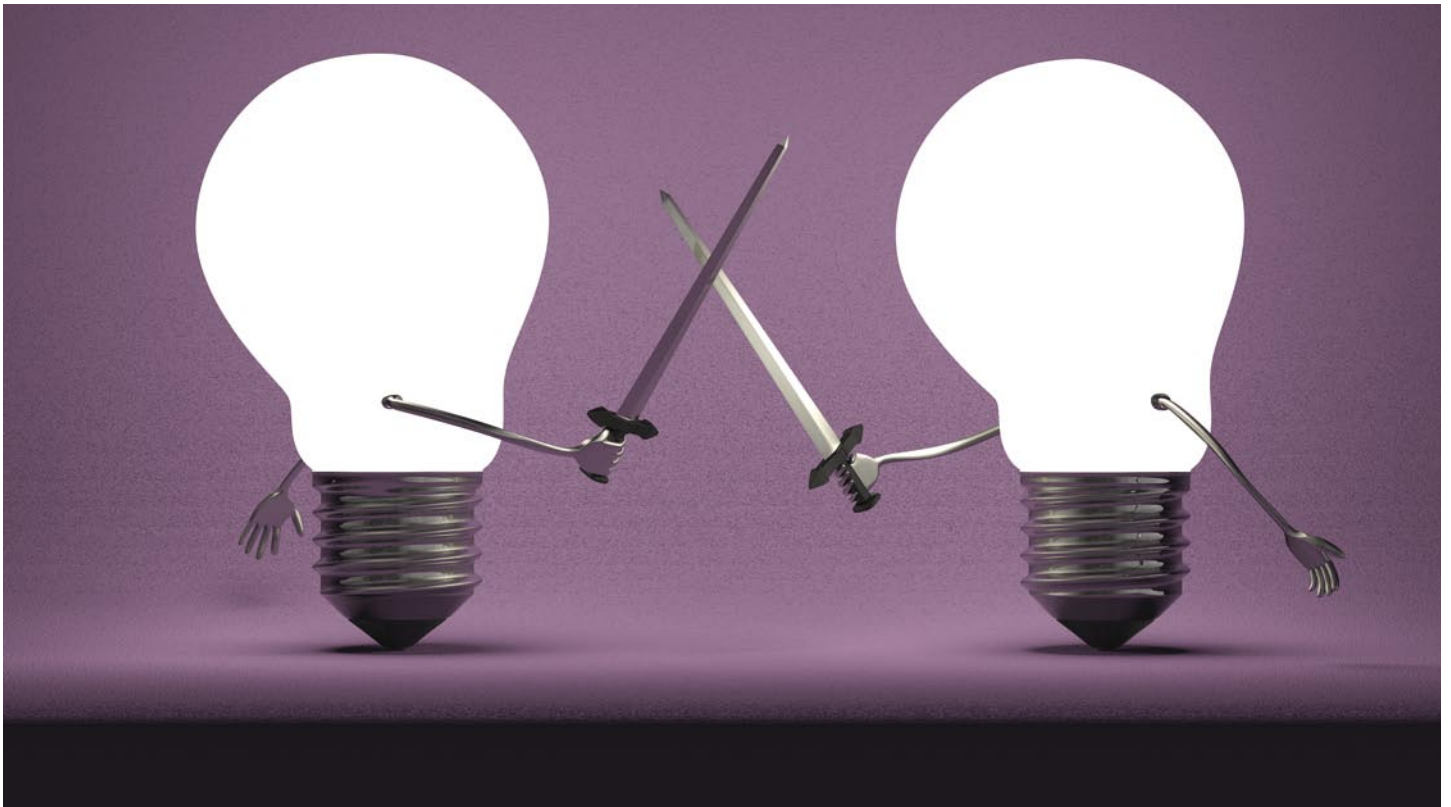




■ **ROUNDTABLE** August 2019

RESOLVING PATENT DISPUTES

Resolving a patent dispute can be complex, highly technical and time consuming. An arena particularly subject to litigation, over the past year a host of key decisions have had an impact, affecting patent eligibility requirements, administrative proceedings for defendants to challenge patents and damages through lost profits, among other issues. And with further legislative and regulatory changes to patent laws in the offing, there is potential for patent dispute activity to rise significantly across the globe. ■



THE PANELLISTS



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FW: In your opinion, what have been the key trends and developments shaping patent disputes over the past 12 months or so?

Prange: Patent litigation continues to be expensive and, as a result, companies continue to be cautious when confronted with a patent dispute. While the US economy has improved since 2017, the improvement has not necessarily translated to companies taking on more risk relating to intellectual property (IP) disputes. For operating companies, patent assertion has largely continued to be tied to business goals, and licensing activities disconnected from the business or strategic goals of a company appear to have little support. The improved economy, however, has also resulted in a build-up of capital that investment groups have directed toward litigation funding. Newly available capital, as well as pressure to deploy it, has led to an increased tolerance for patent assertion risk, translating to sophisticated patent assertion campaigns, despite greater challenges in defending patent validity, proving infringement and proving damages.

Heusch: The *Unwired Planet* case in the UK and the *TCL* case in California have been attracting attention. There has been much discussion on whether a national court can set a global fair, reasonable and non-discriminatory (FRAND) rate, and if so, which one. The *Unwired Planet* decision seemed attractive for standard essential patent (SEP) owners, and some have now filed actions in the UK asking the court to find their SEPs infringed and to set the FRAND rate. However, litigation in Germany is still an attractive option, where the main requests are still for injunctions. What appear to be two fundamentally different approaches are, in the end, not so different. UK courts set a FRAND rate which the implementer must accept to avoid a national injunction. German courts evaluate the FRAND offer by the SEP owner, to decide whether the defendant's FRAND defence will succeed, or whether the SEP owner will be entitled to an injunction.

Devitt: *Inter partes* review (IPR) proceedings continue to play a significant role in US patent disputes with the Patent Trial and Appeal Board (PTAB) becoming by far the largest venue for patent disputes. But even IPR filings were down in 2018 – albeit at a slower rate than district court patent filings. In terms of notable trends, probably the most significant trend we have seen is that, with the *TC Heartland* decision, Delaware has now surpassed the Eastern District of Texas as the most popular district for patent litigation filings. But the Eastern District of Texas will continue to be a major force in patent litigation with foreign defendants. In May 2018, the Federal Circuit in *HTC Corp.*, following the holding of the Supreme Court in *Brunette Machine Works, Ltd v. Kockum Industries*, held that venue is proper as to a foreign defendant in any district. In so doing, the Federal Circuit rejected the argument that the patent venue statute should apply to foreign defendants.

Simmons: SEPs remain of key interest to litigators and regulators alike. Over the past decade, US courts have provided needed guidance on the application of traditional patent principles to the circumstance where patented technologies are incorporated by standard-setting organisations into their standards. During the same period, regulators issued statements and guidance concerning the interplay between patent and antitrust law. Over the last year, we have seen major litigation concerning SEPs, including in the highly-publicised *Federal Trade Commission v. Qualcomm* case, as well as the Department of Justice's (DOJ's) withdrawal from the 2013 DOJ-PTO Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary FRAND Commitments. Given the continued expansion of the role of standard-setting organisations in developing technologies used in all manner of products, this critical issue is guaranteed to remain at the fore of technological disputes and policy positioning for the foreseeable future.

Montefusco: The Spanish patent system is quite mature nowadays and, thus, it is

difficult to detect a significant evolution over the last year. However, one significant development is a marked increase in patent disputes in the context of the Barcelona Mobile World Congress, which is the largest international trade fair for mobile telecommunications technology. The Barcelona patent courts have been implementing a protocol for the fast and efficient processing of patent cases in connection with the fair during the last five years, which has made litigation in Spain very attractive for companies in the telecoms sector attending this event. In addition, certain procedural issues surrounding the limitation of European patents in validity cases have shaped litigation.

Gibson: The US Supreme Court's decision in *Alice* continues to have a significant impact on patent disputes that has led to a number of Federal Circuit opinions that have attempted to draw lines between what is and is not abstract and what is and is not an inventive concept. More recently, the Federal Circuit has attempted to identify underlying issues of fact related to the legal determination of patent eligibility. The result is an *ad hoc*, case-by-case determination that requires district courts to analogise eligibility of patents-in-suit to the eligibility of patents decided by the Federal Circuit in published decisions, as well as determine now if there are underlying factual issues that must be resolved before eligibility can be determined. Despite the difficult analysis that is required, motions to dismiss for patent ineligibility remain a significant weapon for defendants in patent cases.

Webb: The most immediate impact on patent disputes comes from the courts, because both the US Court of Appeals for the Federal Circuit and the US Supreme Court give us a lot of new decisions each year. And there have been plenty of important decisions in the past year that have shaped patent disputes, affecting things such as patent eligibility requirements, administrative proceedings for defendants to challenge patents, and damages through lost profits. This

year, Congress is getting into the act by considering a bill that would broaden patent eligibility criteria, responding to a wave of court decisions over the past six or seven years that have generally made patents harder to get and keep. Proposed patent legislation like this often gets off to a hot start and then fizzles, however. That kind of uncertainty makes companies nervous, although there has not been any discernible impact on patent filings. It will be interesting to see how that bill plays out.

FW: To what extent have you observed an increase in the number of patent disputes in today's business world? What are the most common causes of conflict?

Heusch: We have not seen an increase in the number of patent disputes being filed of late. The majority of any company's licence agreements are concluded through negotiation. It is only in a small number of cases where an implementer is holding out that firms need to resort to litigation. Since the European Court of Justice's (ECJ's) *Huawei v. ZTE* judgment, implementers have generally been more responsive, since the ECJ requires them to act without undue delay. So, we see fewer implementers who are completely unresponsive, but there are still some who are not truly willing to

negotiate in good faith and who instead take unreasonable positions.

Devitt: In the US, there has actually been a reduction in the number of patent cases filed in the past two years. Most commentators attribute this reduction to the America Invents Act (AIA) and PTAB post-grant proceedings and the current uncertainty in the law in view of the *Alice* decision. Notably, however, we have seen a steady increase in the number of patent cases filed in China over the course of the past five years. This is likely attributable to a number of factors, such as an increase in the filing of patent applications by both domestic and foreign applicants in China, the strong likelihood of obtaining injunctive relief if an infringement is determined, and a general improvement with respect to the enforcement of IP rights in China, including the establishment of specialised IP courts in 19 different locations, and more recently the establishment of a centralised appeals tribunal with the Supreme People's Court.

Simmons: According to Lex Machina, the overall number of patent litigations in the US has declined from a height of 6133 cases filed in 2013 to 3636 patent cases filed in 2018. Despite that decline, the complexity of patent cases is on the rise. In particular, disputes are increasingly playing

out in multiple courts in numerous venues, both within and outside the US, including US federal court and the International Trade Commission, and with both parties bringing proceedings against the other. Moreover, there are copious examples of litigants pairing patent claims with other IP claims, particularly copyright and trade secrets claims, as part of their overall litigation approach. As a result, businesses involved in patent disputes require counsel capable of litigating across these fora with a holistic command of IP law.

Montefusco: The number of cases has remained stable over the last 12 months and is unlikely to increase soon, which is a sign of the growing maturity of Spanish patent law. The most common causes of conflict are to a large extent disputes on patent validity and infringement between innovative pharmaceutical companies and manufacturers of generic drugs, followed by infringement cases between telecommunication companies in the context of the Barcelona Mobile World Congress. However, there has been a clear increase in disputes between innovative pharmaceutical companies in relation to their biological products.

Gibson: There are still a significant number of patent disputes, though there was a decline in the number of cases filed after the enactment of the AIA and the Supreme Court's decision in *Alice*. As the case law regarding *Alice* and IPRs has evolved, patent disputes and litigation over those disputes appear to be on the rise once again. In terms of common causes of conflict, there are still many patent disputes that are filed by patent holding entities, but there also remain a significant number of disputes filed by competitors and inventors. What usually drives the conflict? Money. Whether it is a patent holding company, an inventor or a business to business dispute, conflicts are frequently driven by money, which is why most cases settle. Business to business conflicts will more frequently involve issues of market share and protecting the only legal monopoly that is allowed in the US through an injunction.

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CLEMENS HEUSCH
Nokia

Those cases are frequently more likely to go to trial.

Webb: We are actually seeing a continuing decline in the total number of patent cases being filed. Patent filings shot up in the late 2000s through 2014, as non-practicing entities (NPEs) – companies that have patents but do not actually practice them – filed suits in huge numbers because of large potential damages. NPEs still file the overwhelming majority of patent lawsuits against tech companies. But the number of patent filings started to decline in 2015 and that trend continues today, largely in response to a major Supreme Court decision – *Alice v. CLS Bank* – which tightened patent-eligibility requirements, particularly for software-related patents, and some new administrative procedures that have made life harder for patent plaintiffs.

Prange: New patent case filings continue to decrease year over year since a peak in 2012, according to the 2018 PwC survey on patent litigation, as well as data from the US courts. Whether this trend continues is unclear, based in part on the build-up of capital, but the overall decline may reflect the influence of the AIA, and the greater rigour applied to patent damages proofs that has developed since 2012, on NPE assertion activity. The AIA introduced new administrative proceedings for challenging patent validity, such as IPRs, which, in application, can have the effect of staying a patent case, and pushing out the time to ultimate adjudication, while an asserted patent's validity is reconsidered by the United States Patent and Trademark Office (USPTO) under a standard that is plainly more favourable to patent challengers. Since 2012, companies have become more experienced with the strategic application of IPRs to delay and deter patent litigation, particularly lawsuits initiated by NPEs.

FW: Have there been any legal or regulatory developments which have had a particularly significant impact on patent disputes?

“THE LAW CONCERNING PATENT ELIGIBILITY IN THE US REQUIRES A CHANGE. WHAT THAT CHANGE WILL BE AND HOW IT WILL AFFECT PATENT OWNERS AND OTHER INNOVATORS IS YET TO BE SEEN.”

JOSHUA L. SIMMONS

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Devitt: The Supreme Court's *Alice* decision and the district court decisions following it have led to a fair bit of uncertainty regarding the patentability and enforceability of certain technologies and inventions. This uncertainty led the USPTO Commissioner, Andrei Iancu, to express concerns regarding the current state of the law regarding patent subject matter eligibility, and accordingly, the USPTO issued new guidelines for the examination of patents under section 101. In June 2019, the US Senate heard testimony from over 40 witnesses, including former judges, scholars and industry leaders, regarding a bipartisan bill proposed by senators Coons and Tillis that would create a presumption of patentability under section 101, and which would largely overturn the holding of the *Alice* decision. Supporters of the bill argued for congressional action to eliminate uncertainty under *Alice* and encourage investment in innovation.

Simmons: Patent eligibility has come to the fore of legislative and regulatory attention. Mr Iancu made clear in a series of speeches that he wanted to provide guidance to the USPTO's examiners, patent applicants and the public on the issue of eligibility. Earlier this year, he issued revised patent eligibility guidance to assist USPTO examiners on approaching contentious issues. At the same time, senators Tillis and

Coons are working on a proposal to change the patent eligibility statute. In the views of these regulators and legislators, the law concerning patent eligibility in the US requires a change. What that change will be and how it will affect patent owners and other innovators is yet to be seen.

Montefusco: In 2017, a new Patent Act entered into force in Spain and raised the previous rules to international standards. Two years later, the impact of that legislation is being felt, as patent cases are now being tried under the new rules. Furthermore, in 2019, new courts were authorised to hear patent disputes, in addition to the pre-existing fora of Barcelona, Madrid and Valencia. It remains to be seen whether those courts will gain traction in the Spanish patent arena. Also in 2019, a law on the protection of trade secrets was enacted. This legislation contains provisions on the protection of sensitive information that will apply to patent disputes as well. Lastly, a revamped version of the European regulation on supplementary protection certificates – patent term extensions – came into force in 2019. The new rules contain two new manufacturing and stockpiling exemptions for manufacturers of generic drugs. The application of those rules may trigger future patent disputes.

Prange: Courts and the USPTO continue to grapple with the scope of patentability for software-related patents. The patent eligibility test outlined by the Supreme Court in *Mayo Collaborative Services v. Prometheus Laboratories* and its progeny, including *Alice Corp. v. CLS Bank*, provided some guidance, but there continues to be uncertainty in at least the second part of the test. This second part considers whether there is an inventive concept that may transform a claim, otherwise directed to an abstract idea, into a patent-eligible application. In January 2019, the USPTO issued new guidance, to be applied during patent prosecution, on the analysis steps for determining whether a claim is directed to patentable subject matter. This new guidance may have the result of giving more certainty in the initial evaluation and issuance of patents directed to software technologies.

Webb: Obviously, the availability of IPR has been a game changer in patent disputes. The procedure was introduced through the AIA back in 2013, and it allows patent defendants to challenge the validity of asserted patents at the USPTO rather than having to do so in court. It tends to be much faster and cheaper than going through the courts, so it has become very popular. For a period of time,

having your patent challenged through an IPR was practically a death knell for patent plaintiffs. But that has changed over the past couple of years. Moreover, there are significant estoppel effects that can really help plaintiffs if the defendants are unsuccessful with an IPR. But the availability of this process still presents a huge risk that patent plaintiffs now have to consider when deciding whether to file suit. Most federal court cases are stayed if the defendant successfully petitions the USPTO for IPR, and the process can take more than a year to play out.

Gibson: The most significant regulatory development will likely be the one in progress in the US Senate as there appears to be rare bipartisan support for a change in the patent laws that will make it easier to achieve patent eligibility. Given how unusual bipartisan support is for anything in the current political climate, it seems likely that actual changes will occur to what makes an invention patent eligible. This is particularly significant given that the *Alice* decision from the Supreme Court made patent eligibility not only more difficult to achieve, but also has caused confusion and consternation among inventors, patent prosecutors, and patent litigators and businesses across a wide array of industries. Given the little guidance in *Alice* on

patent eligibility and the Supreme Court's unwillingness to clarify the decision in subsequent petitions for review, it may well make sense for Congress to step in and attempt to improve the system.

FW: Could you outline any recent examples of court cases and judgments with important implications for the patent dispute arena?

Montefusco: While Spanish patent courts have been quite active, it is difficult to single out any specific landmark cases. Nevertheless, one interesting case is the judgment handed down on 13 May 2019 by the Barcelona Court of Appeals, which is Spain's most influential patent court. This was a complex validity and infringement case between two leading manufacturers of paper products where the court tackled various issues, such as linguistic interpretation of European patents, long-time tolerance of patent infringement, estoppel-like arguments and claim construction. One important finding of that case is that the courts may allow indirect evidence of the infringement, or lack thereof, of a classic product claim by proving the product's manufacturing process, in such circumstances where the nature of a technical feature is such that only an assessment of the process may clarify whether the resulting product reproduces the feature or not.

Gibson: The Supreme Court's decision in *SAS Institute Inc v. Iancu* is also a significant decision as it directly impacts whether defendants will want to pursue IPR petitions as it requires the PTAB to consider all challenged claims when it agrees to institute the review of a patent. In light of *SAS*, the USPTO has gone a step further and now will institute on all grounds if a challenge is instituted. As a result, defendants must carefully assess what claims they challenge, the grounds upon which they will rely, the corresponding increase in the expense of IPRs and the risk of significant estoppel problems if the IPR is not successful. This decision is likely to have a significant impact on the decision to file IPRs, and we

“ONE OF THE EXCITING AND CHALLENGING THINGS ABOUT PATENT LITIGATION IS THAT THE LAW CHANGES SO QUICKLY.”

TRENT WEBB

Shook, Hardy & Bacon LLP

may see a greater increase in patent cases once again proceeding in district court on validity issues.

Webb: One of the exciting and challenging things about patent litigation is that the law changes so quickly. The Supreme Court decides several significant patent cases every term, and that can have a huge impact on how disputes play out. But it can sometimes take a year or two for those effects to be felt, as lower courts often have to interpret the Supreme Court's guidance. A good example is *TC Heartland v. Kraft Food Group Brands*, which was decided in May 2017. That case narrowed plaintiffs' venue options in patent suits. The most significant effect, which we are now seeing, has been to demote the Eastern District of Texas to second place behind Delaware in terms of new patent cases filed. As just one example of how potential litigants are reacting, Google recently shut down its few remaining computer servers in the Eastern District of Texas in what appears to be an effort to make it harder for plaintiffs to sue Google there.

Prange: Two relatively recent cases that have had or will have a significant impact on litigation are the Supreme Court decisions of *TC Heartland v. Kraft Food Groups Brands* and *WesternGeco v. ION Geophysical*. *TC Heartland* was impactful because it changed the interpretation of the venue statute applicable to patent cases. This change has resulted in a significant increase in case filings in Delaware and California, because many of the companies subject to lawsuits, particularly those brought by NPEs, are incorporated in those states. Consequently, filing in the Eastern District of Texas, which historically has had one of the heaviest patent dockets, has declined. This shift in case filings may at least have an effect in how fast cases may be resolved. It also may alter the chances of a favourable resolution for a patent holder given that jury demographics, and therefore jury perspectives, differ across these various districts. More recently, the *WesternGeco* case expanded the scope of damages available to plaintiffs potentially to include foreign sales if the infringement

LITIGATION AND LICENSING ACTIVITIES SHOULD CONSIDER WORLDWIDE ACTIVITIES OF AN ACCUSED INFRINGER TO BUILD A DAMAGES MODEL.

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is based on a domestic infringement. Before the *WesternGeco* decision, foreign sales were off limits. Thus, litigation and licensing activities should consider worldwide activities of an accused infringer to build a damages model.

Heusch: Both the *Unwired Planet* decision from the UK and the *TCL* decision from the Northern District of California saw the courts setting global FRAND rates for cellular SEP portfolios. While each of these decisions have points one could criticise, the courts accepted the tasks and came up with a result. That is precedent for many other courts. However, both decisions also needed quite a stretch to justify their jurisdiction. The jurisdiction is clear if both parties agree on a court or on arbitration, but if one party is not cooperating, there is the question whether one can then request a global FRAND rate set by one particular court, or whether it would be right to request injunctions against the unwilling party for patent infringement.

Simmons: The Supreme Court's decision in *WesternGeco LLC v. ION Geophysical Corp.* was a critical precedent for global companies seeking damages through US-based litigation. In its opinion, the Court emphasised that patent damages are "merely the means by which the statute achieves its end of remedying

infringements". Thus, it held that the Patent Act's damages provisions "allow the patent owner to recover for lost foreign profits" under section 271(f)(2) so as to put the patent owner in the position that it "would have been if the infringement had not occurred". This holding upheld *WesternGeco's* damages award for lost profits and provided much needed guidance for increasingly international companies considering patent litigation in the US.

Devitt: One of the most important recent cases affecting patent law, in particular the issues of SEPs and FRAND licensing, is actually an antitrust case: *Federal Trade Commission v. Qualcomm Inc.* In this case, Judge Koh issued an injunction that requires Qualcomm to offer SEP portfolio licences to its competitors in the chip business, something that neither Qualcomm, nor any other major SEP holder, currently does as part of their 3GPP FRAND obligations. But Judge Koh's order technically extends beyond just Qualcomm, in that it condemns more broadly the practice of licensing only complete cellular devices, as compared to licensing chip and component manufacturers, which all major cellular SEP-holders have employed for decades. If left unchanged, Judge Koh's order would force a fundamental and unprecedented change to the way SEP holders in the wireless communications

industry, like Qualcomm, Ericsson, InterDigital and others, currently licence their SEP portfolios. Qualcomm has requested a stay of this order from Judge Koh pending an appeal to the Ninth Circuit.

FW: In your opinion, how important is it to develop a quick and decisive strategy for resolving patent disputes? Are companies paying enough attention to dispute prevention strategies?

Webb: Patent cases are extremely expensive. On the defence side, you have to look for ‘off ramps’ as early as possible to hold expenses down. There are some good avenues to pursue in making patent cases go away quickly, but those avenues have to be identified and pursued at the earliest opportunity. Companies must look at whether there are grounds for a motion to dismiss, based on claiming patent-ineligible subject matter or simply based on the plaintiff filing a conclusory complaint without enough detail. If parties have clear non-infringement positions, they should consider ‘showing their hand’ to the plaintiff in hopes of achieving a walkaway resolution. Sometimes there may even be a standing issue, or the patent has changed hands, providing companies with a legacy licence to the patented technology.

Prange: A successful resolution to a patent dispute is where the legal interests align with the business interests of the defendant company. This should be common sense, but sometimes these interests diverge as company investment in the litigation increases or as strategic goals change. Few issues in patent cases can be resolved early on, resulting in termination of the dispute on the merits. Thus, patent infringement disputes tend to be long and expensive to litigate. Early alignment of all company stakeholders for settling on a resolution strategy can lead to a more efficient litigation, and may lead to resolution sooner and at a lower expense, than just charging forward in view of purely legal interests. Achieving an early alignment of internal interests, however, may not be a quick process. Further, considering the average length of a patent case, one should also consider periodically revisiting the strategy discussion with all stakeholders to account for strategic business changes. A potentially effective way to control litigation costs and minimise exposure is to try and engage in early dispute resolution discussions between the parties. This can involve a greater expenditure on early case investigation, but it may highlight the benefit of getting parties’ respective business leaders talking to understand risk and find a mutually agreeable resolution.

Heusch: In our experience, patent disputes rarely come out of the blue; there is usually a long history leading up to them, either where one tries to bring the other party to the table, and the other party is holding out, or where lengthy negotiations do not lead to a result. A good strategy is then key for both the plaintiff and defendant. Since litigation is rarely the preferred option for either side, under normal circumstances it might make sense to consider various escalation options including alternative dispute resolution (ADR). It might be that if the negotiation teams cannot reach a settlement, to then escalate to executive level, or to mediate before taking court actions. Even once litigation has begun it is usually good to keep communication channels open so that lengthy and expensive court cases can be avoided.

Simmons: Every patent dispute is different. They present different fact patterns and involve different companies with different risk tolerances. Some companies take the position that they do not settle unmeritorious patent disputes because doing so, in their eyes, only encourages future litigants to seek undeserved payments from them. By contrast, other companies are of the view that the early resolution of disputes, ideally for smaller sums of money, is an advisable strategy to avoid the costs of litigation. There is no ‘one-size-fits-all’ approach to resolving patent disputes or to preventing disputes from arising in the first place.

Gibson: It is always important to develop a quick and decisive strategy in any litigation, but particularly for patent cases, which can become quite expensive quickly and have the additional threat of taking products out of the marketplace if a company were to lose at trial and have a court put in place a permanent injunction. If you are a defendant, it is important to size up the plaintiff and the patents quickly. Do you have an available section 101 motion that can stop the case from the start? Is an IPR appropriate or too expensive for the patents involved or is the risk of estoppel too high? Is the venue

IF AND WHEN PATENT DISPUTES ARISE, COMPANIES NEED TO BE PREPARED TO RESPOND THOUGHTFULLY SO AS TO MINIMISE THE EFFECT ON THEIR BUSINESS. A QUICK RESPONSE IS NOT ALWAYS THE RIGHT ANSWER.

BILL DEVITT
Jones Day

suitable and, if not, should you move to change it? Is there a threat to an important product? Do you have an available design around? These are all important questions that should be reviewed in detail and determined quickly.

Devitt: It is hard to say whether companies are paying enough attention to dispute prevention strategies, but the fact of the matter is that there simply are fewer patent cases filed these days – at least in the US – so arguably some portion of that reduction could be attributable to companies pre-empting such disputes, for example resolving them before they become problems. That said, if and when patent disputes arise, companies need to be prepared to respond thoughtfully so as to minimise the effect on their business. A quick response is not always the right answer. Patent disputes can be costly, so companies need to be thoughtful in assessing the weaknesses and strengths of their positions and the legal and business risks for each matter independently.

Montefusco: Developing, or ideally already having in place, a quick strategy for resolving disputes might be game-changing, although this will ultimately depend on the nature of the case. A delay in the enforcement of patent rights could result in losing part of the protection they confer. For instance, according to Spanish law a patent owner will be precluded from applying for preliminary injunctions which are intended to alter a market situation that the applicant accepted for a long time. However, speed in FRAND-related disputes is not so crucial in my view. In relation to whether companies are paying enough attention to dispute prevention strategies, this will depend on the culture, past experiences and budget of each company. While some companies diligently prepare for all possible scenarios well ahead of when cases may arise, others are less sensitive to the importance of designing dispute prevention strategies until they face a problem.

FW: What key piece of advice would you give to companies on effectively protecting

“PATENT LITIGATION IS EXPENSIVE, SO IT ONLY MAKES SENSE TO ENFORCE PATENT RIGHTS WHEN THE STAKES ARE HIGH ENOUGH TO DO SO.”

STANLEY M. GIBSON
Jeffer Mangels Butler & Mitchell LLP

their patents and enforcing their rights? What are the essential elements of an ongoing monitoring and detection process, for example?

Gibson: Companies should be prepared to protect their patents and enforce their rights in important product areas. Patent litigation is expensive, so it only makes sense to enforce patent rights when the stakes are high enough to do so. On the plaintiff side, you should do your due diligence long before you file suit. Is the aim financial in terms of a settlement or a verdict, or is an injunction what is really driving the lawsuit? Is there a threat of a 101 motion or an IPR? How will you defend against either? Do you have appropriate counsel and an expert available and at the ready? On the other hand, it is also important to monitor competitors' patents to see where they may be going with products, but also to make sure that your products are not under threat. If you see patents issued that are threatening key products or services, then you may want to consider either a design around or even a challenge through the USPTO, assuming you have the grounds, under the post grant review (PGR) procedure immediately after the patent issues or a third-party submission during the prosecution of the patent.

Heusch: Reasonable parties can always find a business solution. If both sides wholeheartedly engage in negotiations and really want to come to a solution, trying to understand the other side and meet their concerns, then there usually is a way. Litigation is expensive, binds internal and external resources, creates legal uncertainty, sometimes for years at a time, and may require both sides to build provisions. It is often worth giving it one more try before going down the litigation route.

Webb: Companies must do their due diligence. Keep a close eye on competitors' new products and issued patents. If litigation seems like it is coming down the road, they must dot their i's and cross their t's. If they feel they might be in the crosshairs, engage an outside lawyer to provide a freedom-to-operate opinion. If companies need to modify their products, they must involve their engineers as early as possible to understand the feasibility and cost of any workaround. Companies must also frontload their preparation because, when a lawsuit is filed, things move quickly. A company should also obtain cost projections for any litigation, offensive or defensive. The cost of litigation is an important input to any decision that you will need to make about whether and how to proceed in litigation. Most firms use sophisticated modelling to give a fairly

accurate projection of litigation cost and they are generally happy to provide a projection if companies ask. But ultimately, an ounce of prevention is worth a pound of cure. The more you prepare, the better the outcome you can obtain.

Devitt: Take the time to perform the due diligence on your case up front. Know the strengths and weakness of your patents, your damages and remedy theories, your best and worst documents, and have a clearly defined goal that you hope to achieve through litigation. And, just as importantly, be sure to obtain ‘buy in’ from the business units and management on the costs and budget for the litigation. As a patent plaintiff, the best day of your case is often the day you file it. Be ready for the bumps along the road, but do not panic. If you decide to file a patent case to protect some of your key patents, be committed to that effort – do not lose sight of the big picture because of a few setbacks along the way. Settling a patent litigation is a business judgment and that decision needs to be made based on the best information available at the time, recognising that things change over time.

Montefusco: Budgets are limited, and companies must prioritise their enforcement objectives. Defining a sensible

business-oriented strategy and having a clear plan to implement it helps in making the right decisions. Companies should take a holistic approach. They should ensure that every director and employee, and not only those in the IP department, are aware of the importance of their patent rights. Obviously, there should be a person or team in charge of coordinating the company’s efforts. In my experience, retaining the right competitive intelligence and market surveillance services also proves to be helpful, but being able to digest, understand and manage all the information and knowledge stemming from the marketplace still stands as one of the key aspects of any company’s monitoring activities.

Prange: Companies need to be vigilant to protect their rights, and vigilance starts with employee education, to ensure that employees are aware of the value of a company’s patents and the need to be aware in the marketplace of competitor activities. Without knowledge of the marketplace and activities of competitors, it is very difficult to actively protect patent rights into which a company has likely made a significant investment. This means that companies should consider regular employee education on being watchful and mindful of competitor activities, and to further invite employee reporting of marketplace

observations regarding competitor activity. This observation activity can be performed by a variety of individuals, including company sales professionals or individuals whose express role is to monitor for and investigate potential infringement.

Simmons: Patent owners should think strategically about the benefits of enforcing their patents against competitors and do their homework before filing suit. In most innovative industries, companies are seeking to patent their inventions to protect them, as well as to provide a means to counter-strike against potential litigation. As a result, an unwary plaintiff may see itself on the other side of the case caption when it did not anticipate that result. This makes early conversations with litigation counsel imperative to prepare the company for the possible eventualities of litigation. Likewise, clever patent owners pay close attention to their engineering and marketing teams, which may be the ‘canaries in the coal mine’ for the discovery of potential infringements.

FW: What are your predictions for patent dispute activity over the coming months? What types of disputes do you expect to dominate this space?

Simmons: We have been hearing for years that we are on the cusp of an explosion of patent litigation over artificial intelligence (AI) and machine learning technology. As much of the work involved in such innovations is conducted within a company without exposing it to competitors, the detection of such efforts may prove difficult. Nevertheless, as such innovations are increasingly touted in public, discussed at trade shows and conferences, and disclosed in patent applications, we may begin to see an uptick in disputes concerning these technologies.

Prange: Significant changes in patent dispute activity are often driven by significant legislative or regulatory changes to patent laws. For example, the passage of the AIA, portions of which took effect in September 2012, resulted in a significant spike of patent lawsuit filings because

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JOSEP MONTEFUSCO
Clifford Chance

of changes to the patent laws. Over the past several years, new bills aimed at further amending the patent laws have been introduced, but none have passed. Potentially, if a bill would pass, it may again result in an increase in filings before the effective date of the new act. From a subject matter perspective, computer and communications protocol technology and life sciences technology subject areas will likely continue to account for the majority of patent lawsuit filings. Both industries and technology segments continue to reflect significant innovation and product sales that make it attractive for a market participant to seek a limited monopoly to exclude others and gain market share.

Gibson: Patent filings are likely to rise as patent holders are becoming more emboldened by the differing decisions on *Alice*, and on some of the complications that have arisen within the IPR process. With section 101 challenges having less success, it is likely that more patents will be asserted in litigation and that fewer of those cases will be resolved on early motions to dismiss. With the pending legislation in the Senate and bipartisan support to reform patent eligibility, there likely will be additional litigation filed as well. In terms of the types of cases, patent cases vary widely but we expect the pharma industry will continue to see lots of litigation given the high stakes involved. We will probably also see additional cases focused on the wireless industry and will likely start to see patent litigation over new technology in that space, including 5G. We also will likely continue to see many medical device cases where section 101 challenges are nearly non-existent and the stakes can also be enormous.

Devitt: The news is filled with stories about emerging technologies and potential new economic sectors, including AI, blockchain, robotics, autonomous vehicles and the Internet of Things (IoT). And while those technology areas have become leading sectors for patent applications, disputes in these areas are not yet ripe, and may even still be a few years away. That said, as some of these technologies begin to take shape and converge, we expect to see more transactions, such as joint development and licensing opportunities, and potentially disputes will not be far behind. But in the near term, we believe the life sciences industry will continue to be the most dynamic sector for patent practices. Pharmaceutical patents continue to have significant value to their owners, and accordingly most of the commercially consequential patent litigations being fought today and in the near future will likely be in the life sciences space.

Montefusco: I do not expect a significant increase in patent dispute activity in Spain. In my view, healthcare and telecoms will remain the most active sectors. Disputes between innovators and generics biosimilars companies should be taken for granted. Likewise, an increase of disputes between innovator companies in relation to patents protecting biological drugs may be also expected. And, as we get closer to the 2020 edition of the Mobile World Congress in Barcelona, one may also see a peak in disputes concerning SEPs. Finally, it will be interesting to see how Spanish judges implement the new confidentiality-protection measures brought by the new law protecting trade secrets in patent disputes.

Webb: Patent law changes quickly, and much depends on what happens in the courts. IPRs and the Supreme Court's 2014 *Alice* decision are two major changes in the law that are generally regarded as causing the overall decline in new patent cases. But there has been recent pushback on both of those. For instance, a recent Supreme Court decision, *SAS Institute v. Iancu*, made it a little bit harder to challenge patents through IPRs. And the Federal Circuit recently held, in *Berkheimer v. HP Inc.*, that questions of fact may underlie patent eligibility determinations, which should make it harder to invalidate patents on summary judgment. *Berkheimer* is up on certiorari at the Supreme Court, so it will be interesting to see whether the Court decides to hear it. Through the first quarter of this year, new patent suit filings were actually fairly steady compared to last year. So we could see patent litigation turning around again and the number of cases filed at least levelling off rather than continuing to decline.

Heusch: After the ECJ's *Huawei v. ZTE* decision, there were a lot of open questions regarding how exactly to apply this judgment. In particular, the ECJ decision was only on when injunctions on SEPs were available, but it did not say anything on what is actually FRAND. We are now seeing more court decisions elaborating on this and giving us more legal certainty. Ideally, this could one day make litigation unnecessary. If the outcome is fairly predictable, it is not worth fighting. We believe that we are heading in a good direction. ■

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