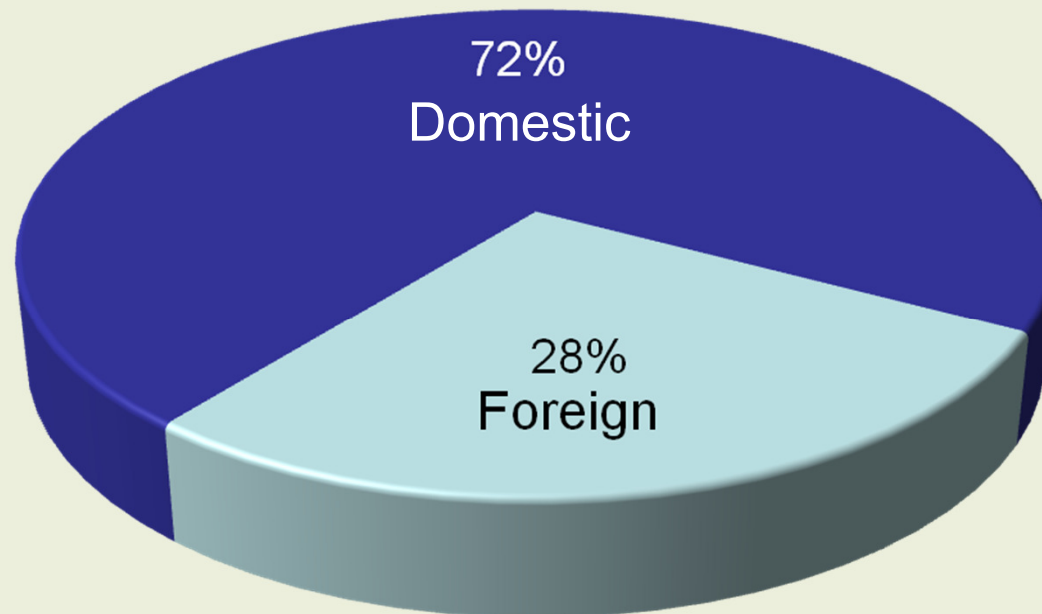


Industries Important to German Companies Are The Subject of 337 Investigations

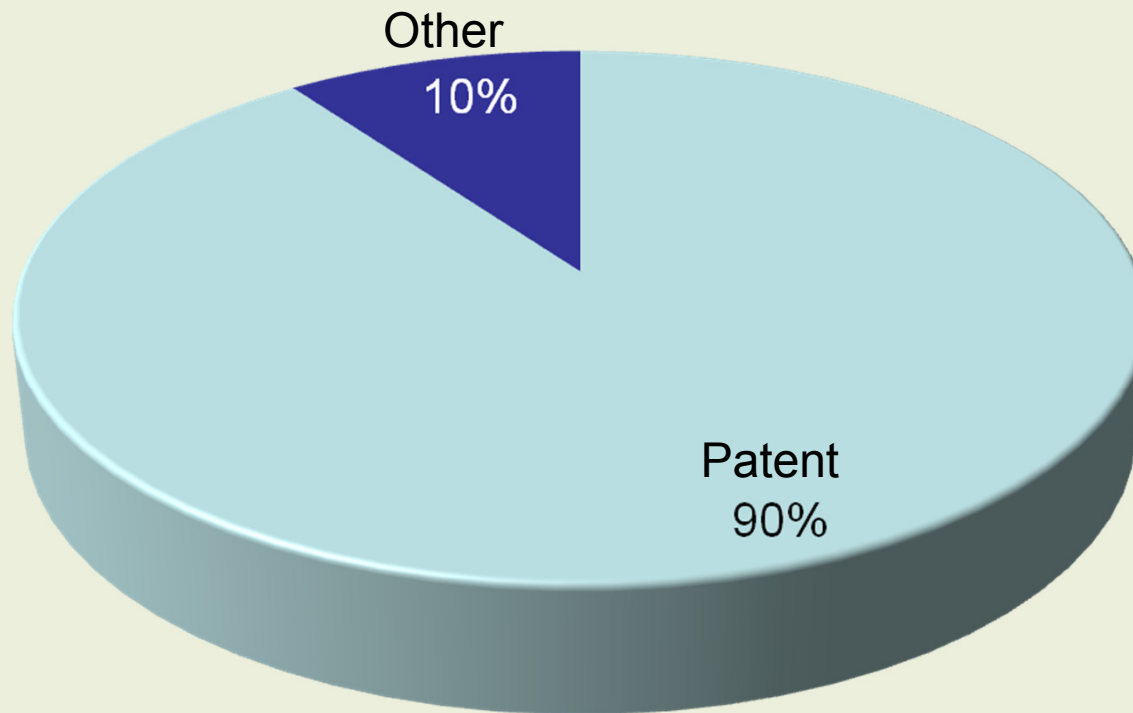


http://www.usitc.gov/press_room/documents/featured_news/337facts.pdf

Foreign Companies Often File Requests for 337 Investigations



Patent Infringement Cases Dominate



Other Types of Section 337 Cases

- Trademark Infringement
 - *Note: Customs has separate authority to halt infringing imports of registered trademarks and copyrights*
- Copyright Infringement
- Trade Secret Misappropriation
- False Advertising
- Trade Dress Infringement
- False Designation of Origin



German Companies are Frequently Involved in Section 337 Investigations at the ITC

Exemplary German companies and German affiliates at the ITC since 2010:

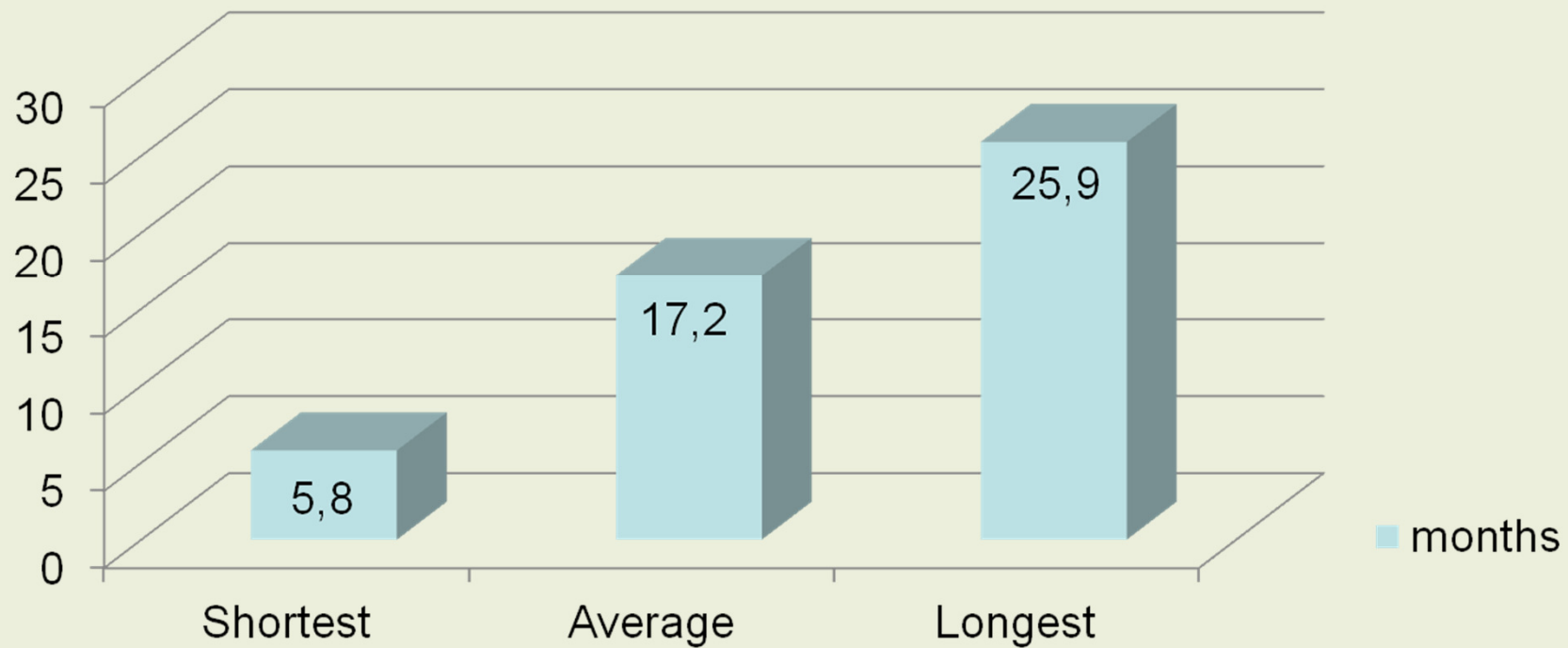
- Siemens AG
- Robert Bosch GmbH
- OSRAM GmbH
- Volkswagen AG
- Audi AG
- Bayerische Motoren Werke AG
- Daimler AG
- Pajunk Medizintechnik GmbH
- FCI Deutschland GmbH
- Dr. Fritz Faulhaber GmbH & Co. KG
- AKG Acoustics GmbH
- MT.Derm GmbH
- Beacon Navigation GmbH
- Porsche AG
- Automotive Lighting Reutlingen GmbH



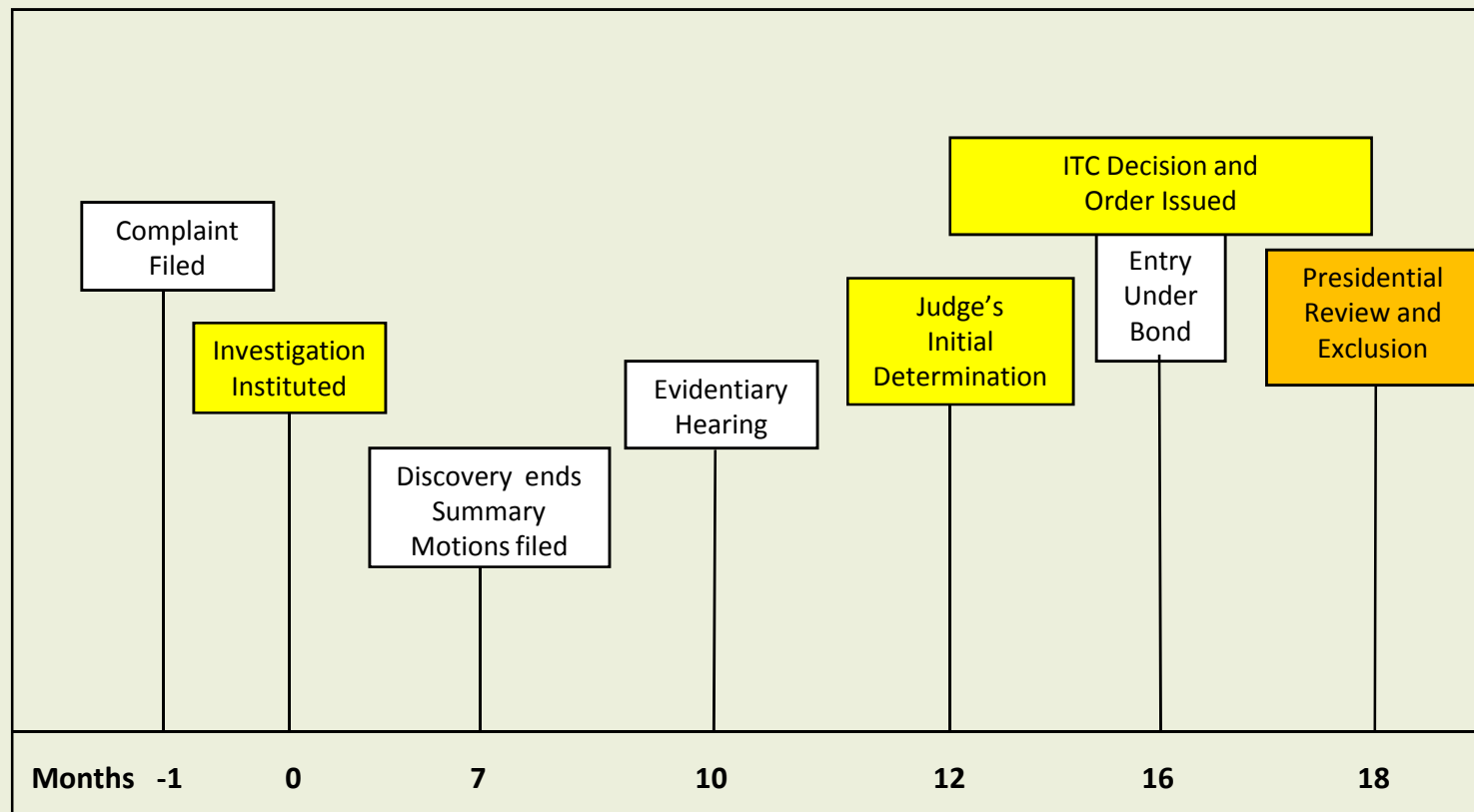
Why Should German Companies with US Intellectual Property Consider Initiating An Action At The ITC?

Reason 1: Speed – ITC Proceedings are Fast

Average Length of Investigations (2007 to 2011)



Sample Timeline for § 337 Investigations (16 Month Case)



Timing Compared To District Court

- Timing of trials **in the fastest** U.S. district courts (rocket dockets):
 - E.D. Virginia 11.2 months
 - W.D. Wisconsin 13.1 months
 - E.D. Texas 25.6 months
 - N.D. Illinois 32.3 months
 - D. Delaware 35.2 months
 - N.D. California 34.9 months

Why Should German Companies Consider Filing a Complaint at the ITC?

Reason 2: Powerful Remedies at the ITC

- **Exclusion Orders prohibiting entry into U.S. market:**
 - ▶ Enforced by U.S. Customs & Border Protection
- **Cease and Desist Orders prohibiting all sales-related activity in U.S.**
 - ▶ Enforced by the ITC



Limited Exclusion Order

- Prohibits entry into the United States of articles from named respondents and affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns
- Extends to all products covered by the claims



General Exclusion Order

- Excludes entry into the U.S. of articles at issue, **without regard to source**
 - To prevent circumvention, or
 - Where there is a pattern of violation of 337 and it is difficult to identify the source of infringing products

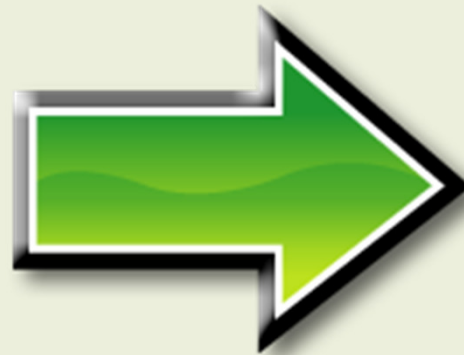
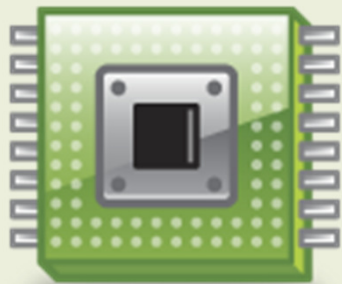
Cease and Desist Order

- **Prohibits** the importation, selling for importation, distributing, offering for sale, selling, advertising or otherwise **transferring within the United States an infringing product** -- generally affects a respondent's inventory
- **Daily penalty** for violations: maximum of \$100,000 or twice the value of the goods involved, **whichever is greater**

Downstream Products

The ITC can reach downstream products of named respondents.

Kyocera Wireless Corp. v. Int'l Trade Comm'n, 545 F.3d 1340 (Fed. Cir. 2008)



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Remedies at the ITC in Comparison with District Court

- Injunctions not automatic in District Court
- Jurisdiction over foreign-based importer may be difficult
- Remedy limited to the parties in the litigation (no equivalent to a general exclusion order)

Why Should German Companies Consider the ITC?

Reason 3: Attack multiple infringers in a single suit

- ▶ Reduces costs significantly
- ▶ Permits attack against all co-conspirators or contributors (e.g., manufacturer, exporter, importer and distributor)
- ▶ Utilizes advantage of ITC – no need for personal jurisdiction over infringers like in the courts
- ▶ May place one respondent infringer in a position against another
- ▶ Sends a much more powerful message to would-be infringers -- and customers who might be contemplating purchasing from your competitor

Why Should German Companies Consider Filing a Complaint at the ITC?

Reason 4: Significant public relations, marketing and investor relations tool

- ▶ Known as a company with valuable IP
- ▶ Known as a company willing to fight for its valuable IP
- ▶ Possibly enhance investor relations and stock value

Why Should German Companies Consider Filing a Complaint at the ITC?

Reason 5: The Element of Surprise

- ▶ Prepare your case prior to filing – a large advantage over a respondent that will be trying to catch up throughout the entire proceeding
- ▶ Line up and obtain the best experts before filing the complaint
- ▶ Helps reduce costs – especially as compared to respondent
- ▶ Allows you to propose much more expedited schedule as compared to respondent

Why Should German Companies Consider Filing a Complaint at the ITC?

Reason 6: Level the playing field in negotiations of litigation settlement or cross-licensing agreements

- ▶ Recently, settlement posture and licensing opportunities are the reasons for suing at the ITC
- ▶ It has become commonplace for counter-suits and retaliatory suits to occur based on competing IP
- ▶ Suing at the ITC skews negotiations back in your favor
- ▶ Might be possible to stay case in an unfavorable District Court in preference of the ITC proceeding or beat the District Court to a determination



Should German Companies Fear Being Named as a Respondent in the ITC?

ITC Is Fair and Impartial Forum

- ALJs are experienced in IP matters
 - ALJ and/or clerks often have technical background
 - Handle complex technology cases every day
 - Understand invalidity and non-infringement positions
 - Will ask questions of the lawyers and witnesses
 - Must provide parties with due process
- Office of Unfair Imports participates
 - Protects public interest
 - Competition benefits public
- No juries
 - Removes concern about bias in favor of patentee
 - Removes concern about bias in favor of domestic company
- Commissioners can review ALJ's decision

Options Available to Respondent in Germany If Adverse Decision: Timing Helps Respondent

- Month 12: ALJ issues ID
- Month 14: Commission decides whether to review ALJ decision
- Month 16: Commission enters final determination and remedy
- Take action before remedy entered:
 - Introduce redesign
 - Negotiate license
 - Sell off inventory
- Appeal to Federal Circuit
- Seek advisory opinion on redesign/Customs opinion



Major Expense Points In Litigation

- Discovery
- Motion Practice
- Experts/Consultants
- Evidentiary Hearing

Initial Strategies For Managing Costs

- Appoint a company employee as the contact person for the litigation
 - Ability to take action
 - Ability to direct others to act
 - Ability to make decisions

- If Responding to a Complaint,
 - Act quickly to avoid default
 - Don't just walk away
 - Assess U.S. Market - short and long term value of the product
 - Assess infringement claim - ability to redesign



Managing Costs As The Case Progresses

- Explore opportunity for early settlement
- Identify opportunities/risks of participating in joint defense group
 - cost sharing with other respondents
- Cooperate in discovery
 - very different in ITC
 - delays cost money
 - disputes cost money

Managing Costs As The Case Progresses

- Focus on “best” arguments
 - Only need one non-infringement position to win
 - Remain flexible as case progresses
- Avoid unnecessary motions
 - Stipulate to non-essential facts
- Get experts involved early
 - Waiting to the last minute does not save money!
 - Is it possible to share cost of expert with others?
- Evaluate redesign options as case proceeds
- Look for settlement opportunities



Questions?

For more information,
please contact:

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