

THE CHANGING GLOBAL LANDSCAPE REQUIRES FLEXIBILITY AND CREATIVITY IN UNITED STATES PATENT ENFORCEMENT

Kenneth R Adamo, David M Maiorana and Susan M Gerber, Jones Day

The US patent system is one component in the exploitation and enforcement of intellectual property rights. The US cannot be viewed in isolation from the rest of world, however. When it comes to intellectual property in today's global economy, more and more US patentees seek and obtain foreign counterpart patents to protect their ideas. The effectiveness of both foreign and domestic patent systems, therefore, can have a great impact on the value and enforcement of US patents.

THE US SUPREME COURT HAS TAKEN A KEEN INTEREST IN THE US PATENT SYSTEM

The US Supreme Court (the Court), apparently recognising the importance of clear application of the patent laws in the US, has taken up patent case review with increasing frequency in recent years. The US Court of Appeals for the Federal Circuit (Federal Circuit), was created to provide that clarity; when it has become obvious that the judges of the Federal Circuit were irreconcilably divided on key issues, the Court has stepped in to resolve them.

For example, in *Markman*, the Court unanimously put the issue of claim construction to rest, holding that claim construction is a matter of law for the judge (and not the jury) to decide. At about the same time, the Court reversed the Federal Circuit's en banc *Hilton Davis* decision, affirming the continued viability of the doctrine of equivalents and defining the parameters for applying the doctrine. Just five years later, in *Festo*, the Court again took up the issue of the doctrine of equivalents, holding that narrowing amendments made for a substantial reason related to patentability give rise to a rebuttable presumption that prosecution history estoppel bars application of the doctrine.

The Court has stepped up its review of patent cases even more since 2002. Just this past term, the Court handed down three decisions in patent cases: *ITW v Independent*

Ink (lack of per se market power in patent); *eBay v Merc Exchange* (availability of permanent injunctive relief); and *Unitherm Food Sys Inc v Swift-Eckrich Inc* (requirement to move for new trial or judgment as a matter of law to preserve right to appellate review).

In the current term, the Court has accepted three additional patent cases. In *MedImmune Inc v Genentech Inc* the Court decided that the actual controversy requirement of the Declaratory Judgment Act does not require a patent licensee to

evidences the Court's recognition of the need for clarity to guide the exploitation and enforcement of US patent rights.

IN TODAY'S PATENT LAW CLIMATE, PATENTEES MUST THINK GLOBALLY AND FLEXIBLY WHEN ENFORCING THEIR UNITED STATES PATENT RIGHTS

Patentees must think globally and flexibly when enforcing their US patent rights. When enforcing US patents, the days of filing a patent infringement complaint in a district court and waiting three or more years for the inevitable permanent injunction are over. By the time some district court cases reach resolution, the technology at issue may be obsolete. Further, the Court recently eliminated the so-called "automatic" injunction in its *eBay* decision. Alternatives to the traditional US patent enforcement route have evolved to avoid these drawbacks. For international companies, especially those who file for counterparts to their US patents, worldwide enforcement of their patent portfolios and avoiding piecemeal litigation is becoming more important. The legal systems, both domestically and internationally, have responded to the changing times and more changes are not far out on the horizon.

Owners of US patents should always consider the US International Trade Commission when contemplating patent enforcement

Although it is not a new forum, the US International Trade Commission (ITC) can provide a very fast remedy for patent infringement, including an order excluding the infringing products from entering the US. Under section 337 of the Tariff Act of 1930 (section 337), a company that imports goods into the US, or sells goods for importation, can be named as a respondent in an ITC investigation. The ITC makes its violation determinations under section 337 at the "earliest practicable time", which typically means 12 to 14 months from institution of the investigation. In addition, because jurisdiction is *in rem* (deriving from

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refuse to pay royalties and breach the license agreement before bringing a declaratory judgment action. In *KSR International Co v Teleflex Inc* the Court will consider whether an alleged invention satisfies the statutory requisite of non-obviousness when the prior art discloses the separate components of the patented combination. Most recently, the Court took up the case of *Microsoft v AT&T*, to consider whether 35 USC section 271(f) reaches activity occurring outside the US.

This close marking of patent issues

the imported articles and not the presence of the parties or the performance of unfair acts within the forum), respondents may not claim lack of personal jurisdiction as a defense in a section 337 investigation.

A patentee must establish certain prerequisites before the ITC will institute a section 337 investigation: (1) infringement of a patent or an injury to a domestic industry; (2) an importation, sale for importation or sale after importation of the accused product; and (3) a domestic industry. For cases involving patent infringement, the complainant must establish that a domestic industry *related to the patent* exists in the US or is in the process of being established. The burden of proving the domestic industry requirement is the most common reason why patent owners choose not to seek relief in the ITC.

Further, the remedies available in the ITC do not include monetary damages. If the ITC finds a violation of the statute, it can issue an exclusion order (which applies to goods imported post-determination) and/or a cease and desist order (which reaches goods imported earlier and held in inventory). While exclusion orders bar importation of the infringing goods, cease and desist orders apply only to actions or conduct inside the US.

Nonetheless, the ITC provides a forum that responds quickly and, upon finding that the accused products infringe a valid US patent, stops importation of those products to avoid continuing harm to the patent owner.

A patentee should consider enforcement of foreign counterparts to US patents in European proceedings

In addition to enforcing its patents in the US, a patentee that owns counterpart (or related) foreign patents should consider whether parallel litigation in Europe would be advantageous. Enforcement in some European jurisdictions can be quite fast compared to traditional US actions, but each jurisdiction has its limitations, particularly when it comes to pre-trial discovery. The prospect of a single EU-based patent infringement court in accordance with the European Patent Litigation Agreement (EPLA) well-fits these considerations.

The EPLA would establish a centralised patent court in Europe

On 4 November 2006, a diverse group of European judges signed a resolution setting forth the guidelines for a centralised patent court in Europe. It appears that with this significant step forward, a single patent court is closer to becoming reality: some estimate it may be only two years. Under the EPLA, a US patent owner potentially will be able to enforce one or all of its European counterparts in one proceeding in one court.

Until the new centralised court becomes a reality, there are currently fast-track patent infringement proceedings in certain European countries.

UNITED KINGDOM

In the UK, the courts created a streamlined patent infringement procedure in response to complaints that UK patent litigation was too expensive and too slow. There, either

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party can ask the court to use the streamlined procedure. Based on the complexity of the case, its monetary value, as well as the financial positions of the parties, the court may allow use of the procedure.

Under the procedure, trials commence within six months of filing, generally last about a day, and are heard by specialist patent judges. The primary disadvantage to using the streamlined procedure is the general unavailability of disclosure (the UK equivalent to US discovery) or experiments

to prove the case, and all evidence is presented to the court in writing (although the court has discretion to modify the procedure). On balance, the forum provides a very fast and relatively inexpensive procedure for litigating infringement of UK patents including US counterparts.

GERMANY

Germany is also a relatively fast jurisdiction for pursuing patent infringement claims, with decisions in an infringement action typically issuing within nine to 12 months. As in the UK, German patent cases are heard by specialist patent judges.

Unlike in the US and the UK, however, infringement and validity are not determined in a single proceeding. A party accused of infringement cannot raise invalidity as a defence in a German infringement action. Usually, an accused infringer files a separate nullity action to challenge validity, which is litigated in parallel with the infringement action or, in some cases, the infringement action can be stayed pending the validity determination.

As with the streamlined UK procedure, a disadvantage to litigating in Germany is the lack of pre-trial discovery.

Obtaining US discovery to assist foreign litigation

When evidence can be found in the US, there is a mechanism by which a patentee can gather that evidence for use in a UK or German patent infringement proceeding (or in any other foreign country). That mechanism is provided by 28 USC section 1782 (section 1782), which blends the power of the US and foreign legal systems in the resolution of disputes, and is a powerful tool for gathering evidence *found in the US* for use in *foreign* legal proceedings. By using section 1782, a party to foreign litigation can gather evidence and testimony in the US, thus potentially overcoming the lack of pre-trial discovery in some non-US tribunals.

The statutory prerequisites for invoking section 1782 include: (1) the person or information must reside or be found in the judicial district where the petition is filed; (2) the petitioner must be "an interested person;" and (3) the discovery must be sought for use in a foreign proceeding. Importantly, there is no requirement under section 1782

that the discovery could have been obtained under the laws of the foreign jurisdiction.

One limit on the usefulness of section 1782 is the time it takes to litigate a petition. It may take several months from the time a section 1782 petition is filed until the information can be used. If foreign proceedings have short and/or unmoveable deadlines, this may be too long for it to assist the petitioner. Yet, the use of section 1782 in conjunction with the expedited procedures such as in Germany and the UK may provide a quick remedy for patent infringement. See also *33 AIPLA QJ 337* (Fall, 2005).

A patentee may be able to enforce non-US patents in US district court infringement proceedings

Just as the creation of a single European patent infringement court may avoid piecemeal enforcement of patents in Europe, a case pending before the Federal Circuit has again brought to the forefront the question of whether a US district court has jurisdiction to hear a party's claims of infringement of non-US patents. If the Federal Circuit

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affirms the decision of the district court in *Voda v Cordis Corp*, an owner of US patents having foreign counterparts may be able to enforce some or all of its international patent portfolio in a single infringement action – in the United States.

The district court in *Voda* allowed the patentee to assert claims for infringement of five foreign patents, invoking supplemental jurisdiction based on 28 USC section 1367.

The Federal Circuit agreed to hear the accused infringer's interlocutory appeal of the district court's decision because, according to the Federal Circuit, there is a "paucity of law surrounding this issue". It is unlikely, however, that the court will import EPLA-like procedures into the US, so enforcement of multiple European national patents would still be necessary. Should the Federal Circuit affirm the district court's exercise of jurisdiction to adjudicate foreign patent rights, owners of non-US patents may have another weapon in their arsenal to fight patent infringement.

The global patent system is evolving. Patentees today have more options than ever before to enforce their global patent rights expeditiously and efficiently. Inventors, patent owners, and patent lawyers should keep careful watch over this changing landscape.

This article reflects the authors' views, which are not necessarily those of the firm or its clients.