

# Patent Litigation

## Jurisdictional comparisons

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# United States

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## **1. SOURCES OF LAW**

### **1.1 What are the principal sources of law and regulation relating to patents and patent litigation?**

In the US, there are two types of statutory law – federal laws enacted by the US Congress and state laws enacted by individual states. The principal source of law governing patents is federal law. The US patent laws have their basis in the US Constitution, which provides that ‘Congress shall have the power ... to promote the progress of ... useful arts, by securing for limited times to ... inventors the exclusive right to their ... discoveries,’ and are embodied in Title 35 of the United States Code. Because the Patent Clause of the US Constitution preempts state regulation of patents, state law has little or no role in patent litigation, except, for example, where the issue is one of contract or ownership. Furthermore, federal courts have exclusive jurisdiction over patent infringement cases.

Because the US legal system is a common law system which relies on judicial precedent, court decisions are a vital part of patent law and litigation. They interpret the constitution and statutes, and in some cases, create law in and of themselves. For example, the ‘doctrine of equivalents’ was first adopted by the US Supreme Court and has no independent basis.

### **1.2 What is the order of priority of the relevant sources?**

The US Constitution is the primary source of law, followed by federal statutes and then case law. Within the patent case law the order of precedence is roughly as follows: US Supreme Court, Court of Appeals for the Federal Circuit (which since 1982 has exclusive jurisdiction over patent appeals), federal district courts within the regional circuit in which the case is brought, federal district courts outside the regional circuit in which the case is brought, and administrative agencies, such as the US Patent and Trademark Office (‘US PTO’).

## **2. COURT SYSTEM**

### **2.1 In which courts are patents enforced? Are they specialised patents courts? If not what level of expertise can a patent holder expect from the courts?**

The federal courts have exclusive jurisdiction over cases arising under the patent laws. A patent infringement suit may be filed in any federal district court having personal jurisdiction over the defendant. If the infringing goods are being imported into the US, then the suit may also be filed with the US International Trade Commission (‘US ITC’). Appeals of patent cases are heard by the US Court of Appeals for the Federal Circuit (‘The Federal Circuit’). The US Supreme Court hears appeals from the Federal Circuit on a discretionary basis. There are no specialised patent courts in the US. The level of expertise in patent matters varies widely from judge to judge.

### **2.2 To what extent are courts willing to consider, or are bound by, the opinions of other national or foreign courts that have handed down decisions in similar cases?**

US federal district courts are bound by the decisions of the Federal Circuit and the US Supreme Court, but are not bound by the decisions of other federal district courts or by the

judgments of foreign courts. District courts may consider the reasoning or the decision of another district court or foreign court on a similar issue.

**2.3 Do the courts deal with infringement and invalidity simultaneously? Or must invalidity actions be brought in separate proceedings? If so, before which court or government agency (eg, the Patent Office)?**

Infringement and invalidity are dealt with in the same proceedings.

**2.4 Who can represent parties?**

Any competent attorney may represent a party in patent litigation, provided the attorney is admitted to practice before the court in which the suit is brought. If necessary, an attorney may engage an attorney admitted in the relevant jurisdiction, and request *pro hac vice* admission (temporary admission for the purposes of the law suit).

**2.5 What is the language of the proceedings? Is there a choice of language?**

Proceedings are in English. Witnesses who do not speak English may testify through a certified interpreter. Foreign language documents or witness statements should be accompanied by a certified translation.

**2.6 To what extent are courts willing to grant cross-border or extra-territorial injunctions?**

US courts may recognise cross-border injunctions, assuming foreign laws or judgments do not conflict with US public policy.

**2.7 To what extent do courts recognise the blocking effect of ‘torpedo’ actions abroad?**

US courts do not typically stay law suits pending the outcome of foreign proceedings.

**3. SUBSTANTIVE LAW**

**3.1 How is patent infringement assessed? To what extent does the doctrine of equivalents apply in infringement action?**

Patent infringement is assessed by comparing the allegedly infringing product or process to the asserted patent claims as properly construed. Infringement is found when the accused product or process includes every element of an asserted claim. If each element is literally found, literal infringement is established. If a claim element is literally absent, the accused product or process may infringe under the ‘doctrine of equivalents’ if insubstantial differences exist between the missing patent claim element and the corresponding element of the accused product or process. The doctrine of equivalents is an equitable doctrine developed by the courts to prevent the inherent unfairness of avoiding infringement liability by making only minor or insubstantial changes. The doctrine has limits. For example, ‘prosecution history estoppel’ prohibits a patentee from recapturing through the doctrine of equivalents subject matter that was surrendered in order to obtain the patent. In addition, the doctrine of equivalents may not be used to expand the scope of a claim to cover what was already in the public domain.

**3.2 What defences are available to an alleged infringer?**

In a patent litigation, the accused infringer may rely on defences of non-infringement, invalidity and/or unenforceability. It may also assert antitrust-related defences based on a number of grounds discussed below.

### **3.3 To what extent can enforcement of a patent expose the patent holder to liability for an antitrust violation?**

An issued US patent provides its owner with the right to exclude others from making, using, selling, offering to sell or importing the patented invention without permission. A patent owner who exerts this right to exclude improperly and anti-competitively may be exposed to liability for antitrust violations. Examples of conduct that may give rise to such liability include knowingly filing an infringement law suit based on a patent obtained through material fraud on the US PTO, or knowingly filing a law suit that is 'objectively baseless' and with the intent to impose anti-competitive injury on the defendant, or improper attempts to license the patent. However, a finding of antitrust liability in any of these circumstances requires proof that the patentee had market power and the intent to monopolize.

### **3.4 On what grounds can a patent be invalidated?**

By statute, issued patents are presumed valid. However, patents may be invalidated on a variety of grounds, which include:

- the subject matter is not patentable;
- the subject matter lacks utility;
- the invention is not new (anticipated by the prior art);
- the claimed invention was in public use or on sale in the US more than one year prior to the date of the application for the patent;
- the inventor abandoned the claimed invention;
- the claimed invention was first patented or was the subject of an inventor's certificate, by the inventor (or the inventor's legal representative or assigns) in a foreign country prior to the date of the application for patent in the US on an application or inventor's certificate filed more than 12 months before the filing of the patent application in the US;
- the inventor did not invent the subject matter of the claim;
- prior to the inventor's date of invention, the invention was made in the US by someone else who had not abandoned, suppressed or concealed it;
- the invention would have been obvious to one of ordinary skill in the art in view of the prior art;
- the patent specification does not adequately describe the claimed invention so as to enable a person of ordinary skill in the art to make and use it; and
- the patent specification fails to describe the inventor's best mode of carrying out the claimed invention (what the inventor thought at the time of filing was the best way he or she knew of making or using the invention).

### **3.5 Can a court only partially invalidate a patent? Can it transform the patent into a utility model?**

Invalidity is determined on a claim-by-claim basis, ie the challenger has the burden of proving the invalidity of each patent claim separately by clear and convincing evidence. It is often the case that the patentee only asserts certain claims of a patent against an accused infringer and the accused infringer, therefore, only challenges the invalidity of the claims asserted against it. Thus, it is possible that some but not all claims of a patent may be invalidated.

The US patent laws provide for only two types of patents: utility patents and design patents. The court cannot transform a utility patent into a design patent or vice versa.

### **3.6 Is it possible to amend the patent claims during a law suit?**

A court cannot amend patent claims during a law suit. A patent may be amended after it has issued through US PTO proceedings, such as reissue or reexamination. A reissue application may be filed by a patentee to correct an error made without deceptive intent where, as a result of the error, the patent is deemed wholly or partly inoperative or invalid. Common

bases for a reissue request are that the claims are too narrow or too broad. Reissue requests seeking to enlarge the scope of the claims must be made within two years of issuance of the patent. Reexamination requests may be filed by the patentee or any member of the public, but are limited to examination of substantial new questions of patentability based on prior art patents or printed publications. Reissue and reexamination proceedings may occur parallel to a litigation on the same patent. A court may stay a law suit pending resolution of reissue or reexamination proceedings.

### **3.7 Are there any grounds on which an otherwise valid patent can be deemed unenforceable, owing to misconduct by the patent holder, or for some other reason (eg expiry of time limit)?**

A patent may be deemed unenforceable on a number of grounds, including fraud in the procurement of the patent (inequitable conduct), patent misuse, and unreasonable and/or inexcusable delay in the filing of a law suit against the infringer (laches and equitable estoppel).

Inequitable conduct involves a breach of the duty of candour and good faith imposed by US patent laws on all persons substantively involved in the prosecution of a patent application (eg the applicant, its attorneys and assigns), coupled with an intent to deceive. A breach can occur from a failure to disclose to the US PTO known material prior art, affirmative misrepresentations and/or submission of false material information. A finding that even one claim of a patent was procured inequitably will render the entire patent unenforceable.

Antitrust violations or certain anti-competitive conduct falling short of an antitrust violation may qualify as patent 'misuse.' Examples include tying arrangements which 'tie' the licensing of a patent to the purchase of an unpatented item or component, licences that require post-expiration royalties, price restraints, improper package licensing, and non-competition agreements.

Laches results from an unreasonable and inexcusable delay in bringing the law suit and may bar liability for damages for infringing activities that occurred prior to bringing the law suit. Equitable estoppel bars the law suit where the patent owner misleads the accused infringer through statements, action, inaction, or silence where there was a duty to speak so that the accused infringer reasonably infers that the patent owner does not intend to enforce the patent, and the accused infringer relies on that conduct to its material prejudice.

### **3.8 Can a patent holder bring a law suit claiming both patent infringement and unfair competition for the same set of facts?**

Yes. Although patent infringement and unfair competition are separate causes of action, they may be asserted in the same proceeding on the same set of facts. Asserting such claims in the same litigation also avoids the risk of issue preclusion, which might arise if the claims were to be asserted in separate proceedings.

## **4. PARTIES TO LITIGATION**

### **4.1 Who can sue for patent infringement (patent holder, exclusive licensee, non-exclusive licensee, distributor)? Does a licensee need to be registered to sue?**

The patent holder has standing to sue alone. The patent holder could be the original applicant or an assignee. If the assignment is only partial, though, the patent will be issued to the inventor and assignee as joint owners and both parties will be required to bring suit to enforce the patent. An exclusive licensee may also sue for patent infringement provided it does so jointly with the patent owner. The only circumstance in which an exclusive licensee may bring suit alone is if it has been granted 'all substantial rights' under the patent. A non-exclusive licensee or a distributor cannot sue for patent infringement under any circumstance. An exclusive licensee is not required to register prior to suit.

#### **4.2 Under what conditions, if any, can an alleged infringer bring a law suit to obtain a declaratory judgment on non-infringement?**

An accused infringer can bring an action for declaratory relief if the patentee has acted in a manner to cause the alleged infringer to reasonably fear that it will be sued for infringement, and the alleged infringer has acted or has made preparations to act in a manner that could constitute infringement. Mere knowledge of a patent that might potentially be asserted against a party is an insufficient basis for a declaratory judgment action. There must be an actual controversy between the parties. A declaratory judgment action may include claims for non-infringement, invalidity and/or unenforceability.

#### **4.3 Who can be sued for a patent infringement? Can the company directors be sued personally? Under what conditions, if any, can someone be sued for inducing or contributing to patent infringement by someone else?**

A patentee may bring a patent infringement law suit against anyone who makes, uses, sells, offers to sell, or imports the patented invention, as well as against anyone who contributes to or actively induces such direct infringement. Company directors generally are not liable personally for the alleged patent infringement of their company.

One is liable for inducing infringement if the inducer intended that the direct infringer engage in the infringing activity, and also if the inducer knew or should have known that its actions would induce infringement. One is liable for contributory infringement as a result of offering to sell or selling in the US, or importing into the US, a component of a patented device, article of manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, where the item at issue constitutes a material part of the patented invention. To be a contributory infringer, the person must have known that the item was especially made or especially adapted for use in an infringing manner, and the article must not be a staple article of commerce suitable for substantial non-infringing use. A company director may be, and on occasion has been, held liable for induced infringement.

#### **4.4 Is it possible to add or subtract parties during litigation?**

Courts may drop or add parties at any stage of the action and on such terms as are just.

### **5. ENFORCEMENT OPTIONS**

#### **5.1 What options are open to a patent holder when seeking to enforce its rights in the United States?**

A patent holder could seek to obtain a declaratory judgment, monetary judgment and/or injunction. Treble damages could be awarded if wilful infringement is shown.

#### **5.2 Are criminal proceedings available? If so, what are the sanctions?**

In the US, there is no criminal liability for patent infringement.

#### **5.3 Are border measures available?**

Most instances of border measures are applied to copyrights to prevent the import of pirated goods. However, when infringing products are imported into the US, judgment can be obtained from the US ITC to prevent future importation of infringing products.

#### **5.4 To what extent are alternative dispute resolution (ADR) methods (such as arbitration or mediation) available to resolve patent disputes? If arbitration is available to assess invalidity, will your Patent Office recognise and execute an arbitral award declaring a patent invalid?**

Cognisant of the enormous costs and substantial time to resolution associated with patent

litigation, both the courts and litigants have started turning to ADR. In fact, many federal district courts now require parties to engage in some form of ADR before trial. Both mediation and arbitration are employed, with mediation being the most common. ADR may be private, where the parties hire the arbitrator or mediator, or the court provides one. The PTO will recognise an arbitral judgment regarding the validity of an issued patent.

## **6. PROCEDURE IN CIVIL COURTS**

### **6.1 What is the format of patent infringement proceedings?**

A patent infringement trial involves each party presenting evidence to the judge or jury, primarily through live testimony and documentary evidence. Typically, the parties are required to make written submissions prior to and following the trial. In jury trials, the pre-trial submissions include jury instructions. Presentation of the evidence is framed by opening and closing arguments. Live testimony is elicited from witnesses who are first questioned by the party offering the witness's testimony (direct examination) and then cross-examined by the opposing party on the testimony offered (cross examination). The offering party is usually provided the opportunity to 're-direct' a witness's testimony with additional questions. Each party will usually offer documents or physical items into evidence. Generally, this is done through the questioning of a witness, who testifies regarding the document or item to be entered. A party may raise objections regarding admission of the evidence, such as relevance and hearsay.

Typically, the parties present both factual and expert testimony. During the pre-trial phase, each party will retain its own expert(s) to testify and offer opinions concerning technical matters relating to infringement or validity, for example, or financial matters concerning damages. The experts must be qualified as such in a recognised area of expertise and will be allowed to offer opinions within that area of expertise. The judge or jury is free to accept, reject or give whatever weight it deems appropriate to the testimony and opinions of experts in making its determination on the ultimate issues in the case. On occasion, a trial judge may appoint an expert to provide advice to the court in cases that are especially complex.

Although not required, most patent infringement proceedings involve what is called a 'Markman hearing' prior to trial. The purpose of Markman hearings is to resolve issues of claim construction. They are so named after the Federal Circuit decision *Markman v Westview Instr*, which established that the interpretation of patent claims is an issue of law for the judge, not the jury, to decide. Markman hearings may occur at different times in different cases. Some judges elect to hold them during discovery, while others wait until the eve of trial. In a non-jury trial, the judge may elect to fold the claim construction issues into the final determination.

### **6.2 Are disputed issues decided by a judge or a jury?**

Patent infringement cases may be tried before a judge or jury. Trial by jury must be requested by at least one of the parties, and is not available in cases where only equitable relief (eg an injunction) is at issue. In a jury trial, there is a division of responsibility between the judge and the jury. The judge is responsible for deciding issues of law, such as claim construction. The jury is responsible for deciding disputed issues of fact and applying the law to the facts to make the ultimate determinations of liability and damages. If the case is tried to a judge, the judge decides all issues.

### **6.3 To what extent is pre-trial discovery permitted? If it is permitted, how is discovery conducted? If it not permitted, what other, if any, mechanisms are available for obtaining evidence from an adverse party or from third parties?**

Extensive pre-trial discovery is available in the US. Generally, a party is entitled to any information relevant to a claim or defence in the law suit, or reasonably believed to lead to the discovery of admissible evidence. Documents or information that fall within certain

privileges, such as the attorney-client privilege or the attorney work product immunity, are immune from discovery.

Discovery is primarily conducted through a variety of mechanisms established by the Federal Rules of Civil Procedure. The parties must disclose certain types of information in ‘initial disclosures’ near the outset of the case, such as identification of relevant documents and individuals likely to have discoverable information that the disclosing party may use to support its claims or defences, and computation of any category of damages claimed. Other discovery mechanisms include requests for production of documents, written interrogatories, depositions by oral testimony, requests for admissions and requests for inspection. If a party elects to retain an expert to offer testimony at trial, then the expert must serve a written report well in advance of trial that contains a complete statement of all opinions to be expressed and the basis and reasons for those opinions. Experts must then be made available for questioning (deposition) by the opposing party.

Third party discovery is permitted, but additional safeguards exist to protect third parties from undue burden and expense. A party may serve a request for documents and/or for a deposition on a third party by accompanying the request with a subpoena which must be served in person on the person or entity from whom the discovery is sought. Proper service of the subpoena imposes on the third party the obligation to respond. Third parties may apply to the court for relief if, for example, responding would be unduly burdensome.

Discovery may also be taken from people or entities outside the US pursuant to the Hague Convention. Discovery under the Hague Convention is complex and time consuming. Further, the liberal discovery rules in the US may not apply. Generally, the party seeking discovery from a resident of a signatory country must ask the court in which the case is pending to issue a letter rogatory, or letter of request, to the appropriate authority in the signatory country specifying the discovery sought.

#### **6.4 What level of proof is required for establishing infringement or invalidity?**

Patent infringement must be established by a preponderance of the evidence. This means that to prove infringement, there must be a finding that it is more likely than not that what the party is seeking to prove is true. In contrast, invalidity must be proved by clear and convincing evidence. This is a higher standard, and requires a finding that it is highly probable that what the party seeks to prove is true, or stated another way, the evidence produces an abiding conviction that the truth of the allegation made is highly probable. The higher burden of proof for invalidity is a result of the statutory presumption that patents issued by the US PTO are valid.

#### **6.5 How long do a patent infringement proceedings typically last? Is it possible to expedite this process?**

The duration from filing of the complaint until entry of judgment of patent law suits varies widely, depending on the court in which the case is filed. Some courts, such as the Eastern District of Virginia, have attempted to expedite the process by instituting a ‘rocket docket’ which aims to resolve patent disputes within a year. However, in many district courts, a duration of two or more years is not uncommon.

#### **6.6 What options, if any, are available to a defendant seeking to delay the proceedings? Under what conditions, if any, can proceedings be stayed? How can a plaintiff counter delaying tactics of defendant?**

Defendants are not permitted unilaterally to delay patent infringement proceedings and are expected, in compliance with the Federal Rules of Civil Procedure and any scheduling orders issued by the court in which the case is pending, to abide by discovery and other deadlines

and not interfere with the plaintiff's pursuit of the case to resolution. A stay of proceedings would only be entered under limited circumstances, which would involve events that would render it nonsensical, wasteful or otherwise illogical to proceed with the case. For example, where an appeal is taken from an interlocutory judgment (a non-final judgment), the court may stay proceedings while the appeal is pending, particularly if the interlocutory judgment impacts other issues in the case. A court may also enter a stay upon consent of the parties. It is not uncommon for parties jointly to request, and for courts to grant, a stay of proceedings while they pursue settlement discussions.

If a defendant attempts unilaterally and improperly to delay the progress of the law suit by failing to promptly respond to discovery, meet deadlines etc, a plaintiff may seek relief from the court. The Federal Rules of Civil Procedure allow a party to apply for an order compelling disclosure or discovery. If the motion is granted, the court may impose sanctions and/or require the party whose conduct necessitated the motion to pay the moving party reasonable expenses incurred in making the motion, including attorney's fees. The application, form and severity of sanctions are at the discretion of the court. Sanctions can range anywhere from monetary sanctions to deemed admissions to dismissal of a claim or defence.

## **7. FINAL REMEDIES**

### **7.1 What remedies are available against a patent infringer (final injunction, delivery up or destruction of infringing goods, publication of the decision, recall-order, monetary remedies, etc)?**

Remedies for patent infringement include injunctive relief (preliminary and permanent) and monetary remedies (in the form of compensatory and/or punitive damages, attorney's fees, and costs). Courts generally do not order the seizure or destruction of infringing goods as a remedy, except in the case of infringement through importation. When infringing goods arrive at US borders, a patent owner may file an action in a district court or with the US International Trade Commission, or both. In either case, the US Customs Service may be directed to seize the infringing imports. Publication of the decision, at least in the manner employed in parts of Europe, where judgments are published in the form of advertisements, is not generally available as a remedy in the US. However, decisions of US courts are usually matters of public record.

### **7.2 To the extent it is possible to obtain a final injunction against future infringement, is it effective against the infringer's suppliers or costumers?**

By statute, district courts may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent on such terms as the court deems reasonable. Until recently, the granting of a permanent injunction upon a finding of infringement was virtually 'automatic'. A request for a permanent injunction would be denied only in rare circumstances. On 15 May 2006, however, the US Supreme Court clarified in the case *eBay Inc v MercExchange LLC*, that the *pro forma* imposition of a permanent injunction in patent infringement cases is not appropriate. Rather, the US Supreme Court held that courts should apply a four-factor test, which requires that the patentee show that:

- (1) it has suffered an irreparable injury;
- (2) remedies available at law are inadequate to compensate for the injury;
- (3) considering the balance of hardships a remedy in equity is warranted; and
- (4) the public interest would not be disserved by the granting of a permanent injunction.

Permanent injunctions may be binding on third parties. By statute, an injunction or restraining order is binding upon the parties to the action, their officers, agents, servants, employees, and attorneys, as well as persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise. US courts are generally reluctant to regard suppliers and customers as being 'in active concert or participation' with the infringer.

### 7.3 What monetary remedies are available against a patent infringer (reasonable royalty, lost profits, account of profits, or some other basis)? Are punitive damages available? If so, under what conditions?

By statute, a plaintiff is entitled to compensatory damages ‘adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.’ This provision has been interpreted to mean that a patentee is entitled to lost profits, if it can prove them, or a reasonable royalty.

A patentee may recover lost profits only if it can prove that ‘but for’ the infringement, it would have obtained the infringer’s sales. The standard for calculating whether lost profits may be properly awarded is called the *Panduit* test, after the case *Panduit Corp v Stahlin Bros Fibre Works Inc*, and requires a patentee who seeks lost profits to establish four elements:

- (1) the existence of a demand for the patented product;
- (2) the absence of acceptable non-infringing substitutes;
- (3) that the patentee had the manufacturing and marketing capability to meet the demand; and
- (4) the amount of the profit that the patent holder would have made.

If the plaintiff cannot make the requisite showing, it is still entitled to a reasonable royalty on the infringing sales. The amount of the reasonable royalty is determined by considering a host of factors known as the Georgia-Pacific factors, after the case *Georgia-Pacific Corp v US Plywood Corp*. The determination of a reasonable royalty is fact intensive and includes consideration of factors such as royalty rates previously agreed to by the patent owner and comparative royalty rates in the industry.

A damages award may be increased, ie punitive damages may be assessed, if the infringement is found to be ‘wilful.’ If an accused infringer has notice of the patent and acts unreasonably after learning of its existence, a court may find that the accused infringer has acted ‘wilfully.’ In this case, the court may increase the compensatory damages award up to triple the amount and may also award the plaintiff its attorney’s fees. In reaching a determination of wilful infringement, courts consider the totality of circumstances, and rely upon nine factors enumerated in the case *Read Corp v Portec Inc*. To avoid liability for wilful infringement, an accused infringer is expected to engage in prudent behaviour, which involves taking appropriate steps to avoid infringement. Usually, accused infringers demonstrate the reasonableness of their actions by obtaining and relying on an opinion of competent legal counsel that the accused product or process does not infringe, that the patent is invalid, or both. If an accused infringer relies on an opinion of counsel to defend against a claim of wilfulness, the opinion must be produced to the patentee during discovery. This reliance waives not only the attorney-client privilege and work product protection to which the opinion would otherwise be entitled, but potentially also that accorded to documentation concerning the attorney’s preparation of the opinion and the client’s reliance on it. The exact scope of the waiver varies widely from court to court. Until recently, the failure of an accused infringer to produce a competent opinion of counsel in defence of wilfulness resulted in an adverse inference that either no opinion was obtained or that the opinion was negative. However, recognising the dilemma that this places on the accused infringer, the Federal Circuit eliminated the adverse inference in the *Knorr-Bremse* case.

By statute, an award of attorney’s fees is available at the court’s discretion in ‘exceptional circumstances.’ Such circumstances include wilfulness by the infringer as well as inequitable conduct by the patentee. In deciding whether to award attorney’s fees, a court may consider the degree of culpability of the infringer, the closeness of the question, litigation behaviour, and any other factors whereby fee shifting may serve as an instrument of justice.

Costs, including such items as docketing fees, and the cost of copying necessary papers, may be recoverable by the winning party in a patent infringement suit. Absent exceptional circumstances, however, the losing party will not be liable for the winner’s attorney’s fees.

## **8. PRELIMINARY RELIEF**

### **8.1 Is preliminary relief available? If so, what preliminary measures are available (eg preliminary injunction) and under what conditions?**

Preliminary injunctions are available in patent infringement actions. In deciding whether to grant a request for a preliminary injunction, a court considers whether there exists a reasonable likelihood of success on the merits, irreparable harm if relief is denied, balance of hardships tipping in favour of the movant, and the impact of the injunction on the public interest. If a preliminary injunction is granted, it will remain in effect until final judgment. Further, the movant must post a bond as security for damages to the infringer if the injunction is vacated. The grant or denial of a preliminary injunction is immediately appealable to the Federal Circuit.

### **8.2 Is ex parte relief available, where defendant is given no notice at all? If so, under what conditions?**

Although preliminary injunctions require notice to the opposing party, temporary restraining orders (TROs) may be granted on an *ex parte* basis, provided that the moving party can show good reason why notice should not be required. The circumstances must be truly extraordinary for such relief and *ex parte* TROs are rarely granted in the US.

### **8.3 Is plaintiff entitled to ask for an order that defendant's premises are searched and a description of the infringing goods (and the accounting relating thereto) is made in order to establish proof of infringement (saisie-contrefaçon)? If not, what other mechanisms, if any, are available for seizing and preserving evidence for trial?**

While courts in the US do not, as a rule, order the search of an alleged infringer's premises or seizure of goods to preserve evidence for trial, US pre-trial discovery procedures provide for the production of, among other things, 'a copy of, or description by category and location of, all documents, data compilations, and tangible things in possession, custody, or control of the party that are relevant to disputed facts alleged.' Further, parties can request to inspect relevant premises or evidence that cannot be readily produced.

### **8.4 Can the defendant put the validity of a patent in issue in preliminary injunction proceedings?**

A challenge to the validity of a patent is an appropriate defence to a request for a preliminary injunction, which, as discussed above, requires a showing of likelihood of success on the merits, ie that the patent is valid and infringed.

### **8.5 What is the format of preliminary injunction proceedings?**

In order to request a preliminary injunction, a party must first file an action before the appropriate court. A party may then file with that court a written motion requesting a preliminary injunction. The defendant is given an opportunity to submit a brief in opposition and often the plaintiff is allowed to submit a reply brief. Limited discovery may also be allowed. A hearing on the matter will typically follow. The form and length of the hearing is largely at the discretion of the judge, and can vary widely from case to case. It could take the form of a 'mini-trial' or be as simple as attorney argument, depending on the request of the parties and the discretion of the court.

### **8.6 To what extent are documents, affidavits, witnesses, and/or (court-appointed or private) experts used in preliminary injunction proceedings?**

Typically a court will permit the introduction of documents and affidavits. At its discretion, a court may entertain live testimony. Affidavits and testimony from lay witnesses, expert

witnesses, and technical advisors appointed by the court may be elicited in order to assist the court in reaching a decision whether to grant the motion.

### **8.7 What level of proof is required for establishing infringement or invalidity in preliminary injunction proceedings?**

The patent owner must convince the court that the four factors discussed above weigh more heavily in favour of a preliminary injunction than not. At a minimum, usually a strong showing of one or both of likelihood of success or irreparable harm must be demonstrated. The patent is presumed valid although the movant cannot rely on the presumption alone. The movant has the burden to demonstrate that the four factors militate in favour of a preliminary injunction. If a particularly strong likelihood of success is shown, irreparable harm is often presumed.

### **8.8 How long do preliminary injunction proceedings typically last?**

The form and length of these proceedings is largely at the discretion of the judge, and can vary widely. Usually when a request for preliminary injunction is made, some urgency of relief is express or implied. Thus, the briefing, hearing and resolution of these matters usually occurs on an expedited schedule.

### **8.9 Where a preliminary injunction is granted, is it necessary to start main proceedings to confirm the preliminary injunction?**

Preliminary injunctions are not available in the US as independent proceedings. Therefore, a party must first properly file an infringement action before a court in order to seek a preliminary injunction.

## **9. APPEAL PROCEDURE**

### **9.1 What avenues of appeal are available for a defeated party in main proceedings or preliminary injunction proceedings?**

The Federal Circuit has exclusive appellate jurisdiction over patent appeals. Generally, appeals may only be taken from 'final' judgments. This often occurs only when all issues including infringement, validity, enforceability and damages have been determined by the district court. There are some instances, however, where an 'interlocutory' appeal may be taken from a non-final judgment, for example, when a preliminary injunction is granted or denied. The lower court may under certain circumstances also 'certify' an issue for immediate appeal, and the Federal Circuit may in its discretion reject or accept such an appeal.

Appeals to the Federal Circuit from final judgments are taken as a matter of right. Usually, the Federal Circuit's decision is the last word, although the US Supreme Court may, at its discretion, permit an appeal from the Federal Circuit. It is unusual for the Supreme Court to accept review of a patent case, although, this current term, the Supreme Court is considering several patent cases, eg the *eBay* case, which was just decided.

### **9.2 How long do appeal proceedings typically last?**

Typically, briefing on an appeal will be completed within three to four months of the docketing of the appeal, oral argument usually occurs approximately three to four months later, and a decision usually issues within six months of oral argument, although it is not unusual for the court to take a year or more. One of the former Federal Circuit justices commented in an article several years ago that it is not unusual for it to 'take a year or more following the filing of the appeal, and as much as six to eight months after oral argument' for a decision (Michel 'The Court of Appeals for the Federal Circuit Must Evolve to Meet the Challenges Ahead' (1999) 48 Am UL Rev 1177, 1186). Of late, the Federal Circuit has demonstrated a concerted effort to move its docket more quickly and, generally, that does occur.

## **10. LITIGATION COSTS**

### **10.1 What level of cost should one expect to incur to take a case through to a first instance decision, preliminary injunction proceedings and/or appeal proceedings?**

The costs incurred in patent infringement proceedings vary widely depending on such things as the complexity of the technology and the issues raised, the number of patents involved, and where the case is brought. In large patent suits where the amount at stake is more than \$25m, the costs through district court judgment can run approximately \$4m or more, while appeal proceedings may cost another \$100,000–250,000. Preliminary injunction proceedings may cost \$300,000–1m.

### **10.2 Are costs recoverable from the losing party?**

As noted above, certain costs may be recoverable by the winning party in a patent infringement suit. Attorney's fees are not considered 'costs' and are not awarded unless 'exceptional circumstances' warranting them are shown.

## **11. FORTHCOMING LEGISLATION**

### **11.1 What are the important developing and emerging trends in your country's patent law?**

### **11.2 To the extent it relates to patent enforcement, please outline any major patent legislation in the pipeline.**

There are several new and emerging trends in US patent law. In 2005, a House Bill entitled 'Patent Reform Act of 2005' (HR 2795) proposed sweeping changes to the system. For example, the US patent law currently follows a first-to-invent system, rather than a first-to-file system. The pending bill proposes moving to a first-to-file system similar to what most countries in the rest of the world employ. The pending bill also proposes to eliminate the 'best mode' requirement because it is subjective and litigation over this issue – especially pre-trial discovery – can be extensive and time consuming. The bill further proposes the establishment of post-grant opposition proceedings in the US PTO. Other changes proposed by the House Bill include, *inter alia*, publication of all pending patent applications after 18 months without exception, and requiring a greater showing to prove wilful infringement. This bill is still pending in Congress and has not been passed into law. Another House Bill, entitled 'Patents Depend on Quality (PDQ) Act' (HR 5096) was introduced on 4 April 2006. This bill is less sweeping than the Patent Reform Act of 2005 and, for example, does not include the transition to a first-to-file system or the elimination of the best mode requirement. It does, however, provide for post-grant opposition proceedings, and changes in the standards for injunctions and wilfulness determinations. Like HR 2795, this bill is also still pending and has not been passed into law. Most recently, a Senate Bill (S 3818), entitled 'Patent Reform Act of 2006,' was introduced in the Senate on 3 August 2006. The bill provides for, *inter alia*, a transition to a first-to-file system, limitations on enhanced damages for wilful infringement and findings of unenforceability due to inequitable conduct, prior user's rights, award of attorneys fees to the prevailing party where the nonprevailing party's position was not substantially justified, and a post grant opposition proceeding.

Another new Senate Bill proposes to limit abuses by pharmaceutical companies of the 30-month stay rule that prevents approval of generic drugs by the US Food and Drug Administration during the pendency of a law suit challenging a patent on the drug. This bill, entitled the 'Lower Priced Drugs Act', would change current law by requiring courts to consider whether brand manufacturers are deliberately delaying the generic approval process.

The US Supreme Court and the Federal Circuit have recently contributed important decisions to the patent law landscape, and other important issues are pending before these courts. For example, the Federal Circuit recently issued the *Knorr Bremse* case discussed above, in which it eliminated the long-standing adverse inference of wilfulness from the

failure to obtain or disclose an opinion of counsel. In another case, *Illinois Tool Works Inc v Independent Ink Inc*, the US Supreme Court considered whether a patent necessarily confers market power upon the patentee, such that a plaintiff alleging an antitrust tying violation need not prove market power. In a unanimous decision, the US Supreme Court held that while anticompetitive tying arrangements are still unlawful, a patent does not necessarily confer such market power in the tying product that a tying arrangement involving a patented product is *per se* illegal.

Very recently, on 26 June 2006, the Supreme Court granted *certiorari* in a case entitled *KSR International Inc v Teleflex Inc* in order to consider whether a party asserting an obviousness defence must show that the prior art contained a 'teaching, suggestion or motivation that would have led a person of ordinary skill in the art to combine the relevant prior teachings in the manner claimed'. The 'teaching-suggestion-motivation' requirement has been firmly embraced by the Federal Circuit, which reversed the district court's finding in *KSR* based on the absence of such a finding. *KSR* was joined, *inter alia*, by the Solicitor-General, who filed an *amicus* brief on behalf of the US government, stating that the 'teaching-suggestion-motivation' test embraced by the Federal Circuit is at odds with the relevant statutory provision and the leading precedent on obviousness, the Supreme Court's 1966 *Graham v John Deere* decision, and results in the allowance of patents on non-innovative combinations of familiar elements. This case is being closely watched by the IP community and is scheduled for oral argument in October 2006. A decision is expected in early 2007.

## **12. USEFUL REFERENCES**

### **12.1 Please identify any useful works or references relating to patent law and patent litigation in your country including useful websites.**

*www.kenyon.com*, providing links to the following:

- Patent Statute Title 35 USC
- 37 CFR. Parts 1 and 41 (aka The Rules of Practice before the United States Patent and Trademark Office, Parts 1 and 41)
- The Paris Convention
- The Hatch-Waxman Act (aka The Drug Price Competition and Patent Term Restoration Act of 1984 and Associated Regulations and Laws)

DS Chisum *Chisum on Patents* (2005 Supp)

*www.uspto.gov* (the United States Patent & Trademark Office website)

JW Baxter et al *World Patent Law and Practice* (1968, 2006 Supp)

*www.fedcir.gov* (The Court of Appeals for the Federal Circuit website)

RL Harmon *Patents and the Federal Circuit* (7th ed, 2005)

*www.ipo.org*