

National Patent Litigation—United States

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I. Available Reliefs

A patent owner may be able to obtain monetary damages¹ (primarily calculated as a reasonable royalty or lost profits), pre-judgment and post-judgment interest, certain costs,² and injunctive relief. A reasonable royalty is calculated based upon the application of a set of factors first set forth in *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1119-20 (S.D.N.Y. 1970). If the court finds that the case is exceptional, the court may award enhanced damages up to three times the amount of damages proven³ and attorneys' fees.⁴

Entry of injunctive relief is not automatic, but requires that the patent owner prove that it has suffered irreparable harm, that money damages cannot compensate it for the injury, that the balance of hardships favors entry of an injunction, and that the public interest does not weigh against entry of an injunction.⁵ As set forth in greater detail below, a patent owner may also obtain a preliminary injunction early in the case proceedings to prevent infringement while the case is moving forward.

II. Fact Finding and Preservation of Evidence

1. Prior to Litigation

Fact Finding

Rule 11 of the U.S. Federal Rules of Civil Procedure governs a party's duty to form a reasonable basis for bringing a cause of action. Rule 11(b) sets forth the specifics of the requirement stating that "[b]y present-

ing to the court a pleading, written motion, or other paper—whether by signing, filing, submitting, or later advocating it—an attorney or unrepresented party certifies that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances," (1) that the filing is not being presented for any improper purpose; (2) that the legal contentions are not frivolous and supported by law; (3) that the factual contentions have evidentiary support (or will likely have evidentiary support after an opportunity to investigate); and (4) that any denials of factual contentions are warranted on the evidence (or reasonably based on belief or lack of information).

A failure to conduct a proper pre-filing investigation can be found to be a violation of Rule 11, which provides courts the discretion to grant sanctions, including attorneys' fees.⁶ The U.S. Court of Appeals for the Federal Circuit, which has exclusive jurisdiction for hearing appeals over patent cases, has stated that before filing a claim for patent infringement Rule 11 "must be interpreted to require the law firm to, at a bare minimum, apply the claims of each and every patent that is being brought into the lawsuit to an accused device and conclude that there is a reasonable basis for a finding of infringement of at least one claim of each patent so asserted. The presence of an infringement analysis plays the key role in determining the reasonableness of the pre-filing inquiry made in a patent infringement case under Rule 11."⁷

Preservation of Evidence

Aside perhaps from perjury, no act serves to threaten the integrity of the judicial process more than the spoliation of evidence. Our adversarial process is designed to tolerate human failings—erring judges can be reversed, uncooperative counsel can be shepherded, and recalcitrant witnesses compelled to testify. But, when critical

1. 35 U.S.C. § 284 ("Upon a finding for the claimant the court shall award the claimant 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.")

2. 28 U.S.C. § 1920.

3. 35 U.S.C. §284; *Halo Elecs., Inc. v. Pulse Elecs.*, 579 U.S. ___, 136 S.Ct. 1923 (2016) (finding that the district court has discretion to award enhanced damages in cases of egregious misconduct beyond typical infringement).

4. 35 U.S.C. § 285; *Octane Fitness, LLC v. ICON Health and Fitness Inc.*, 572 U.S. ___, 134 S.Ct. 1749, 1755 (2014) (Finding that an exceptional case is "simply one that stands out from others with respect to the substantive strength of a party's litigating position ... or the unreasonable manner in which the case was litigated.")

5. *Ebay v. MercExchange, LLC*, 547 U.S. 388 (2006).

6. *Refac Int'l. Ltd. v. Hitachi Ltd.*, 141 F.R.D. 281 (C. D. Cal. 1991) (awarding sanctions because there was a failure to make a reasonable inquiry to determine that the complaint was well grounded in fact); *View Eng'g, Inc. v. Robotic Vision Sys., Inc.*, 208 F.3d 981 (Fed.Cir. 2000) (affirming trial court's award of sanctions, including attorneys' fees and expenses, for lack of pre-filing investigation).

7. *View Eng'g, Inc. v. Robotic Vision Sys., Inc.*, 208 F.3d 981, 986 (Fed.Cir.2000).

*documents go missing, judges and litigants alike descend into a world of ad hocery and half measures—and our civil justice system suffers.*⁸

Because discovery, particularly in the form of document production, forms a large part of the U.S. adjudication process, there are rules regarding the preservation of information that may be relevant to a claim. One of the primary protocols to put in place prior to filing a lawsuit in the United States include issuing a litigation hold to any custodians that may have relevant to the lawsuit. In general, the obligation to issue a litigation hold arises once litigation is reasonably foreseeable. The procedures for issuing an appropriate litigation hold can vary depending on the circumstances and nature of the potential plaintiff. However, examples of appropriate procedures may include, review the document retention policy, conducting interviews with individuals that may have relevant information to determine what types of documents exist and how they are kept, including determining whether those individuals use any electronic media aside from that issued by the company, what e-mail addresses are used, and conducting interviews with the client's information technology (IT) department to determine how e-mails are kept and preserved. A litigation hold memo should then be issued to the appropriate custodians and should detail, using the information learned during the interviews, the documents that are to be preserved. The documents should continue to be preserved throughout the course of the litigation.

2. During Litigation

During litigation a party has a duty to seasonably supplement its discovery responses and document production as new information comes to light. It is not uncommon that despite the best efforts to identify and collect information prior to the litigation or during the initial document collection, that additional documents will be identified. As long as the producing party has acted in good faith and with reasonable diligence under the circumstances, the rules are tolerant of such supplemental productions and disclosures, although depending on the stage of the case, the receiving party may object that such tardy disclosure is causing prejudice. The Court then would decide whether or not to allow such supplemental disclosures to be used as evidence.

II. Strategic Options

1. Warning/Notice Letters

Warning or notice letters are not required prior to bringing a claim. However, prior notice may be a prerequisite to obtaining damages for patent infringement for actions occurring prior to the filing of the litigation.

8. *United Medical Supply Co. v. United States*, 77 Fed. Cl. 257, 259 (Fed. Cl. 2007).

(a.) Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word “patent” or the abbreviation “pat.,” together with the number of the patent, or by fixing thereon the word “patent” or the abbreviation “pat.” together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent, or when, from the character of the article, this cannot be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure to so mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.⁹

Thus, marking of the patent number on a product that is covered by a patent can supply constructive notice of the patent sufficient for obtaining damages based on infringing conduct that occurs prior to the filing of the lawsuit. To satisfy the patent marking requirements the patent number must either be placed on the product itself or associated product packaging, or the marking may be done virtually by including a reference on the product or product packaging to a website that identifies the patents and products that they cover.

If the patentee has not marked its product, it still can obtain damages prior to the filing of the lawsuit if it provides actual notice of the infringement to the alleged infringer.¹⁰ The notice must include identification of the patent number and the product or activities believed to constitute the infringement.

Such actual notice also can provide a basis for pre-patent issuance damages (as discussed further below) in the form of reasonable royalty (not including the patent-

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9. 35 U.S.C. §287(a).

10. 35 U.S.C. §287(a).

tees lost profits) if the published patent claims are “substantially identical” to the claims of the issued patent.¹¹

Marking is generally not required for patented methods because “where patent claims are directed only to a method of process there is nothing to mark.”¹² Additionally, “[w]here the patent contains both apparatus and method claims, however, to the extent there is a tangible item to mark by which notice of the asserted method claims can be given, a party is obliged to do so if it intends to avail itself of the constructive notice provisions of Section 287(a).”¹³ However, note that at least one district court in *IMX Inc. v. Lending Tree LLC*, 79 USPQ2d 1373 (D. Del. 2005) held that marking was required for a method or system patent if the patent owner sold the patented system. According to the court, in the IMX case, the website where the patented system was accessed and used was fundamentally part of (intrinsic to) the patented system and therefore constituted a tangible item that could be marked.¹⁴

There also are a number of strategic issues to consider prior to putting an alleged infringer on notice. The first issue to consider is what you intend to do after putting the alleged infringer on notice. Are you willing to sue the alleged infringer if they do not cease and desist the allegedly infringing actions? Are you seeking to enter into licensing discussions? Or perhaps seeking to have a customer purchase your product as opposed to an allegedly infringing product?

Once an accused infringer is put on notice of infringement, it has additional options as well. For example, such notice can establish a case or controversy sufficient to afford the court jurisdiction over a declaratory judgment action seeking to have the court determine whether the product is actually infringing or to determine if the patent is invalid. The accused party might also decide to seek inter partes review of the patent at the patent office—or if the notice is provided within nine months of the patent issuing, the accused infringer could seek a post grant review of the patent at the patent office.

Additionally, several States, in an effort to control litigation brought by non-practicing entities, have placed prohibitions on the distribution of bad faith demand letters asserting patent infringement. For instance, in 2013 Vermont passed a statute prohibiting the assertion of patent infringement in bad faith.¹⁵

11. 35 U.S.C. § 154(d).

12. *American Medical Systems, Inc. v. Medical Engineering Corp.*, 6 F.3d 1523, 1538-9 (Fed. Cir. 1993).

13. *Id.*

14. *IMX Inc. v. Lending Tree LLC*, 79 USPQ2d 1373 (D. Del. 2005).

15. Vt. Stat. Ann. Tit. 9, §§ 4195-99 (2015).

Since then, 32 states have passed similar legislation.¹⁶

2. Preliminary Relief

To obtain a preliminary injunction in the United States, a party must establish “that [it] is likely to succeed on the merits, that [it] is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in [its] favor, and that an injunction is in the public interest.”¹⁷ Here we will examine each of these factors:

Likelihood of Success

To show likelihood of success, a patentee must show that it will likely prove infringement of the asserted claims and that the patent will likely withstand any of the alleged infringer’s challenges to patentability and enforceability.¹⁸ In other words, a patentee seeking a preliminary injunction will be required to show that each and every limitation of every asserted claim is infringed. Depending on the nature of the case, this may be difficult to show because the patentee, depending on the timing of the motion for injunction, will most likely not have the benefit of full discovery prior to the preliminary injunction hearing. Also, in addition to proving a likelihood of success on the infringement claim, the patentee will also be required to show a likelihood of success in defending against any challenges to the validity and/or enforceability of the asserted patent claims.

Irreparable Harm

“A party seeking a preliminary injunction must establish that it is likely to suffer irreparable harm if the preliminary injunction is not granted and that there is a causal nexus between the alleged infringement and the alleged harm.”¹⁹ Here, the courts require more than evidence of potential lost sales.²⁰ Rather, courts require a showing that no amount of monetary damages could address the harm.²¹ In other words, “[w]here

16. “Patent Progress’s Guide to State Patent Legislation,” Patent Progress available at www.patentprogress.org/patent-progress-legislation-guides/patent-progresss-guide-state-patent-legislation.

17. *Luminara Worldwide, LLC v. Liown Elecs. Co.*, 814 F.3d 1343, 1352 (Fed. Cir. 2016) (quoting *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008)); see also *Metalcraft of Mayville, Inc., et al. v. The Toro Compant, et al.*, 848 F.3d 1358, 1363 (Fed. Cir. 2017).

18. *Sciele Pharma, Inc. v. Lupin Ltd.*, 684 F.3d 1253, 1259 (Fed. Cir. 2012) (citing *Amazon.com, Inv. V. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1350 (Fed. Cir. 2001)).

19. *Metalcraft of Mayville, Inc., et al. v. The Toro Compant, et al.*, 848 F.3d 1358, 1368 (Fed. Cir. 2017); *Apple Inc. v. Samsung Elecs. Co.*, 735 F.3d 1352, 1360 (Fed. Cir. 2013).

20. See *Abbott Labs. V. Andrx Pharm., Inc.*, 452 F.3d 1331, 1348 (Fed. Cir. 2006).

21. See *Celsis in Vitro, Inc. v. CellzDirect, Inc.*, 664 F.3d 922, 930 (Fed. Cir. 2012).

the injury cannot be quantified, no amount of money damages is calculable, and therefore the harm cannot be adequately compensated and is irreparable.”²²

The Balance of Equities and Public Interest

In determining whether to grant a preliminary injunction, the court “must weigh the harm to the moving party if the injunction is not granted against the harm to the non-moving party if the injunction is granted.”²³ With respect to public interest, the court should focus on whether a critical public interest would be injured by the grant of injunctive relief.²⁴ For example, in *Metalcraft of Mayville, Inc., et al. v. The Toro Company, et al*, 848 F.3d 1358 (Fed. Cir. 2017) the Court recognized that in the absence of an injunction, the moving party would be forced to compete against its own invention.²⁵ Further, the Metalcraft Court determined that in view of the importance of encouraging innovation and because the public can continue to obtain the patented invention from the moving party that the public interest favors an injunction.²⁶

3. Main Proceedings

The main proceedings in an infringement action often come with its own set of obstacles. These include attacks on the pleadings or venue challenges, local patent rules that may differ between jurisdictions, and electronic discovery.

Attacks on Pleadings and Venue Challenges

Two U.S. Supreme Court cases have redefined pleading standards for cases in the United States. *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007) and *Ashcroft v. Iqbal*, 129 S. Ct. 137 (2009) set forth a pleading standard that went beyond the notice pleading generally accepted in federal jurisdiction and required a more robust pleading stating that fair notice of a claim is no longer sufficient but that a complaint had to contain enough facts to show the claim was “plausible on its face.” Since these decisions, motions to dismiss for lack of sufficient pleading often referred to as Twombly motions increased. These motions were not only brought to defeat a complaint but also were used to defeat counterclaims of invalidity claiming that the defendant did not plead enough to show plausibility. The result has been complaints and counterclaims, particularly those alleging invalidity, with more details involving the contentions.

Another U.S. Supreme Court decision, *TC Heartland v. Kraft Food Group Brands LLC*, 137 S. Ct. 1514

(2017), addressed appropriate venues for patent infringement litigation. In the decision, the Supreme Court held that the patent venue statute 28 U.S.C. §1400(b) is the exclusive provision controlling venue in patent cases and that “a domestic corporation ‘resides’ only in its State of incorporation.”²⁷ Therefore, after TC Heartland infringement suits against a domestic corporation may now only be brought in its state of incorporation or where the defendant has committed acts of infringement and has a regular and established place of business. Perhaps one of the most significant and immediate impacts of the decision in TC Heartland was in the Eastern District of Texas, a popular venue for patent infringement cases based on its reputation for being pro-plaintiff. In 2015, almost 45 percent of patent U.S. patent cases were filed in the Eastern District of Texas.²⁸ Statistics shown by Unified Patents indicate that the number of cases filed in the Eastern District of Texas has decreased by approximately half post-TC Heartland.²⁹ However, the number of cases filed in Delaware, a popular state of incorporation for U.S. companies, has almost doubled.³⁰

Local Patent Rules

Many jurisdictions, including the Northern District of Illinois, the District of New Jersey, the Southern District of Texas and the Northern District of California, have their own set of local patent rules. It is imperative that prior to bringing a suit in any jurisdiction you become familiar with the rules to ensure your client is in the best position to present its case and/or defenses. Many jurisdictions offer local patent rules that provide advantages such as early dates to submit contentions which provide the parties with an early vision of the case theory. However, there are disadvantages as well. For example, jurisdictions that are not flexible with respect to contentions (*i.e.* permitting final contentions after discovery) can force parties to take legal positions without the benefit of discovery and make it difficult to adjust those positions. Where local patent rules were once a big consideration when determining a venue for litigation, post-TC Heartland, this may become less of a consideration.

Electronic Discovery

Electronic discovery has become a large proportion of the U.S. discovery process. Without proper prepara-

27. *TC Heartland v. Kraft Food Group Brands LLC*, 137 S. Ct. 1514, 1517 (2017).

28. “All Court Case Filings by Year: All Patent Cases Filed by Year,” *Lex Machina* (Sept. 12, 2016), <https://law.lexmachina.com/court/table#Patent-tab>.

29. Unified Patents, “1st Half of 2017: Patent Dispute Report” (7/2/17), available at <https://www.unifiedpatents.com/news/2017/6/29/1st-half-2017-patent-dispute-report>.

30. *Id.*

22. *Metalcraft*, 848 F.3d at 1368.

23. *Metalcraft*, 848 F.3d at 1369; *Hybritech Inc. v. Abbott Labs.*, 849 F.2d 1446, 1457 (Fed. Cir. 1988).

24. *Hybritech*, 849 F.2d at 1458.

25. *Metalcraft*, 848 F.3d at 1369.

26. *Id.*

ration electronic discovery can become very expensive for parties. Prior to engaging in electronic discovery, counsel should meet with their clients and learn about the client's electronic system, including the manner in which e-mail is sent and stored, whether employees are permitted to use personal electronic devices for business purposes, and which employees (referred to as custodians) may have relevant documents and how they are kept electronically (on a shared drive, on a personal hard drive, or some other media). Also, the Federal Circuit issued a Model Order³¹ to assist parties with electronic discovery. While this order is advisory and not binding on any litigation it has been used as a guide with respect to limiting the number of custodians, limiting the number of search terms and cost-shifting.

4. Claim Amendments During Pending Proceedings

Claim amendments are not typically allowed during litigation in the court system. However, there are a few U.S. proceedings that do permit for the amendment of claims, namely Petitions for Reissue brought with the U.S. Patent and Trademark Office and Inter Partes Review brought before the Patent Trial and Appeal Board.

Reissue Proceedings

35 U.S.C § 251(a) provides:

- (a) **IN GENERAL**—Whenever any patent is, through error, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Director shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue.

Generally, a patentee may only limit the scope of the claims through reissue; however, 35 U.S.C. § 251(d) provides for the broadening of claims if the reissue is applied for within two years from the grant of the original patent.

Inter Parte Proceedings

Should a patent be challenged in an Inter Partes Review proceeding, the patentee has the opportunity to amend the claims of the patent in response to the challenge brought by the petitioner. Any motion to amend must, in general, set forth written description support and support for the benefit of a filing date in relation

to each substitute claim and respond to grounds of unpatentability involved in the trial. On October 4, 2017, the Federal Circuit issued an en banc decision which addressed the burden of proof that the Patent Trial and Appeal Board should apply when considering the patentability of any substitute claims submitted.³² In the decision the court concludes:

The only legal conclusions that support and define the judgment of the court are: (1) the PTO has not adopted a rule placing the burden of persuasion with respect to the patentability of amended claims on the patent owner that is entitled to deference; and (2) in the absence of anything that might be entitled to deference, the PTO may not place that burden on the patentee.³³

In response to the Federal Circuit opinion, the Chief Administrative Patent Judge, David Ruschke, issued a Guidance on Motions to Amend in view of Aqua Products. The guidance provides that

[T]he Board will not place the burden of persuasion on a patent owner with respect to the patentability of substitute claims presented in a motion to amend. Rather, if a patent owner files a motion to amend (or has one pending) and that motion meets the requirements of 35 U.S.C. §316(d) (i.e., proposes a reasonable number of substitute claims, and the substitute claims do not enlarge the scope of the original claims of the patent or introduce new matter), the Board will proceed to determine whether the substitute claims are unpatentable by a preponderance of the evidence based on the entirety of the record, including any opposition made by the petitioner.

The guidance continues to state that, beyond that change, practice and procedure before the Board should not change.

6. Declaratory Actions

This appeal presents a type of the sad and saddening scenario that led to enactment of the Declaratory Judgment Act (Act), 28 U.S.C. § 2201. In the patent version of that scenario, a patent owner engages in a *danse macabre*, brandishing a Damoclean threat with a sheathed sword. Guerrilla-like, the patent owner attempts extra-judicial patent enforcement with scare-the-customer-and-run tactics that infect the competitive environment of the business community with uncertainty and insecurity. Before the Act, competitors victimized by that tactic were rendered helpless and immobile so long as the patent owner refused to grasp the nettle and sue. After the Act, those compet-

31. An E-Discovery Model Order, available at http://www.cafc.uscourts.gov/sites/default/files/announcements/Ediscovery_Model_Order.pdf.

32. See *Aqua Products, Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017).

33. *Id.* at 1327.

itors were no longer restricted to an in terrorem choice between the incurrence of a growing potential liability for patent infringement and abandonment of their enterprises; they could clear the air by suing for a judgment that would settle the conflict of interests. The sole requirement for jurisdiction under the Act is that the conflict be real and immediate, *i.e.*, that there be a true, actual “controversy” required by the Act.³⁴

The U.S. Declaratory Judgment Act provides that “in a case of actual controversy within its jurisdiction...any court of the United States may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.”³⁵ The clause “a case of actual controversy” refers to “cases” and “controversies” that are justiciable under Article III of the U.S. Constitution.³⁶ As recognized by the Federal Circuit “there is no bright line rule to determine whether a declaratory judgment action satisfies Article III’s case-or-controversy requirements, the dispute must be ‘definite and concrete, touching the legal relations of parties having adverse legal interests,’ ‘real and substantial,’ and ‘admit[t] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising whether the law would be upon a hypothetical state of facts.’”³⁷

Declaratory judgments for non-infringement or invalidity are available both as a primary action and as a counterclaim. Declaratory judgment actions typically are brought by a patent challenger who has taken concrete steps towards a potentially infringing activity or who is threatened with infringement (such as through a notice letter), and enables a court to determine the parties’ rights vis a vis the patent. In such actions, the patentee still bears the ultimate burden of proving infringement by a preponderance of the evidence and the patent challenger still bears the burden of proving invalidity by clear and convincing evidence.³⁸ Declaratory judgment actions also may be brought by a product manufacturer where its customer is being threatened with infringement.³⁹

34. *Arrowhead Indus. Water v. Ecolochem, Inc.*, 846 F.2d 731, 734–35 (Fed. Cir. 1988) (citations omitted).

35. 28 U.S.C. §2201(a).

36. *Aetna Life Inc. v. Haworth*, 300 U.S. 227, 239-40 (1937).

37. *3M Company v. Avery Dennison Corp.*, 673, F.3d 1376, 1376 (Fed. Cir. 2012) (citing *MedImmune*, 549 U.S. 118, 127 (2007) (quoting *Aetna Life*, 300 U.S. at 240-41)).

38. *Agawam Co. v. Jordan*, 19 L.Ed. 177 (1869).

39. *Hewlett-Packard Company v. Acceleron LLC*, 587 F.3d 1358, 1362 (Fed. Cir. 2009) (“The purpose of a declaratory judgment action cannot be defeated simply by the stratagem of a correspondence that avoids the magic words such as “litigation” or “infringement.” Of course, if ‘a party has actually been charged with infringement of the patent, there is, *necessarily*, a case or controversy adequate to support [declaratory judgment] jurisdiction.” (quoting *Cardinal Chem Co. v. Morton Int’l*, 508 U.S. 83, 96 (1993)).

7. Enforcement Prior to Grant

While there is no specific procedure to enforce a patent prior to grant, 35 U.S.C. § 154 does provide that under certain circumstances, a patentee may recover damages for preissuance activities after the patent issues if the patent application which was published issues as a patent, if the invention claimed in the issued patent is substantially identical to the invention as claimed in the published application, if the accused part made, used, offered for sale, or sold in, or import into, the United States the invention as claimed in the published patent application, and if the accused party had actual notice of the published patent application. Specifically, 35 U.S.C. § 154(d) states:

(d) PROVISIONAL RIGHTS—

(1) **IN GENERAL**—In addition to other rights provided by this section, a patent shall include the right to obtain a reasonable royalty from any person who, during the period beginning on the date of publication of the application for such patent under section 122(b), or in the case of an international application filed under the treaty defined in section 351(a) designating the United States under Article 21(2)(a) of such treaty or an international design application filed under the treaty defined in section 381(a)(1) designating the United States under Article 5 of such treaty, the date of publication of the application, and ending on the date the patent is issued—

(A) (i) makes, uses, offers for sale, or sells in the United States the invention as claimed in the published patent application or imports such an invention into the United States; or

(ii) if the invention as claimed in the published patent application is a process, uses, offers for sale, or sells in the United States or imports into the United States products made by that process as claimed in the published patent application; and

(B) had actual notice of the published patent application and, in a case in which the right arising under this paragraph is based upon an international application designating the United States that is published in a language other than English, had a translation of the international application into the English language.

(2) RIGHT BASED ON SUBSTANTIALLY IDENTICAL INVENTIONS—

The right under paragraph (1) to obtain a reasonable royalty shall not be available under this subsection unless the invention as claimed in the patent is substantially identical to the invention as claimed in the published patent application.

Of particular note is the requirement that the accused party have actual notice of the patent applica-

tion. In 2016, the Federal Circuit issued an opinion in *Rosebud LMS Inc. v. Adobe Systems Incorporated*, 812 F.3d 1070 (Fed. Cir. 2016), in which the court, for the first time, considered what the nature of §154(d)'s "actual notice" requirement meant. In this case, Adobe argued that knowledge of the patent is not enough to meet the requirement unless the knowledge came directly from notice given by the patentee.⁴⁰ In this case, the Federal Circuit agreed with the district court that constructive knowledge would not satisfy the actual notice requirement. However, the Federal Circuit also did not agree with Adobe that §154(d)'s actual notice requirement necessitates an affirmative act of notice by the patentee.⁴¹ The Federal Circuit concluded that "actual notice" should have its ordinary meaning which would include actual knowledge of the patent application.⁴²

Out of an abundance of caution, if you believe you may have occasion to seek preissuance damages, sending any potential infringer a copy of the patent publication would certainly meet the actual notice requirement.

8. Customs Seizure

Unlike registered trademarks and/or copyrights, patents may not be recorded with the U.S. Customs and Border Protection. However, the U.S. Customs and Border Protection is authorized to exclude, detain and/or seize imported merchandise that is covered by an exclusion order issued by the U.S. International Trade Commission under Section 337 of the Tariff Act of 1930. The U.S. International Trade Commission (ITC) provides for an administrative proceeding where a U.S. patentee may bring an action to prevent the importation of infringing goods. To bring an action under Section 337, 1) unfair competition or an unfair act, *e.g.*, patent or trademark infringement, (2) importation, sale for importation, or sale after importation into the United States of the accused products, and (3) the existence of a domestic industry relating to the product in question. In investigations that are not based upon alleged infringement of federal statutory intellectual property rights, a complainant also must prove (4) that the alleged unfair act has caused or threatens to cause injury. The ITC does not award monetary damages but can issue exclusion orders, cease and desist orders, and/or temporary exclusion orders.

IV. Procedural Aspects

1. Court System and Specialization

Federal district courts, which constitute the trial

40. *Rosebud LMS Inc. v. Adobe Systems Incorporated*, 812 F.3d 1070, 1073 (Fed. Cir. 2016).

41. *Id.* at 1074.

42. *Id.* at 1075.

court level, have exclusive jurisdiction over patent litigation.⁴³ When a patent infringement case is filed, all issues relating to patent validity, infringement, and remedies may be addressed in the district court proceeding. Federal district courts in the United States handle a wide range of cases and do not generally specialize in patent law (although some judges participate in a patent pilot program allowing certain judges to opt out of patent cases, while other judges agree to accept the overflow).⁴⁴ Any party can demand a trial by jury in patent infringement litigation involving a demand for monetary damages. The jury will resolve questions of fact.⁴⁵ However, the right to a trial by jury does not extend to cases in which only injunctive relief is sought.⁴⁶

Challenges to the validity of a patent may also be filed before the Patent Trial and Appeal Board (the PTAB) in proceedings referred to as *ex parte* reexamination, *inter partes* review (IPR), *post-grant* review (PGR), *covered business method* review (CBM), and *derivation* proceedings. These proceedings are reviewed by patent examiners (in the case of *ex parte* reexamination) and administrative law judges who work for the PTAB (in the case of the remaining proceedings).

2. Bifurcation

In general, all issues related to a patent infringement, validity, and damages are tried together in district court proceedings. However, parties may file a pretrial motion to ask the court to bifurcate trial into stages, often focused on one or more of the issues of infringement, invalidity, willfulness, and damages. Primarily, the party seeking bifurcation would argue that it would be prejudiced by allowing the jury to hear evidence on the other issues or that addressing either invalidity or infringement first would preserve judicial resources because if the patent is found invalid or not infringed, there would be no need to have further proceedings. Some issues are legal determinations to be decided by the court. In those circumstances, that judge may hold a separate bench trial to address those issues.

Since the passage of the Leahy-Smith America Invents Act,⁴⁷ signed into law on September 16, 2011, the issue of invalidity with respect to certain prior art is now frequently stayed in a district court proceeding to allow a decision by the PTAB in a co-pending IPR.

3. Who Can Sue

Prior to any assignment, and in the absence of any

43. 28 U.S.C. § 1338(a).

44. Patent Pilot Program: Five-Year Report, available at <https://www.fjc.gov/content/316142/patent-pilot-program-five-year-report>.

45. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996).

46. *Tegal Corp. v. Tokyo Electron Am., Inc.*, 257 F.3d 1331, 1339-42 (Fed. Cir. 2001).

contrary agreement, the inventors named on a patent own the patent and each owner has an independent right to license the patent without the other owners' permission. A patent owner or the owner's successors in title have standing to sue for patent infringement, but all co-owners must join as party to the suit.⁴⁸ A licensee may have standing to bring suit if the patent owner has conveyed all substantial rights in patent pursuant to the license, including the right to assign, enforce, or abandon the patent, but the patent owner may still be joined as a party.⁴⁹ A nonexclusive patent licensee cannot sue for infringement without joining the patent owner as a co-plaintiff.

Additionally, one who has been accused of patent infringement may bring suit against the patent owner to seek a declaration that the patent is not infringed or that the patent is invalid.

4. Who Can Be Sued

Anyone who makes, uses, sells, offers to sell, or imports into the United States an infringing product or method can be sued for direct patent infringement.⁵⁰ As discussed in greater detail below, one can also be sued for indirect infringement by inducement or contributory infringement. To induce infringement, one must have known about the patent and knew that his or her activities would lead to infringement of the patent.⁵¹ One can also be sued for contributory infringement if one sells, offers to sell, or imports into the United States a component of a patented machine that is a material part of the patented invention and is not a staple article suitable for non-infringing use.⁵²

5. Admissibility of Evidence

The admissibility of evidence in patent litigation is governed by the Federal Rules of Evidence. Under the Federal Rules of Civil Procedure, pre-trial discovery allows parties to seek any information relevant to a claim or defense in the lawsuit.⁵³ This information is then admitted at trial through deposition testimony and the testimony of live witnesses presented to the judge or jury. Documentary evidence is primarily submitted through a witness who has knowledge of the document. Both fact witnesses and expert witnesses may testify, with experts primarily addressing infringement, invalidity, and damages, although other more specific issues may arise.

48. *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1340 (Fed. Cir. 2007); *STC UNM v. Intel Corp.*, 754 F.3d 940, 944-946 (Fed. Cir. 2014).

49. *Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 434 F.3d 1336, 1340 (Fed. Cir. 2006).

50. 35 U.S.C. § 271(a).

51. 35 U.S.C. § 271(b).

52. 35 U.S.C. § 271(c).

53. Fed. R. Civ. P. Rule 26.

6. Structure of the Proceedings

In district court litigation, the parties first file pleadings setting out their claims and defenses.⁵⁴ Then, the case proceeds with an exchange of written discovery requests and depositions.⁵⁵ The court will hold a claim construction hearing to define the terms used in the patent.⁵⁶ Expert reports, primarily addressing infringement, invalidity, and damages will be exchanged.⁵⁷ The parties will have the option to file motions for summary judgment seeking a decision from the court without trial on the grounds that there is no genuine dispute as to any material fact and the moving party is entitled to judgment as a matter of law.⁵⁸ Finally, the case will be presented at a trial with live and deposition testimony, documentary and physical evidence, and attorney argument.

In post-grant proceedings, the majority of work is front-loaded into preparation of the written materials that initiate the proceeding. In inter partes review, an initial petition is filed by the party challenging validity that is usually supported with expert declarations.⁵⁹ The patent owner then has an opportunity to respond with a written filing of its own.⁶⁰ Based upon those filings, the PTAB will make a decision about whether to institute the IPR on the basis that the petition shows a reasonable likelihood that the petitioner would prevail with respect to at least one claim challenged in the petition.⁶¹ Once a decision to institute has been made, some limited discovery is allowed.⁶² The patent owner has the opportunity to file a response, which may include a motion to amend claims, and the Petitioner may file a reply to the patent owner response.⁶³ An oral hearing may be set for argument, but rarely includes live witness testimony. The PTAB will then issue a final written decision addressing the instituted claims.⁶⁴

7. Timing including Preparation

The average time from the filing of a patent lawsuit to trial varies from court to court. The median time from the date a district court lawsuit is filed through trial for cases completed in 2016 was approximately

54. Fed. R. Civ. P. Rule 8, 12.

55. Fed. R. Civ. P. Rules 30-36.

56. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

57. Fed. R. Civ. P. Rule 26(a)(2).

58. Fed. R. Civ. P. Rule 56.

59. 35 USC § 311-312; 37 CFR § 42.104.

60. 35 USC § 313; 37 CFR § 42.107.

61. 35 USC § 314; 37 CFR § 42.108; *SAS Institute, Inc. v. Iancu*, Case No. 1-969, 2018 WL 1914661, __ S.Ct. __ (2018).

62. 37 CFR § 42.51-65.

63. 37 CFR §§ 42.120

64. 35 U.S.C. § 318.

2.5 years.⁶⁵ Preparation time prior to filing may be anywhere from weeks to months.

In an IPR, the decision to institute must occur no more than three months after the patent owner's preliminary response is filed. The final written decision is to be issued within 12 months of the decision to institute.⁶⁶ Overall, IPR proceedings usually are completed in 18 months.

8. Costs and Cost Reimbursement

On average, the cost of patent infringement litigation is high. For cases in which less than one million dollars was at risk, the median cost (including attorney and expert fees) of proceeding through trial and appeal was approximately \$500,000 in 2017.⁶⁷ For cases with more than \$25 million at risk, median costs through trial and appeal were approximately three million dollars.⁶⁸

The prevailing party in patent litigation is entitled to recover certain limited categories of costs expended in the litigation.⁶⁹ These costs include court filing fees, printing costs for preparing exhibits, witness travel fees, and transcript fees. However, the majority of the expense of patent litigation arises from attorneys' fees and expert fees and, under the default "American Rule" those fees are not recoverable for an ordinary case. Attorneys' fees may be awarded in an exceptional case.⁷⁰ The court may award expert fees under its inherent power to sanction in cases where a party engaged in vexatious conduct, committed a fraud on the court, or if there was an abuse of the judicial process.⁷¹

9. Enforcement of Decisions

In the district court, judgment is entered by the trial judge. This judgment may include a determination of infringement or invalidity, an award of damages, and/or injunctive relief. At that time, unless a stay has been entered pending appeal, the patent owner has the power to enforce the judgment if the infringer does not voluntarily pay the amounts owed. Enforcing a judgment generally involves identify the infringer's assets and attaching a lien on those assets.

65. Price Waterhouse Coopers 2017 Patent Litigation Study, May 2017 available at http://www.ipwatchdog.com/wp-content/uploads/2017/05/2017-Patent-Litigation-Study_PwC.pdf.

66. 35 U.S.C. § 316(a)(11);

67. AIPLA 2017 Report of the Economic Survey.

68. *Id.*

69. Fed. R. Civ. P. rule 54(d); 28 U.S.C. § 1920.

70. 35 U.S.C. § 285; *Octane Fitness, LLC v. ICON Health and Fitness Inc.*, 572 U.S. ___, 134 S.Ct. 1749, 1755 (2014) (Finding that an exceptional case is "simply one that stands out from others with respect to the substantive strength of a party's litigating position ... or the unreasonable manner in which the case was litigated.")

71. *Takeda Chem. Ind. V. Mylan Labs.*, 549 F.3d 1381, 1391 (Fed. Cir. 2008).

A judgment of patent invalidity has *res judicata* effect that prevents enforcement of the invalid claim in subsequent litigation.

10. Appeal

The Federal Circuit Court of Appeals has exclusive jurisdiction over patent appeals—both from the district courts and the PTAB.⁷² While this court has particular expertise in patent law, it also has exclusive jurisdiction with respect to other subject matter.

Appeals to the Federal Circuit are generally heard by a panel of three judges. A party may request *en banc* hearing in front of all of the judges of the court. Once an appeal has been docketed with the Federal Circuit, the median time to decision as of 2017 is just over 13 months.⁷³

Decisions of the Federal Circuit Court of Appeals may be appealed to the United States Supreme Court, but this is not an appeal of right. A party must file a *writ of certiorari* to petition the Supreme Court to hear its case. Generally, the Supreme Court only agrees to hear cases that have national importance or will settle an important question of federal law.⁷⁴ Those cases accepted for hearing will usually be argued before all nine justices of the court.

11. Service Abroad

With regard to its 70 signatory countries, the Service Abroad of Judicial and Extrajudicial Documents in Civil and Commercial Matters (the "Hague Convention") generally governs the service of foreign defendants. Through the Hague, service can be completed through the signatory's designated Central Authority, through international postal channels, or by direct service through an agent in the signatory state. Service can also be completed through diplomatic or consular channels or via alternative methods under the destination state's local rules. The Supreme Court recently held in *Water Splash, Inc. v. Menon*, that The Hague Convention does not prohibit service of process by mail.⁷⁵

12. Influence of Foreign Decisions

Foreign patent judgments are not binding in litigation concerning United States patents and patent law.⁷⁶ And foreign judgments generally do not have

72. 28 U.S.C. § 1295(a)(1); (a)(4).

73. Disposition Time available at http://www.ca9.uscourts.gov/sites/default/files/the-court/statistics/Med_Disposition_Time_MERITS_chart.pdf.

74. Rules of the Supreme Court, Rule 10.

75. 581 US ___, 137 S.Ct. 1504, 1512-1514 (2017).

76. See, *Quad/Tech, Inc. v. Q.I. Press Controls B.V.*, Case No. 09cv2561, at* (E.D. Pa. April 6, 2010) (declining to rely upon German patent judgment in denying motion for preliminary injunction) citing *Medtronic, Inc. v. Daig Corp.*, 789 F.2d 903, 907-908 (Fed. Cir. 1986).

a collateral estoppel effect. However, a court may, in some circumstances, apply a finding of a foreign court under principles of comity. While the decisions of foreign patent examiners in connection with related patents may be considered relevant evidence regarding the interpretation or validity of a U.S. Patent, due to the variations in laws between countries, such decisions are often given little weight.⁷⁷

13. Protection of Confidential Information

The Federal Rules of Civil Procedure provide a mechanism for entry of a protective order governing the treatment of confidential information during the course of the litigation.⁷⁸ Many courts, including the Northern District of Illinois⁷⁹ and the Northern District of California,⁸⁰ have default protective orders provided as attachments to their local rules, some of which automatically take effect to govern discovery prior to the parties' negotiation of further confidentiality terms. In general, these protective orders may provide for levels of protection including a confidential level that protects the information from public disclosure, an attorneys' eyes only level that prevents the business people at each party from seeing trade secret financially sensitive information of the other party, an outside attorneys' eyes only level that prevents in-house counsel from seeing certain information, and a source code level of protection that provides extra protection for a company's computer source code.

However, a protective order does not guarantee that evidence presented at trial or filed with the court will be protected from public disclosure. The First Amendment provides a fundamental right to public access to court records.⁸¹ Thus, a party seeking to seal court records or to prevent the public from attending portions of a trial must demonstrate a compelling reason to prioritize the parties' interest in keeping the records secret over the public's right of access.

V. Claim Construction

1. Most Important Rules for Literal Claim Construction

The proper construction of a patent claim is a matter of law. The intrinsic evidence, made up of the claim language itself, the patent's specification and drawings, other claims in the patent, and the patent's prosecution history is the most important source for claim con-

struction.⁸² Certain other "extrinsic" evidence, such as an inventor's testimony and the usage of particular terms in the art, may also be considered to resolve any ambiguities created by the patent specification, the claims and the prosecution history.⁸³ If a patentee has not clearly disclosed a special meaning for a term in a claim, its ordinary and common meaning is applied.⁸⁴ In some circumstances, claim construction "involves little more than the application of the widely accepted meaning of commonly understood words," and in such situations, general purpose dictionaries are helpful.⁸⁵

2. Doctrine of Equivalence

The doctrine of equivalents is an equitable doctrine that can be applied in situations where the accused product or process, while not literally meeting the claims of the patent, is only insubstantially different from the patented invention.⁸⁶ The test for infringement under the doctrine of equivalents is whether the accused product contains elements identical or equivalent to each claimed element of the patented invention as defined by the claims.⁸⁷

Although there is no particular linguistic framework that is required for the equivalency determination, the Supreme Court has noted that "[a]n analysis of the role played by each element in the context of the specific patent claim will thus inform the inquiry as to whether a substitute element matches the function, way, and result of the claimed element, or whether the substitute element plays a role substantially different from the claimed element."⁸⁸ Application of the doctrine of equivalents rests on the substantiality of the differences between the claimed products or processes, assessed according to an objective standard, and the accused products or processes.

82. *Markman v. Westview Instruments*, 52 F.3d 967, 976 (Fed. Cir. 1995); *SRI Int'l v. Matsushita Elec. Corp. of Am.*, 775 F.2d 1107, 1118 (Fed. Cir. 1985).

83. *Vitronics Corp. v. Conceptoronic, Inc.*, 90 F.3d 1576, 1583 (Fed. Cir. 1996) ("[W]here the public record unambiguously describes the scope of the patented invention, reliance on any extrinsic evidence is improper."); *Markman*, 52 F.3d at 979-81.

84. See, e.g., *Markman*, 52 F.3d at 980.

85. *Phillips v. AWH Corp.*, 415 F.3d 1303, at 1314 (Fed. Cir. 2005) (*en banc*) citing *Brown v. 3M*, 265 F.3d 1349, 1359 (Fed. Cir. 2001).

86. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997).

87. *Id.*

88. *Id.*; *Graver Tank & Mfg. Co., Inc. v. Linde Air Products Co.*, 339 U.S. 605, 608-09 (1950) ("The theory on which [the doctrine of equivalents is founded] is that 'if two devices do the same work in substantially the same way, to accomplish substantially the same result, they are the same, even though they differ in name, form, or shape.'" (citation omitted)).

77. *Heidelberger Druckmaschinen AG v. Hantscho Commercial Properties, Inc.*, 21 F.3d 1068, 1072 n.2 (Fed. Cir. 1994).

78. Fed. R. Civ. P. Rule 26(c).

79. Local Patent Rule Appendix B.

80. Patent Local Rule 2-2 Interim Model Protective Order.

81. *Globe Newspaper Co. v. Superior Court*, 457 U.S. 596, 606-607 (1982).

As is the case with literal infringement, under the doctrine of equivalents claim limitations cannot be ignored. When an element is entirely missing, that is, when an accused device or process does not contain either the exact element of the claim or its equivalent, there is no infringement.⁸⁹

The doctrine of equivalents also cannot be used to expand a claim term beyond its literal meaning where the patentee has surrendered the expanded scope in the course of prosecuting his application.⁹⁰ A patentee may surrender subject matter in the patent itself by disclaiming that subject matter in the specification of the patent.⁹¹ In such cases, a patentee's clear disavowal of subject matter prevents the patentee from asserting that the disavowed subject matter was equivalent to the claimed subject matter.⁹² Any amendment that narrows the scope of a claim for a reason related to patentability will give rise to a presumption of prosecution history estoppel as to the amended claim element.⁹³

Infringement under the doctrine of equivalents requires the patentee to show, for each claim asserted, the presence of each and every claim element or its substantial equivalent in the accused device. The Supreme Court has warned that “[i]t is important to ensure that the application of the doctrine, even as to an individual element, is not allowed such broad play as to effectively eliminate that element in its entirety.”⁹⁴ Under this “all elements rule, there can be no infringement under the doctrine of equivalents if even one limitation of a claim or its equivalent is not present in the accused device.”⁹⁵

VI. Liability

1. Direct Infringement

Under U.S. patent law, infringement occurs if one “without authority, makes, uses, offers to sell, or sells any patented invention, within the United States or

imports into the United States any patented invention during the term of the patent.”⁹⁶ In order for there to be direct infringement of the methods claimed in a patent, performance of all steps of the method must be performed by a single person or entity.⁹⁷ In 2015, the Federal Circuit sitting *en banc*, on remand from the U.S. Supreme Court, issued a decision adding two situations where a party may be liable for direct infringement in *Limelight Networks, Inc. v. Akamai Technologies, Inc.*⁹⁸ In this case, the court considered whether Limelight infringed the claims of Akamai's patents which covered methods of delivering content over the internet. Both parties stipulated that Limelight's customers perform two of the steps of the method claims. Therefore, the issue for the court was whether Limelight can be liable even though it did not perform all of the steps of the claimed method. In this decision, the Federal Circuit found that “liability under §271(a) can also be found when an alleged infringer conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner or timing of that performance.”⁹⁹ The court continued “[i]n those instances, the third party's actions are attributed to the alleged infringer such that the alleged infringer becomes the single actor chargeable with direct infringement.”¹⁰⁰ The court held that the question of “whether a single actor directed or controlled” the acts of the third party or third parties is a question of fact which is reviewable on appeal for substantial evidence when tried to a jury.¹⁰¹ The court also held, citing the Restatement (Second) of Torts §491 cmt. (b), that “where two or more actors form a joint enterprise, all can be charged with the acts of the other, rendering each liable for the steps performed by the other as if each is a single actor.”¹⁰²

2. Indirect Infringement

35 U.S.C. §271(b) provides “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. §271(c) provides “[w]hoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing

89. *Networld, LLC v. Centraal Corp.*, 242 F.3d 1347, 1354 (Fed. Cir. 2001) (affirming summary judgment of non-infringement under the doctrine of equivalents where required claim element entirely absent from accused device); *Athletic Alternatives, Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1582 (Fed. Cir. 1996); *London v. Carson Pirie Scott & Co.*, 946 F.2d 1534, 1539 (Fed. Cir. 1991) (“There can be no infringement as a matter of law if a claim limitation is totally missing from the accused device.”); *Autogiro Co. of America v. U.S.*, 384 F.2d 391, 403 (Ct. Cl. 1967).

90. See *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 734-35 (2002).

91. See, e.g., *SciMed Life Sys. v. Advanced Cardiovascular Sys.*, 242 F.3d 1337 (Fed. Cir. 2001).

92. *Id.* at 1345.

93. *Festo*, 535 U.S. at 739-40.

94. *Warner-Jenkinson*, 520 U.S. at 29.

95. *Lockheed Martin Corp. v. Space Sys./Loral, Inc.*, 324 F.3d 1308, 1321 (Fed. Cir. 2003).

96. 35 U.S.C. §271(a).

97. *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, 134 S.Ct. 2111 (2014).

98. 797 F.3d 1020 (Fed. Cir. 2015)

99. *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020, 1023 (Fed. Cir. 2015).

100. *Id.*

101. *Id.*

102. *Id.*

the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.”

Liability for indirect infringement—*e.g.*, active inducement of infringement under §271(b) or for contributory infringement under § 271(c)—is dependent upon the existence of direct infringement by another.¹⁰³ In its decision in *Limelight Networks, Inc. v. Akamai Technologies, Inc.*,¹⁰⁴ the Supreme Court reiterated its previous position that “inducement liability may arise ‘if, but only if, [there is]...direct infringement.’”¹⁰⁵ In addition, indirect infringement theories require a specific intent by the accused to cause infringement.¹⁰⁶ The Supreme Court held in *Global-Tech Appliances, Inc. v. SEB S.A.*,¹⁰⁷ that to be liable for indirect infringement, induced or contributory, there must be knowledge of the patent-infringement and the direct infringement of the patent.¹⁰⁸

The intent required for inducement is more than just intent to cause the acts that produce direct infringement. Beyond that threshold knowledge, the inducer must have an affirmative intent to cause direct infringement.¹⁰⁹ Inducement requires that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement. Inducement requires evidence of culpable conduct, directed to encouraging another’s infringement, not merely that the inducer had knowledge of the direct infringer’s activities.¹¹⁰

103. See *Joy Technologies, Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993).

104. 134 S.Ct. 2111(2014).

105. *Aro Mfg. Co., v. Coinvertible Top Replacement Co.*, 365 U.S. 336, 341 (1961).

106. See *e.g.*, *DSU Medical Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (“inducement requires evidence of culpable conduct, directed to encouraging another’s infringement, not merely that the inducer had knowledge of the direct infringer’s activities.”); *Warner-Lambert*, 316 F.3d at 1364 (“specific intent and action to induce infringement must be proven.”); *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1381 (“contributory infringement ... requires a *mens rea* (knowledge) and is limited to sale of ... materials without substantial noninfringing uses”); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964) (stating that § 271(c) requires a showing that the accused “knew that the combination for which his component was especially designed was both patented and infringing”).

107. 563 U.S. 754 (2011).

108. *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 764-5 (2011).

109. *DSU Med. Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006); *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1378 (Fed. Cir. 2005); *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1304-05 (Fed. Cir. 2002).

110. *DSU*, 471 F.3d at 1306.

Where a product is accompanied by instructions, it does not matter that a user following the instructions may end up using the product in an infringing way. Instead, the question is whether those instructions teach a necessarily infringing use of the product sufficient to support an inference from those instructions of an affirmative intent to infringe the patent.¹¹¹

3. Divided Infringement

The Federal Circuit decision in *Akamai* set forth the law on divided infringement and, as discussed above, broadened the requirement for directing or controlling another’s performance.¹¹² The Federal Circuit determined that deciding whether a party is directing or controlling another’s performance goes beyond an agency or contractual relationship and “liability under § 271(a) can also be found when an alleged infringer conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner or timing of that performance.”¹¹³

VII. Particular Defenses

1. Limitation of Claims

35 U.S.C. § 286 states:

Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.

In the case of claims against the United States Government for use of a patented invention, the period before bringing suit, up to six years, between the date of receipt of a written claim for compensation by the department or agency of the Government having authority to settle such claim, and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as part of the period referred to in the preceding paragraph.

Previously, a party accused of patent infringement could assert laches as a defense when there was an unreasonable and prejudicial delay in bringing an infringement action. However, the Supreme Court in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 137 S.Ct. 954 (2017) held that “[l]aches is a gap-filling doctrine, and where there is a statute of limitations there is no gap to fill.”¹¹⁴ The court continued to

111. *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1329 (Fed. Cir. 2009) (“The question is not, however, whether a user following the instructions may end up using the device in an infringing way. Rather, it is whether Basic’s instructions teach an infringing use of the device such that we are willing to infer from those instructions an affirmative intent to infringe the patent.”).

112. *Akamai*, 797 F.3d at 1020.

113. *Id.* at 1023.

114. *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 137 S.Ct. 954, 961 (2017).

state “that laches cannot be invoked to bar a claim for damages incurred within a limitations period specified by Congress.”¹¹⁵ Therefore, laches cannot be a defense against damages where the infringement occurred within the period recited in 35 U.S.C. §286.

2. Exhaustion

The doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item.¹¹⁶ The rationale behind the doctrine is that an unconditional sale of a patented device exhausts the patentee’s right to control the purchaser’s use of that item thereafter because the patentee has bargained for and received full value for the goods. The Supreme Court has held that the sale of a product triggers exhaustion when its only reasonable and intended use is to practice the patent and it substantially embodies the essential features of the patented invention.¹¹⁷

It is well settled that, “[W]here a person ha[s] purchased a patented machine of the patentee or his assignee, this purchase carrie[s] with it the right to the use of the machine so long as it [is] capable of use.”¹¹⁸ In *Bloomer v. McQuewan*, the Supreme Court said:

But the purchaser of the implement or machine for the purpose of using it in the ordinary pursuits of life, stands on different ground. In using it, he exercises no rights created by the act of Congress, nor does he derive title to it by virtue of the franchise or exclusive privilege granted to the patentee. The inventor might lawfully sell it to him, whether he had a patent or not, if no other patentee stood in his way. And when the machine passes to the hands of the purchaser, it is no longer within the limits of the monopoly. It passes outside of it, and is no longer under the protection of the act of Congress.¹¹⁹

Moreover, the Supreme Court has repeatedly held that method patents are exhausted by the sale of items that embody the method.¹²⁰ The Federal Circuit recently reiterated this principle, holding that exhaustion applied to a method claim when a device that performed the method was sold.¹²¹ In *Keurig*, Keurig brought a patent infringement suit against a manufacturer of single-serve beverage cartridges that were being used in connection with Keurig’s coffee brewer. Keurig’s patent included a claim directed to a method of brewing coffee using a disposable cartridge. In holding the method

claims exhausted, the Federal Circuit explained:

Keurig sold its patented brewers without conditions and its purchasers therefore obtained the unfettered right to use them in any way they chose, at least as against a challenge from Keurig. We conclude, therefore, that Keurig’s rights to assert infringement of the method claims of the ‘488 and ‘938 patents were exhausted by its initial authorized sale of Keurig’s patented brewers.

To rule otherwise would allow Keurig what the Supreme Court has aptly described as an “end-run around exhaustion” by claiming methods as well as the apparatus that practices them and attempting to shield the patented apparatus from exhaustion by holding downstream purchasers of its device liable for infringement of its method claims—a tactic that the Supreme Court has explicitly admonished. *Id.* [*Quanta*, 553 U.S.] at 630. “Such a result would violate the longstanding principle that, when a patented item is ‘once lawfully made and sold, there is no restriction on [its] use to be implied for the benefit of the patentee.’”¹²²

The Federal Circuit went on to explain that “a consumer’s use of different types of cartridges, viz, cartridges that would not infringe the claimed methods, cannot save Keurig’s method claims from exhaustion. Such an outcome would also be counter to the spirit of the doctrine of patent exhaustion because Keurig could control use of the brewers after it sold them.”¹²³

In *Impression Products, Inc. v. Lexmark International, Inc.*, the Supreme Court determined that when a patentee sells a product, the sale exhausts all patent rights in the item being sold regardless of any restrictions the patent holder attempts to place on the location of the sale.¹²⁴ In making this determination the Supreme Court stated:

exhaustion occurs because, in a sale, the patentee elects to give up title to an item in exchange for payment. Allowing patent rights to stick remora-like to that item as it flows through the market would violate the principle against restraints on alienation. Exhaustion does not depend on whether the patentee receives a premium for selling in the United States, or the type of rights that buyers expect to receive. As a result, restrictions and location are irrelevant; what matters is the patentee’s decision to make a sale.¹²⁵ ■

Available at Social Science Research Network (SSRN): <https://ssrn.com/abstract=3271022>

115. *Id.* at 963.

116. *Quanta Computer Inc. v. LG Electronics, Inc.*, 553 U.S. at 617, 625 (2008).

117. *Quanta*, 553 U.S. at 631 (quoting *United States v. Univis Lens Co.*, 316 U.S. 241, 249-51 (1942)).

118. *Quanta*, 553 U.S. at 625 (quoting *Adams v. Burke*, 84 U.S. 453, 455 (1873)).

119. *Bloomer v. McQuewan*, 14 How. 539, 549 (1853).

120. *Quanta*, 553 U.S. at 629 (“Eliminating exhaustion for method patents would seriously undermine the exhaustion doctrine.”); *Univis*, 316 US at 248-51; *Ethyl Gasoline Corp. v. United States*, 309 U.S. 436, 446 (1940).

121. *Keurig, Inc. v. Sturm Foods, Inc.*, 732 F.3d 1370 (Fed. Cir. 2013).

122. *Id.* (quoting *Adams*, 84 U.S. at 457).

123. *Id.* at 1374.

124. *Impression Products, Inc. v. Lexmark International, Inc.*, 137 S. Ct. 1523 (2017).

125. *Id.* at 1538.