



**CHINA IP ROAD SHOW 2019  
ENFORCING IP RIGHTS IN THE U.S.-  
FEDERAL CIVIL IP LITIGATION**

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# Civil Enforcement of IP in the U.S.

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## I. U.S. Courts

- Federal Courts
- State Courts

## II. U.S. Administrative Bodies

- U.S. Patent and Trademark Office (USPTO)
  - Patent Trial and Appeal Board (PTAB)
  - Trademark Trial and Appeal Board (TTAB)
- U.S. International Trade Commission (USITC)
- U.S. Customs and Border Protection (CBP)



# What U.S. Courts Can You Use?

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- **Federal Courts**

- Patents and Copyrights have Exclusive Jurisdiction
- Trademarks have Original Jurisdiction
- Diversity Jurisdiction: Citizens of different states or countries AND a monetary value of at least \$75,000

- **State Courts-** unless diversity or Federal law violated

- Trademark cases may be heard
- Contracts
- Product liability
- Trade secrets



# Example of Federal Law Exception

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- **Defend Trade Secrets Act of 2016 (DTSA)**
  - Before DTSA, companies seeking remedy for trade-secret misappropriation had to sue in state court absent diversity jurisdiction or independent federal COA
  - State laws protecting against trade-secret misappropriation differs from state to state
  - Different definition of “trade secret”, different statutes of limitations, and different remedies for trade-secret misappropriation



# Defend Trade Secrets Act of 2016 (DTSA)

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- DTSA provides a uniform law applied in federal court
- DTSA does not preempt existing state trade-secret laws-may be coupled with state law
- Remedies include Civil Seizure prior to finding of misappropriation
  - ex parte application trade-secret owner, court may “issue an order providing for the seizure of property necessary to prevent the propagation or dissemination of the trade secret that is the subject of the action”
  - Showing needed of an immediate and irreparable injury



# Federal Courts

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- **District (Trial) Courts**
  - Organized by state
  - Can be more than one district in a state
- **Circuit Courts of Appeal**
  - Right to appeal District Court decisions
  - Usually three judges hear appeal
  - All patent cases go to Court of Appeals for the Federal Circuit
- **U.S. Supreme Court**
  - Decides what appeals it will hear
  - Law of the land



# Patent Litigation Process (Generally)

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- Complaint / Answer and Counterclaim
  - ≡ Selection of trial court
  - ≡ Fights over jurisdiction (transfer or dismiss)
  - ≡ Declaratory Judgment
    - Accused infringer can sue first
    - Strategic value to accused infringer
  - ≡ Deliver (serve) Complaint to adversary



# Patent Litigation Process (Generally)

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- Preliminaries
  - ≡ Exchange of initial documents and identification of key persons
  - ≡ Protective Order to maintain confidentiality
  - ≡ First meeting with judge
  - ≡ Potential settlement exploration
  - ≡ Initial timetable for case





# Patent Litigation Process (Generally)

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- Discovery

- ⌘ Ask and answer written questions about case under oath

- ⌘ Ask for, obtain and review internal documents of opposing party (including electronic documents)

- ⌘ Depositions – sworn testimony given to opposing party's attorney

- ⌘ Periodic conferences and hearings with judge

- ⌘ Expert witnesses and reports – technical, legal and financial



# Patent Litigation Process (Generally)

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- Discovery Documents
  - All documents reasonably calculated to lead to admissible evidence
  - Financial documents including those showing net and gross profit
    - From patentee
    - From accused infringer
  - Electronic documents including e-mails
    - Check hard drive
  - Litigation hold letter (reasonable anticipation of litigation)



# Patent Litigation Process (Generally)

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- *Markman* Hearing
  - ⌘ Decide on claim terms in dispute
  - ⌘ Exchange proposed definitions of claim terms
  - ⌘ Submit written arguments and rebuttal arguments to Court
  - ⌘ Court hearing
  - ⌘ Written decision by judge
- Post-*Markman* case analysis
  - ⌘ Review case strength following judge's decision
  - ⌘ Settlement discussions
  - ⌘ Summary Judgment motions



# Patent Litigation Process (Generally)

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- Trial

- ≡ Prepare exhibits, explanations, witnesses for trial

- ≡ Jury demographics

- Jury selection expert

- ≡ Pre-trial hearings and motions

- ≡ Trial

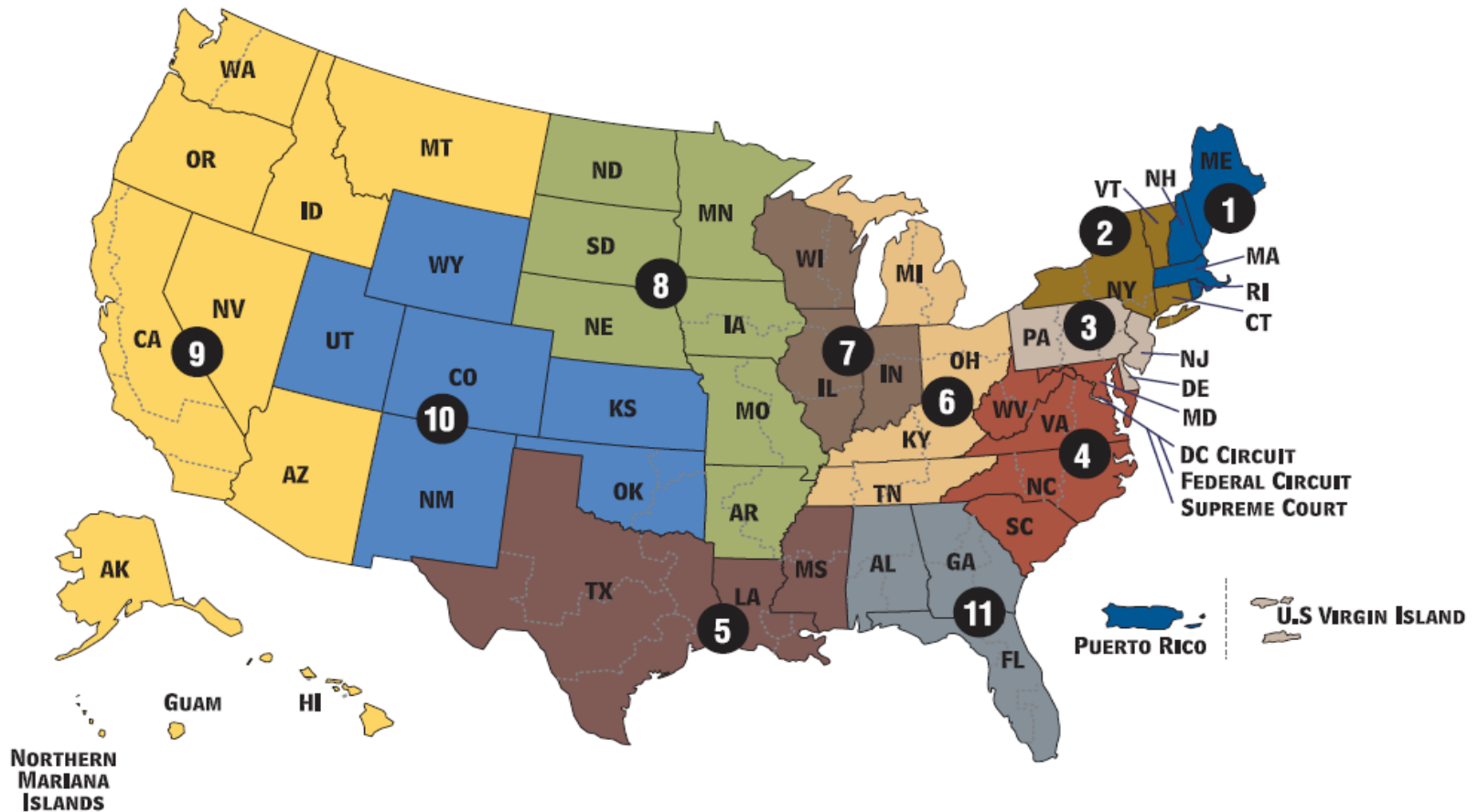
- ≡ Post-trial motions

- ≡ Appeal

# Circuit Court Map-Where to File?

## Geographic Boundaries

of United States Courts of Appeals and United States District Courts





# Top 10 Districts Courts for Patent Litigation 1998-2017

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1. Delaware

2. Texas eastern

3. California Northern

**4. New Jersey**

5. California Central

6. Illinois Northern

7. New York Southern

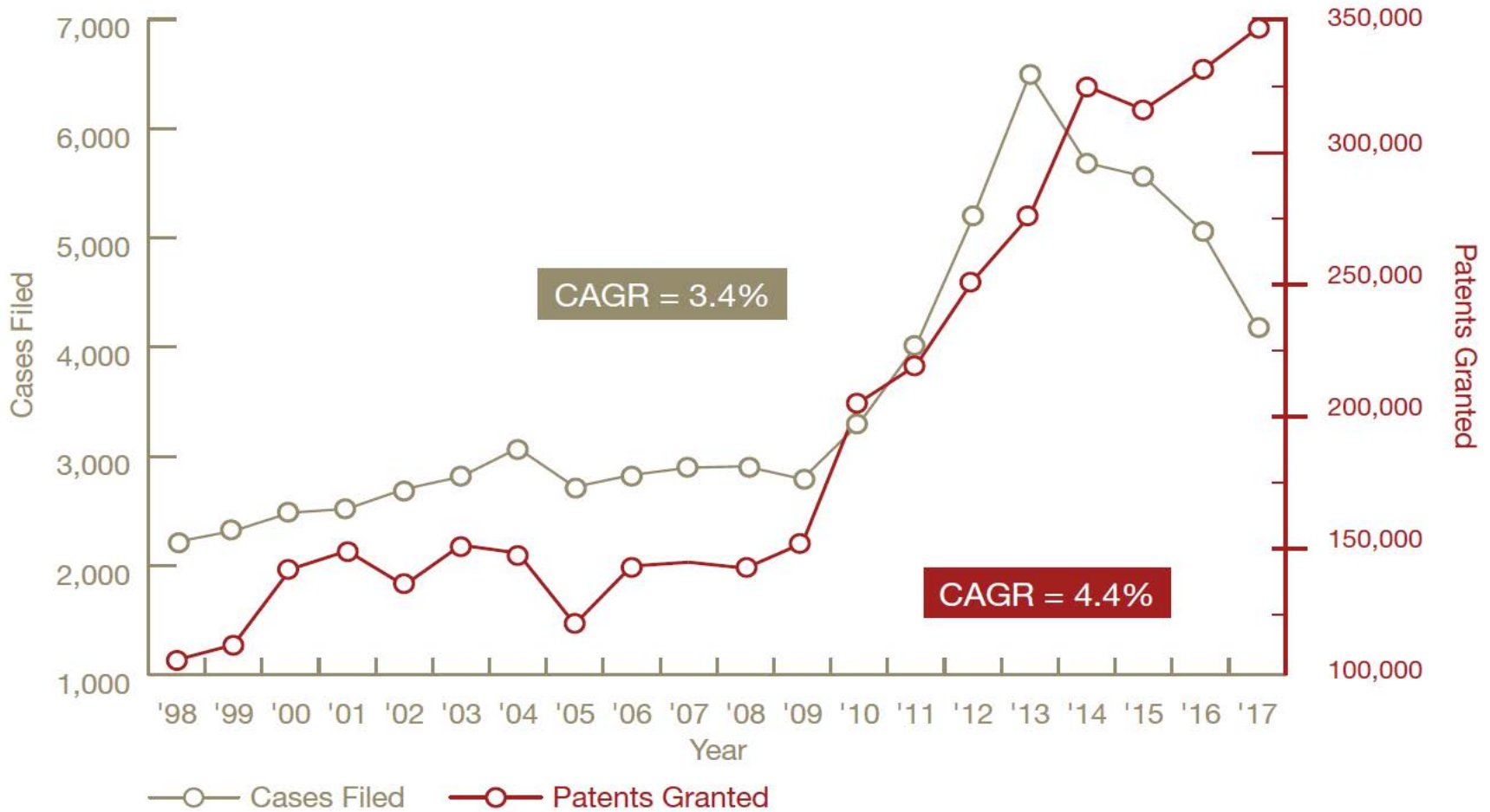
8. Massachusetts

9. Florida Middle

10. Virginia Eastern

Source: 2018 PWC Patent Litigation Study

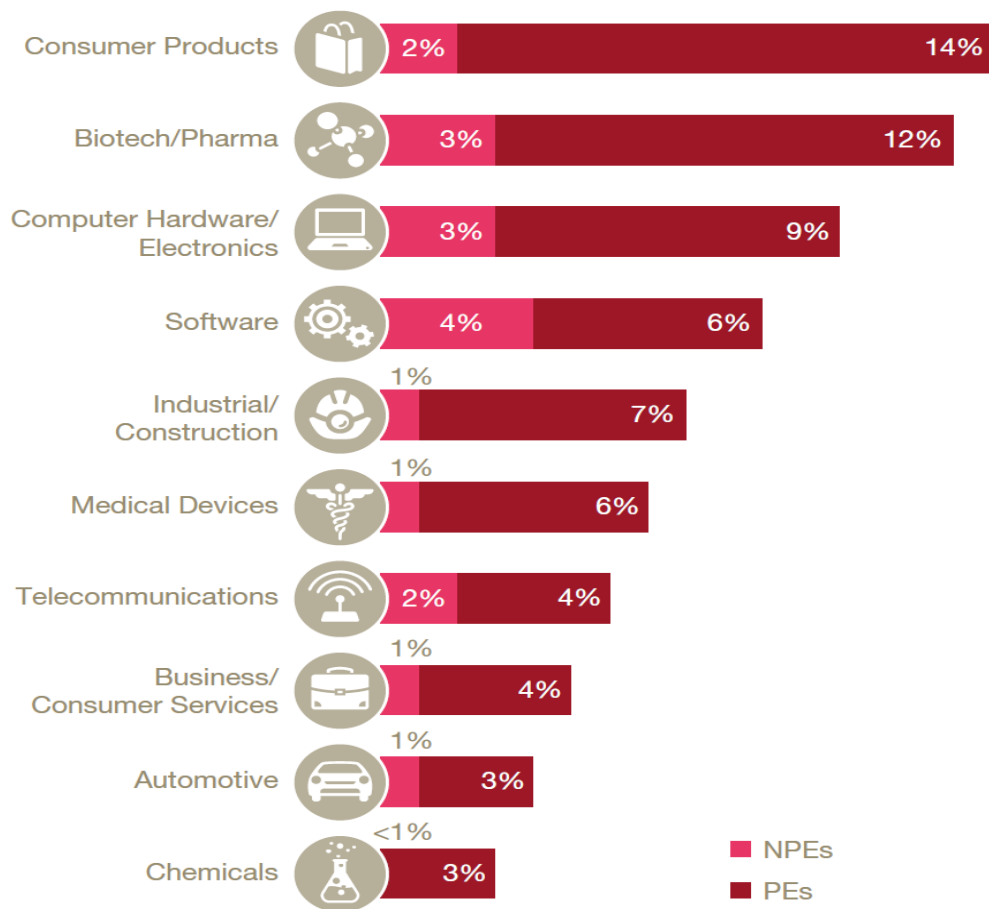
# U.S. Patent Litigation Filings and U.S. Patent Grants



PWC 2018 Patent Litigation Study

# Who is Filing U.S. Patent Cases?

Consumer Products and Biotech/Pharma hold the top spots as most active industries for patent infringement litigation. NPE concentration is highest in the Software industry.

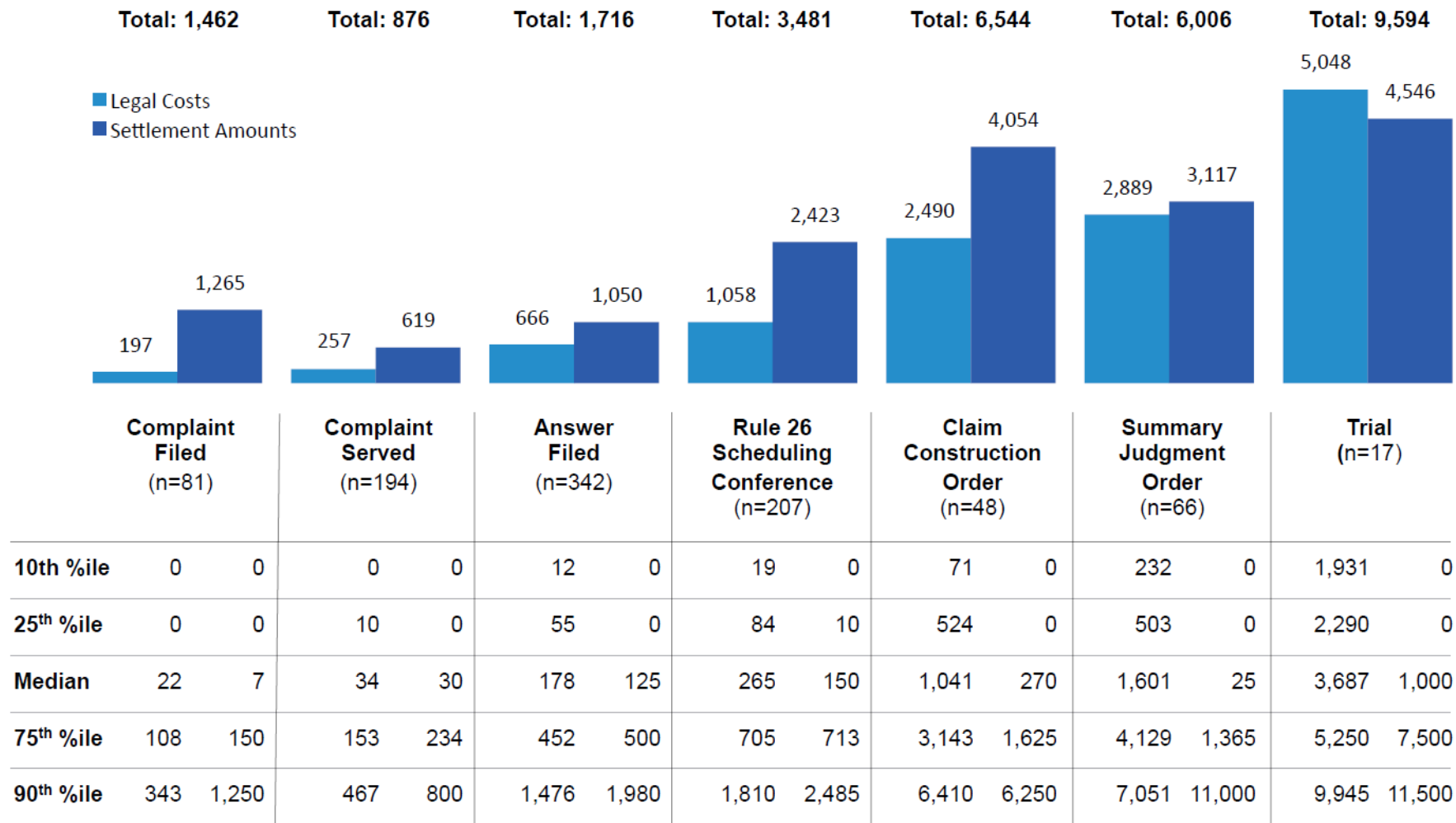


Source: 2018 PWC Patent Litigation Study



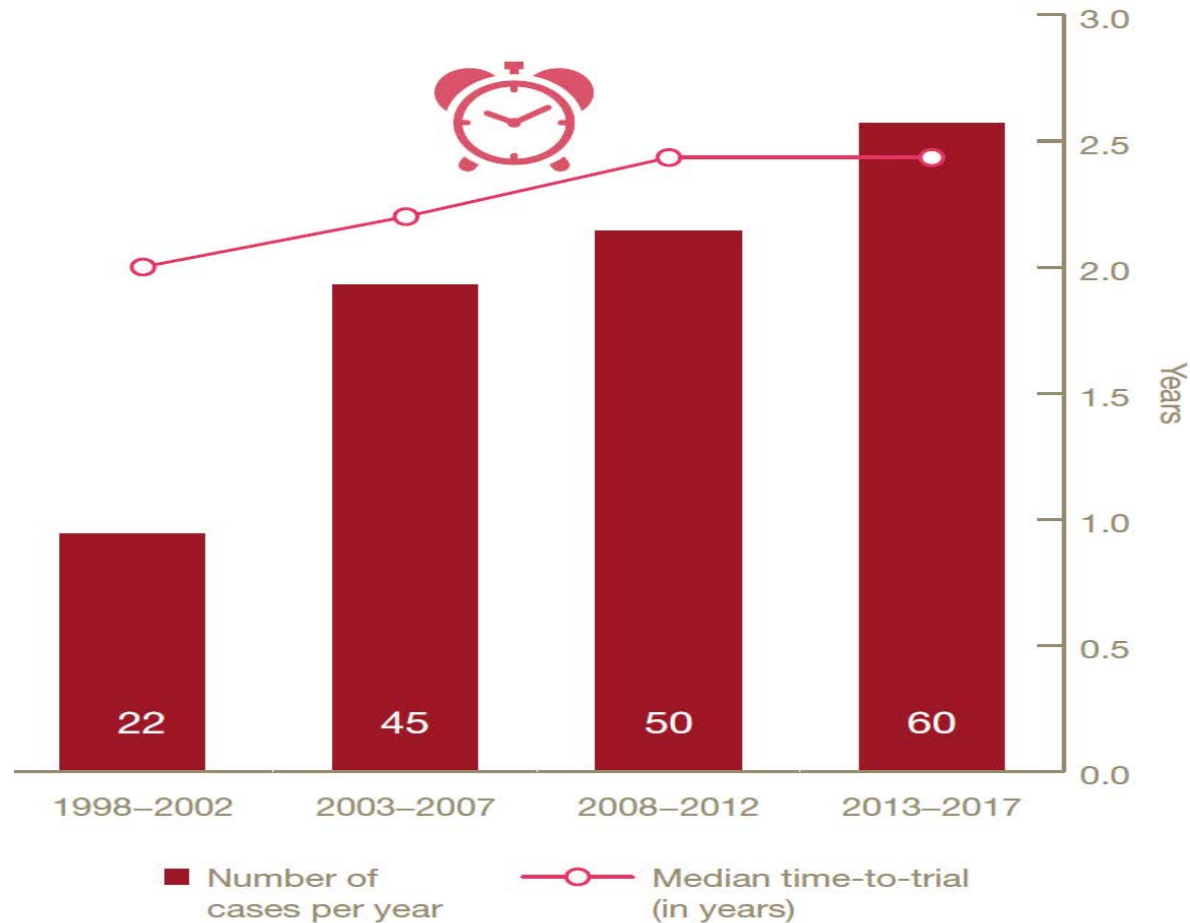
# U.S. Patent Litigation Cost (NPE)

Average Costs When Litigation Ends at a Given Event (\$000s)



Source 2015 RPX Corporation

# Median Time to U.S. District Court Trial

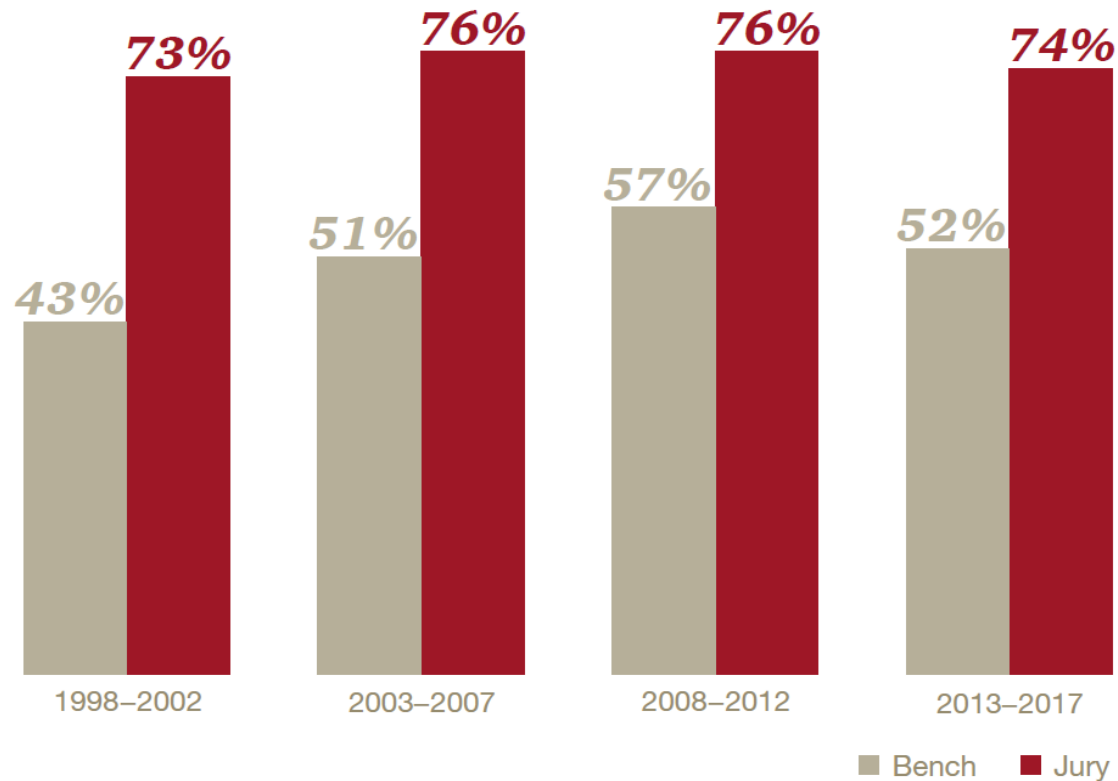


The number of identified decisions is indicated within the respective column.

• Source 2018 PWC Patent Litigation Study

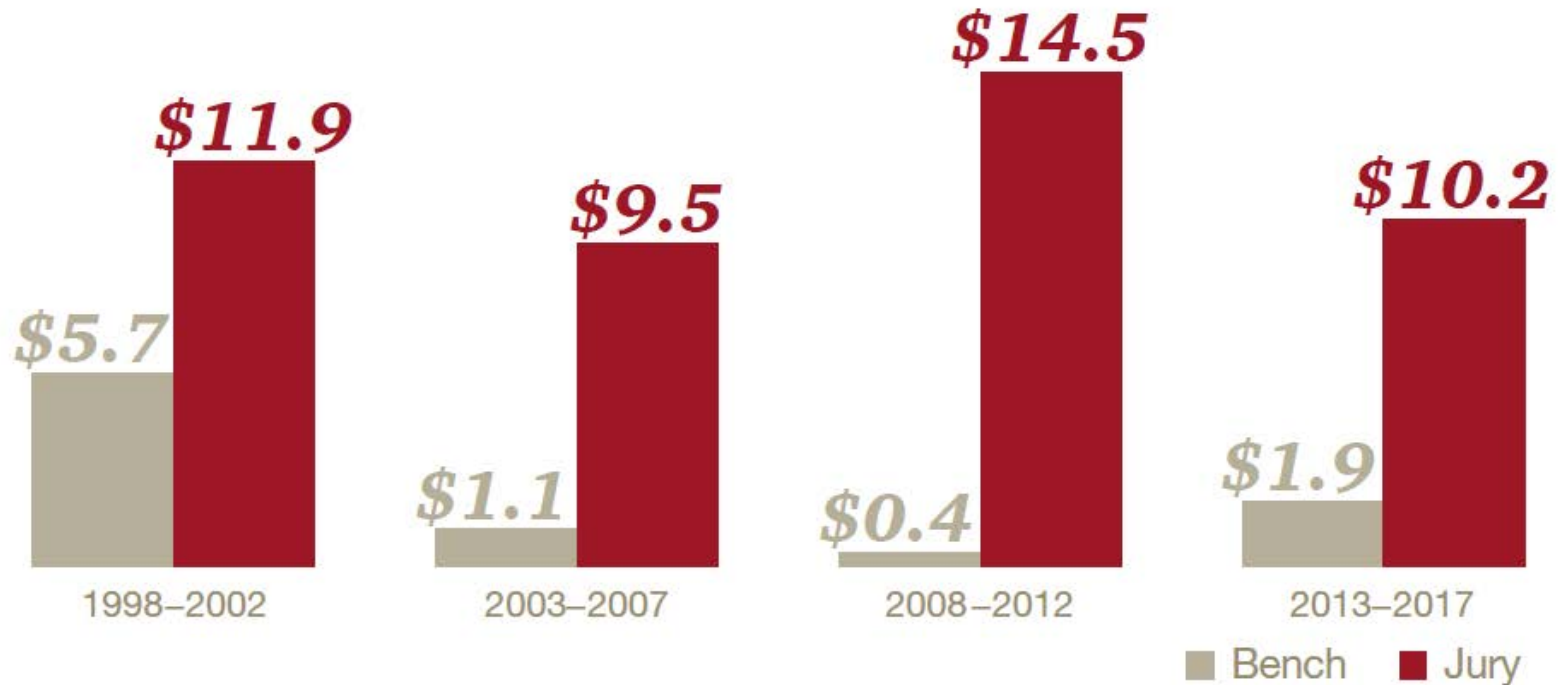
# U.S. Patent Trial Success Rates

Over the last 20 years, patent holders have enjoyed much higher trial success rates with juries than with the bench.



• Source 2018 PWC Patent Litigation Study

# Bench v. Jury Trial-Median Damage Award



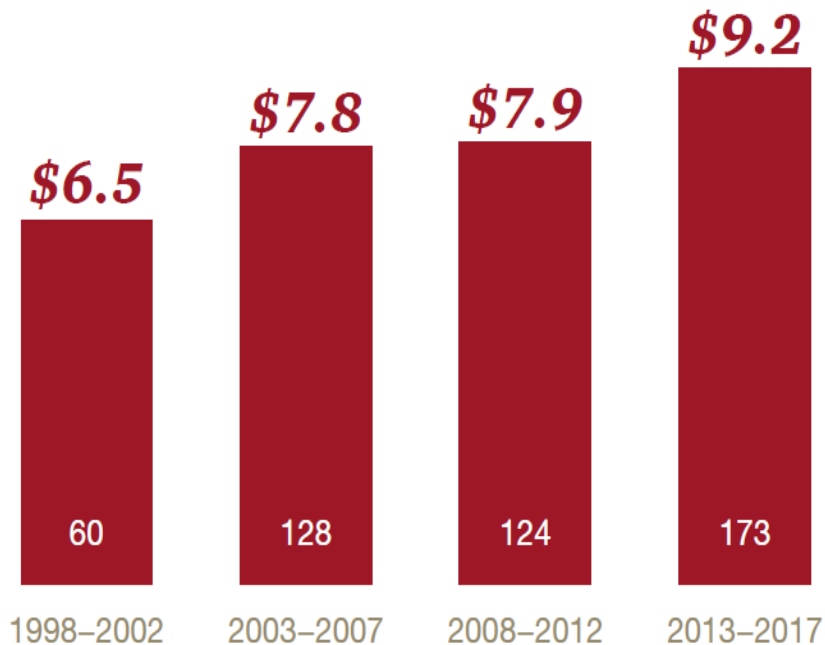
From 2013-2017: 77% of cases decided by juries

Source: 2018 PWC Patent Litigation Study

# U.S. Patent Damages

Median damages have been trending upward for the last 20 years when summary and default judgments are excluded.

However, the 2017 median damages award increased to \$10.2 million, up from \$6.1 million in 2016.



The number of identified decisions is indicated within the respective column.

Source: PWC 2018 Patent Litigation Study

# Patent Holder Success Rate 1998-2017

After the Supreme Court's *TC Heartland* decision, a continued shift to Delaware as the most popular venue for patent litigation should not be surprising. It will be interesting to see how the shift to Delaware continues to impact these metrics over the coming years.

Overall rank	District	Case Count	Rank	Overall success rate	Rank	Median damages award	Rank	Median time-to-trial (in years)	Rank
1	Delaware	241	1	41%	5	\$15,332,276	3	2.1	6
2	Texas Eastern	184	2	54%	2	\$11,932,921	4	2.2	8
3	New Jersey	81	4	48%	4	\$11,048,463	5	2.7	12
4	Virginia Eastern	36	10	22%	13	\$26,366,936	2	1.0	1
5	Florida Middle	37	9	49%	3	\$369,863	14	1.9	3
6	Wisconsin Western	29	13	31%	8	\$9,996,534	8	1.4	2
7	California Southern	34	11	32%	7	\$1,676,460	12	1.9	4
8	Texas Southern	30	12	17%	14	\$108,123,900	1	2.1	7
9	Florida Southern	27	14	37%	6	\$3,149,243	11	2.0	5
10	Texas Northern	20	15	55%	1	\$8,117,824	9	2.5	11
11	California Northern	163	3	28%	10	\$4,591,222	10	2.7	13
12	California Central	80	5	28%	11	\$809,244	13	2.3	9
13	Massachusetts	43	8	30%	9	\$10,210,071	7	3.5	14
14	Illinois Northern	76	6	16%	15	\$10,563,047	6	4.0	15
15	New York Southern	69	7	25%	12	\$327,666	15	2.4	10
	All identified decisions	1,634		37%		\$5,647,065		2.4	

The rankings for these courts are based on their relative ranking for each of the four statistical measures, equally weighted.

- Source 2019 PWC Patent Litigation Study



# Top Ten U.S. Patent Damages 1998-2017

*Idenix (Merck) v. Gilead* remains the largest initial damages award, although it was reversed by the District Court in February 2018. No awards in 2017 breached the top ten.

Year	Plaintiff	Defendant	Technology	Award (in \$M)
2016	Idenix Pharmaceuticals	Gilead Sciences Inc.	Hepatitis C drugs	\$2,540
2009	Centocor Ortho Biotech Inc.	Abbott Laboratories	Arthritis drugs	\$1,673
2007	Lucent Technologies Inc.	Microsoft Corp.	MP3 technology	\$1,538
2012	Carnegie Mellon University	Marvell Technology Group	Noise reduction on circuits for disk drives	\$1,169
2012	Apple Inc.	Samsung Electronics Co.	Smartphone software	\$1,049
2012	Monsanto Company	E.I. Du Pont De Nemours and Co.	Genetically modified soybean seeds	\$1,000
2005	Cordis Corp.	Medtronic Vascular, Inc.	Vascular stents	\$595
2015	Smartflash LLC	Apple Inc.	Media storage	\$533
2004	Eolas Technologies Inc.	Microsoft Corp.	Internet browser	\$521
2011	Bruce N. Saffran M.D.	Johnson & Johnson	Drug-eluting stents	\$482

Source 2018 PWC Patent Litigation Survey

# The Appeal of Appeals-Overturn Rate

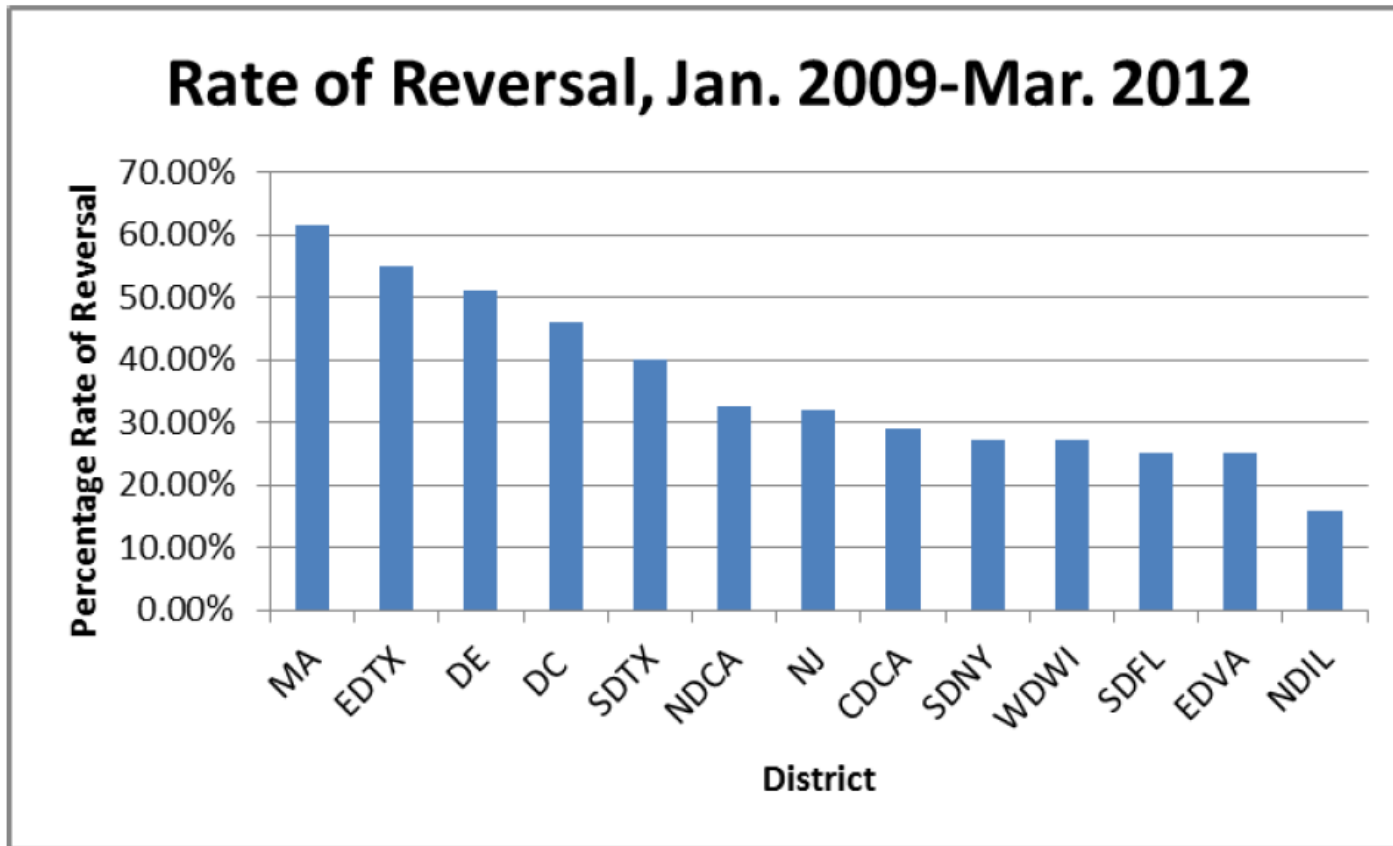


Fig. 3. Rate of reversal on appeal for each district court for cases decided between January 2009 and March 2012, showing the districts with ten or more cases.



# The Appeal of Appeals-Overturn Rate

## Circuit Court Reversal

Court	Total Cases	Reversed	Vacated	Affirmed	R & V Rate
First	21	9	1	11	47.62%
Second	55	30	5	20	63.64%
Third	33	16	6	11	66.67%
Fourth	40	14	10	16	60.00%
Fifth	59	31	12	16	72.88%
Sixth	55	38	8	9	83.64%
Seventh	39	14	10	15	61.54%
Eighth	34	22	5	7	79.41%
Ninth	160	106	24	30	81.25%
Tenth	28	11	6	11	60.71%
Eleventh	48	25	10	13	72.92%
D.C.	31	14	6	11	64.52%
Federal	40	21	7	12	70.00%
All Circuits	641	350	110	181	71.76%
All Merits Cases	740	414	123	203	72.57%
Circuit Median	40				66.67%

**TABLE 2:** OT 2006–2015: Reversal Rate on Merits Cases by Circuit<sup>24</sup>

Source: 2016 Chicago-Kent Journal of IP, Vol. 16, Issue1



# U.S. Customs and Border Protection

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U.S. Customs and Border Protection (CBP) targets and seizes imports of counterfeit and pirated goods, and enforces exclusion orders on patent-infringing and other intellectual property rights (IPR) violated goods.



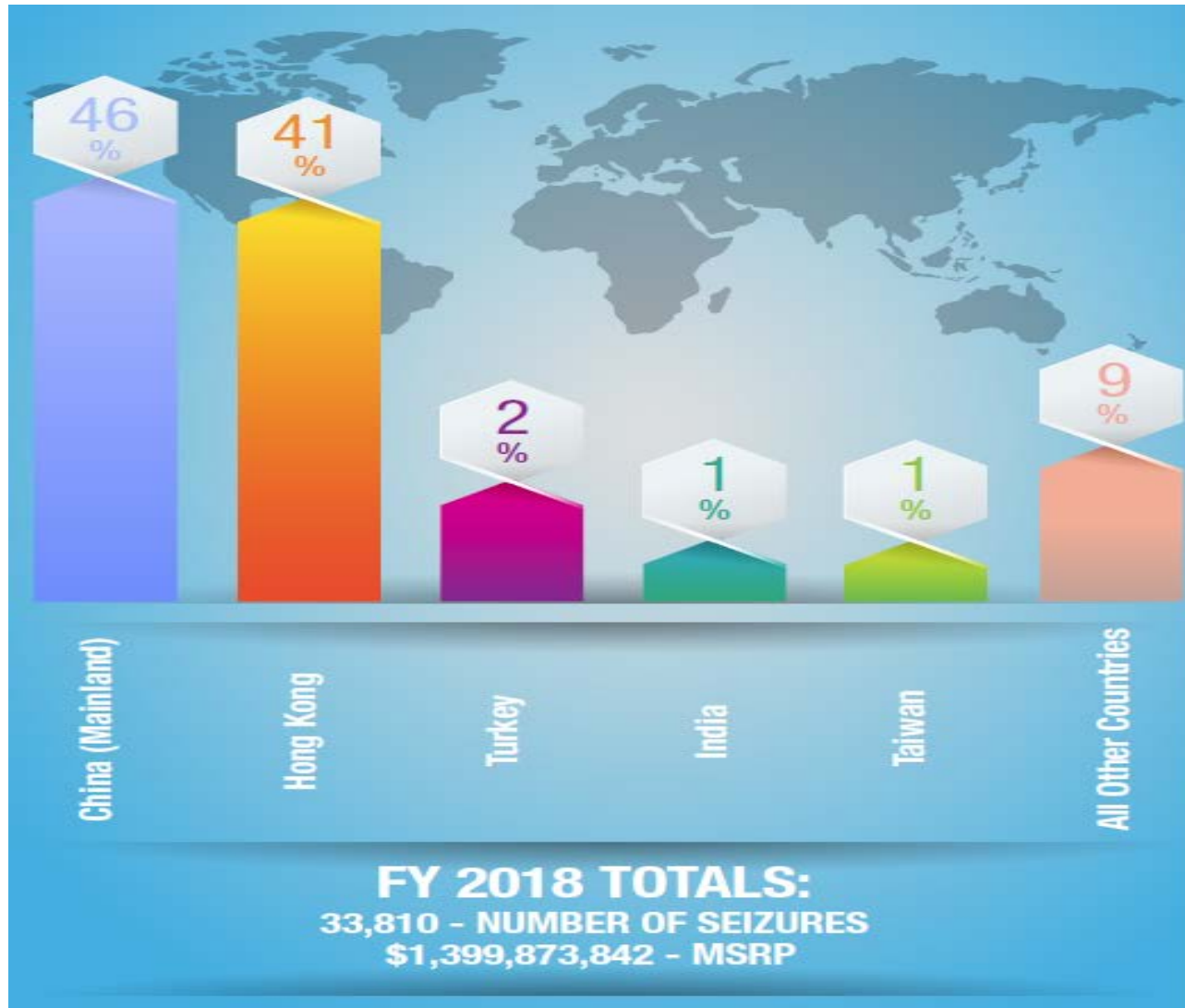
# U.S. Customs and Border Protection

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- Seizure of unauthorized goods
- Exclusion Orders from ITC
- Register IP for Products protected by IP
  - IPRR-Intellectual Property Rights e-Recordation trademark and copyrights <https://iprr.cbp.gov>
- CBP E-Commerce Division - The IPR & E-Commerce Division (IPR Division) coordinates with rights holders, members of the trade community, CBP staff, other federal agencies, and foreign governments in developing and implementing the agency's IPR strategy, policy and programs.

# FISCAL YEAR 2018 IPR

## SEIZURE STATISTICS BY NUMBER OF SEIZURES



Source: U.S. Customs and Border Protection 2018 Statistics

# TOP PRODUCTS SEIZED BY NUMBER OF SEIZURES 2018



ALL OTHERS 15%

Source: U.S. Customs and Border  
Protection 2018 Statistics

# Total IPR Seizures 2018 in USD

FY 2018		
Centers	MSRP	% of Total MSRP
Consumer Products & Mass Merchandising	\$1,037,183,325.61	74%
Apparel, Footwear & Textiles	\$192,996,006.67	14%
Electronics	\$121,609,129.95	9%
Automotive & Aerospace	\$14,638,119.41	1%
Machinery	\$11,475,793.21	1%
Pharmaceuticals, Health & Chemicals	\$8,896,989.09	1%
Base Metals	\$7,544,135.00	1%
Agriculture & Prepared Products	\$4,578,950.61	0.3%
Industrial & Manufacturing Materials	\$951,392.73	0.1%
<b>Total FY 2018 MSRP</b>	<b>\$ 1,399,873,842</b>	

Source: U.S. Customs and Border Protection 2018 Statistics



# International Trade Commission

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- ITC U.S. International Trade Commission (USITC) is entrusted with the enforcement of patents at the border.



# International Trade Commission

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In the ITC, Companies can defend against a charge of patent infringement:

- Without facing a jury that may favor patent owners
- Is generally a speedy and less expensive proceeding which results in a quick decision within 12 months
- With no risk of a damage award





# U.S. Patent and Trademark Office(USPTO)

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U.S. Patent and Trademark Office (USPTO) is the administrative body entrusted with examining and issuing patents and trademarks.

- Patent Trial and Appeal Board (PTAB), it also presides over *inter partes* (IPR) post-grant proceedings where a party can challenge another party's patent.
- Trademark Trial and Appeal Board (TTAB) is an administrative board that hears and decides adversary proceedings between two parties, namely, oppositions (party opposes a mark after publication in the Official Gazette ) and cancellations (party seeks to cancel an existing registration).



# Inter Partes Review (IPR)

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- IPRs may be filed during a patent litigation (within 1 year of filing complaint)
- Used to attack patentability and scope of patent
- Generally less costly than patent litigation (\$100K-\$500K depending on what stage is reached)
- Less time consuming than patent litigation-
  - USPTO will take up to 6 months to decide whether or not to grant the IPR petition. If granted, the IPR proceeding will conclude in one year from the institution decision.



# Thank you

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# Questions?

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