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.

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?

- **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

- **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
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

• **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
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)

• 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)

- 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
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)

- **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)

- **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

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

CAGR = 3.4%

CAGR = 4.4%

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.

- Consumer Products: 2% NPEs, 14% PEs
- Biotech/Pharma: 3% NPEs, 12% PEs
- Computer Hardware/Electronics: 3% NPEs, 9% PEs
- Software: 4% NPEs, 6% PEs
- Industrial/Construction: 1% NPEs, 7% PEs
- Medical Devices: 1% NPEs, 6% PEs
- Telecommunications: 2% NPEs, 4% PEs
- Business/Consumer Services: 1% NPEs, 4% PEs
- Automotive: 1% NPEs, 3% PEs
- Chemicals: <1% NPEs, 3% PEs

Source: 2018 PWC Patent Litigation Study
U.S. Patent Litigation Cost (NPE)

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

<table>
<thead>
<tr>
<th>Event</th>
<th>10th %ile</th>
<th>25th %ile</th>
<th>Median</th>
<th>75th %ile</th>
<th>90th %ile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaint Filed</td>
<td>0</td>
<td>0</td>
<td>22</td>
<td>108</td>
<td>343</td>
</tr>
<tr>
<td>Complaint Served</td>
<td>12</td>
<td>10</td>
<td>34</td>
<td>452</td>
<td>487</td>
</tr>
<tr>
<td>Answer Filed</td>
<td>0</td>
<td>0</td>
<td>178</td>
<td>452</td>
<td>1,476</td>
</tr>
<tr>
<td>Rule 26 Scheduling</td>
<td>19</td>
<td>84</td>
<td>265</td>
<td>705</td>
<td>1,810</td>
</tr>
<tr>
<td>Construction Order</td>
<td>71</td>
<td>524</td>
<td>1,041</td>
<td>3,143</td>
<td>6,410</td>
</tr>
<tr>
<td>Summary Judgment Order</td>
<td>232</td>
<td>503</td>
<td>1,601</td>
<td>4,129</td>
<td>7,051</td>
</tr>
<tr>
<td>Trial</td>
<td>1,931</td>
<td>2,290</td>
<td>3,687</td>
<td>5,250</td>
<td>9,945</td>
</tr>
</tbody>
</table>

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

Source: 2018 PWC Patent Litigation Study
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.

Source: PWC 2018 Patent Litigation Study

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

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

<table>
<thead>
<tr>
<th>Overall rank</th>
<th>District</th>
<th>Case Count</th>
<th>Rank</th>
<th>Overall success rate</th>
<th>Rank</th>
<th>Median damages award</th>
<th>Rank</th>
<th>Median time-to-trial (in years)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>All identified decisions</td>
<td>1,634</td>
<td>37%</td>
<td></td>
<td></td>
<td>$5,647,065</td>
<td></td>
<td>2.4</td>
<td></td>
</tr>
</tbody>
</table>

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

*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.

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

Source: 2018 PWC Patent Litigation Survey
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—Overtturn Rate

#### Circuit Court Reversal

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

**TABLE 2:** OT 2006–2015: Reversal Rate on Merits Cases by Circuit

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.
- 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](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

FY 2018 TOTALS:
33,810 - NUMBER OF SEIZURES
$1,399,873,842 - MSRP

Source: U.S. Customs and Border Protection 2018 Statistics
TOP PRODUCTS SEIZED BY NUMBER OF SEIZURES 2018

- **APPAREL/ACCESSORIES** 18%
- **FOOTWEAR** 14%
- **WATCHES/JEWELRY** 13%
- **HANDBAGS/WALLETS** 11%
- **CONSUMER ELECTRONICS** 10%
- **CONSUMER PRODUCTS** 8%
- **PHARMACEUTICALS/PERSONAL CARE** 7%
- **OPTICAL MEDIA** 2%
- **TOYS** 1%
- **COMPUTER/ACCESSORIES** 1%
- **ALL OTHERS 15%**

Source: U.S. Customs and Border Protection 2018 Statistics
## Total IPR Seizures 2018 in USD

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

*Source: U.S. Customs and Border Protection 2018 Statistics*
ITC U.S. International Trade Commission (USITC) is entrusted with the enforcement of patents at the border.
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) 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)

- 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

Questions?

contact
Keith McWha
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Cell: (201) 563-0742