



GLOBAL PATENT LITIGATION

Mapping Your Strategy

Filing patent infringement suits against an alleged infringer in more than one jurisdiction may provide a patentee with major strategic advantages. However, a successful global patent litigation campaign requires complex strategic planning that takes into account the differences between key jurisdictions in timing, procedure and substantive patent law.

IN the past decade, US and non-US based companies have adopted comprehensive global patent litigation strategies in “bet-the-company” competitor patent clashes. Patent infringement suits and countersuits are no longer being initiated solely in US district courts or the US International Trade Commission (ITC), but are also simultaneously being brought in forums across Europe and Asia.

This is typified by the so-called “smartphone patent wars,” including, most recently, Apple’s ongoing worldwide battle with Samsung over the parties’ competing smartphones and tablets. While that dispute is fairly unique in terms of its scale and stakes, it is far from the first of its kind. Notable global patent battles over the past decade have included: *Apple v. HTC* (initiated in 2010 concerning smartphones and mobile devices); *Sony v. LG* (initiated in 2010 concerning mobile phones and game consoles); *Nokia v. Apple* (initiated in 2009 concerning mobile phones); *Sharp v. Samsung* (initiated in 2007

concerning LCD televisions); and *Fujitsu v. Samsung* (initiated in 2004 concerning plasma display televisions).

This article examines the key considerations for parties pursuing a global approach to patent litigation, in particular:

- Underlying reasons for the trend toward global patent litigation.
- General strategic issues when considering and coordinating global patent litigation.
- The strategic impact of procedural differences in key jurisdictions.
- The strategic impact of substantive law differences in key jurisdictions.

>> This article is based on a Practice Note available on practicalallaw.com. For the complete online version of this resource, which includes a strategic review of the historical global patent wars, search [Patent Litigation: Mapping a Global Strategy](#) on our website.

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TREND TOWARD GLOBAL PATENT LITIGATION

Patent litigation, even for large multinational, non-US based companies, has historically focused on the US federal courts. Reasons for this dynamic include the following:

- The US market is large, so a US victory would have a significant impact on the litigants.
- The US courts and patent law provide patentees with potentially significant damages awards, the possibility of treble damages for willful infringement, as well as injunctions.
- The US procedural rules, which provide:
 - easy access to US federal courts, for example, because notice pleading sets a low burden on the plaintiff for filing a complaint;
 - the ability to develop claims through broad discovery; and
 - the general rule that each party pays its own attorneys' fees and costs.
- Patent claims and defenses in the US may be decided by a jury (see below *Judge or Jury as Fact Finder*).
- The US Court of Appeals for the Federal Circuit, the appellate court for all patent cases, has well-developed procedural rules and patent law precedent.

>> For information on patent infringement claims and defenses in US federal courts, search [Patent Infringement Claims and Defenses](#) on our website.

However, if a patentee has strong patent rights in multiple jurisdictions, filing suits in more than one jurisdiction has become a favored approach. This trend is driven by:

- A desire to diversify the risk of relying solely on the US as a forum.
- An increased familiarity with non-US forums.
- The opportunity for the patentee to present its case multiple times and target the opposing party's business on multiple fronts, thereby:
 - expanding the exposure base for damages and the geographic reach of remedies; and

- providing multiple opportunities to obtain injunctions in key markets.
- The strategic advantages of:
 - using an early decision obtained in one forum to pressure the opposing party into a favorable settlement; and
 - increasing the pressure on the opposing party by increasing the number of disputes between the parties and the overall risk.

STRATEGIC CONSIDERATIONS

A patentee's decision to sue in one or multiple jurisdictions, and the selection of the specific jurisdictions and forum or forums, is shaped by various strategic considerations.

TIME TO RESOLUTION

One key consideration is a forum's speed to resolution, in particular because there is generally a correlation between speed to trial and settlement, as well as the patentee success rate.

A quick infringement victory in one forum can provide a patentee with leverage in an overall global battle. For example, in the Nokia/Apple dispute, Nokia filed patent infringement actions in Germany, seeking to take advantage of Germany's rapid timeline for deciding infringement claims. Nokia's German patent claims could then be decided before its opponent's counterclaims in US district court and the ITC.

Speedy resolution can also enable a patentee to use that decision persuasively in another forum. For example, in the HTC/Apple dispute, after Apple sued HTC for infringement in Germany, HTC not only launched an invalidity action in Germany, but simultaneously initiated a revocation action against Apple's British counterpart patent in the United Kingdom (UK). Because of the pending German proceedings, HTC was also able to convince the UK court to expedite the proceedings.

LITIGATION GOALS

The patentee's litigation goals inevitably influence the forum or forums it selects.

Where the patentee seeks to maximize licensing fees, quickly obtaining injunctive relief in key markets may encourage a global settlement. Where the goal is to force a competitor to exit the market or design around key patents, the patentee must seek injunctions in multiple jurisdictions, since patent rights extend on a country-by-country basis. The expense and risk profile of global litigation can, in and of itself, force a competitor to decide to redesign its product or exit the market.

These goals will in turn be shaped by the alleged infringer's jurisdictional and global activities concerning the allegedly infringing products. A patentee should choose a jurisdiction where:

- There is a likelihood of obtaining an injunction that will adversely impact the alleged infringer.
- The alleged infringer has significant sales of allegedly infringing products, or key permanent manufacturing or distribution sites for such products.

COUNTERSUIT EXPOSURE

A common defense strategy for an alleged infringer is to place the patentee's own products at risk. The patentee should therefore anticipate the alleged infringer's countersuit. If a patentee does not have the resources, ability or risk tolerance to defend against potential countersuits, it should reevaluate its global strategy.

For example, in the Sony/LG dispute, although Sony initiated a series of patent suits against LG in the mobile area, LG countersued against Sony's flagship PS3 gaming console. The successes in this countersuit created serious leverage that factored into the fairly quick settlement of that litigation.

Notably, some companies may also purchase patents to defend themselves. In the HTC/Apple dispute, Google, HTC's Android operating system supplier, purchased patents from Motorola and assigned them to HTC for use against Apple in a countersuit.

BUDGETARY CONCERNS

When mapping its strategy, a patentee should consider the costs in different jurisdictions, which are discussed further below.

Because an alleged infringer in US and non-US litigation bears its own expenses, the burden on the alleged infringer of paying legal fees in multiple jurisdictions may foster settlement. At a minimum, these expenses should cause the alleged infringer's management to view the case as a significant issue that needs to be carefully evaluated and resolved prior to trial.

PATENT PORTFOLIO SELECTION

Patentees evaluating whether to fight a global patent war must assess the strength of their patent rights in each jurisdiction, based on:

- Potential non-infringement arguments.
- Patent validity.
- Other possible defenses.

The substantive law of each jurisdiction will also impact the types of patents rights in those countries and the scope of their claims.

Patentees often assert patents that relate to common, highly-visible and important product features. These patents are likely to have the greatest impact on the alleged infringer. It may also be easier for the patentee to prove infringement for a highly-visible feature than a feature buried in hard-to-identify software code or technology. Apple employed this strategy in its dispute with Samsung, by focusing its US litigation on its design and user interface patents.

Another strategy is to identify and assert patents that are essential to complying with widely adopted industry standards, such as 3G/4G mobile phone communication standards (that is, standards-essential patents). This may allow the patentee to:

- More easily prove infringement by mapping the patent claims against the industry standard, rather than the actual product, which may require costly reverse engineering (see *Fujitsu Ltd. v. Netgear Inc.*, 2010 US App. LEXIS 19543 (Fed. Cir. Sept. 20, 2010)).
- Create significant exposure for any alleged infringers, since industry standards are typically widely adopted across industries. However, this may implicate antitrust and competition law issues (see below *Antitrust and Competition Law Defenses*).

HOME-COURT ADVANTAGE

Plaintiffs often favor suing in their home court, which may give them an emotional advantage with the trier of fact. This strategy was employed by Fujitsu in its disputes with Samsung, where Fujitsu successfully obtained a preliminary injunction that blocked importation of Samsung plasma displays into Japan.

In addition, suing an opponent in its home court, which may seem counterintuitive, can provide strong leverage where the alleged infringer's exposure is high in its home court. External factors, such as media coverage, can get the attention of the opponent's management. This strategy was employed by Samsung in its dispute with Sharp, in which it counter-sued Sharp in Sharp's home country of Japan.

COORDINATING STRATEGY

Embarking on a global patent litigation campaign requires careful planning and coordination among multiple law firms in various jurisdictions. Although consistency is ideal, it is unlikely that a loss in one case will cause a loss in another case in a different jurisdiction as a matter of *res judicata*. A patentee can lose on infringement or validity in one jurisdiction, but not in another, due to differences in the patents themselves, as well as differences in patent laws, legal standards and available defenses.

IMPACT OF PROCEDURAL DIFFERENCES

Procedural differences between forums can have a significant impact on strategy and on substantive results.

INTERPLAY OF PROCEDURES AND TIMING

Proceeding in a mixture of fast and slow jurisdictions gives a patentee the advantage of a potential quick, knock-out punch and the possibility for other victories, regardless of how the first case is resolved.

Certain US forums move quickly to disposition after the initial filing. For example, an administrative trial before the ITC can lead to a decision in a patent case in as little as 12 months or, in complex cases, 18 months (*19 U.S.C. § 1337(b)(1)*). The administrative judges at the ITC keep very short deadlines, rarely grant extensions of time and strictly require parties to meet their discovery and disclosure obligations.

>> For more information on the substantive and procedural aspects of ITC investigations, search [ITC Section 337 Investigations: Patent Infringement Claims](#) on our website.

Similarly, certain fast-moving forums, such as the US District Court for the Eastern District of Virginia, have rules that typically require a trial decision in well under one year. However, defendants are often successful in transferring cases out of that court.

Other US courts are quite slow-paced. For example, the US District Court for the Southern District of New York has an average time to trial of 2 ½ years in patent cases.

As discussed further below, in Germany, infringement and invalidity claims are bifurcated. Any of 12 regional courts hear German patent infringement cases, but only the Federal Patent Court in Munich hears German patent validity actions.

The Dusseldorf infringement court historically was the fastest German court, although recently it has slowed down somewhat. An additional judge will be assigned in Dusseldorf in January 2013, which may again make this one of the faster jurisdictions in Germany. The Mannheim infringement court has been reaching decisions in less than one year.

Because the German infringement courts move quickly and are reluctant to stay proceedings based on the filing of an invalidity action, a patentee may be able to inflict significant commercial damage on an alleged infringer before patent validity is determined.

UK courts are also potentially speedy and resolve both infringement and invalidity issues in less than one year in expedited matters.

INTERPLAY OF PROCEDURES AND COSTS

US patent litigation typically costs millions of dollars. Much of this expense is due to electronic discovery and the comprehensive nature of discovery that may encompass:

- Detailed product design documents and manufacturing records.
- Marketing and sales activities.
- How product designs were made, including whether there was copying.
- The accused infringer's state of mind concerning the asserted patent or patents.
- Exposure, damages and licensing activities.

Non-US litigation is often significantly less expensive because:

- Non-US jurisdictions allow less or no discovery and have minimal motion practice. The flip side of this, however, is that the patentee may need to develop its case by other means, such as by reverse engineering the infringing product.
- From the prevailing party's perspective, the loser pays the prevailing party's attorneys' fees and costs. In the US, the default rule is that each side bears their own attorneys' fees and costs barring exceptional circumstances.

In certain jurisdictions, such as Germany and Japan, court and attorneys' fees are generally set by a standard table.

JUDGE OR JURY AS FACT FINDER

In US district courts, both parties are entitled to a jury trial. While the right may be waived by either party, plaintiffs usually do not waive the right. Instead, they prefer a jury because a jury:

- Is less sophisticated and more unpredictable.
- May be persuaded by emotions.

Patentees will tell a story of stolen ideas in jury trials. For example, in the recent Apple/Samsung jury trial in the Northern District of California (NDCA), the jury may have found it difficult to believe that Samsung was the innovator instead of Apple because Apple is an American company with a strong reputation for producing innovative products.

A US plaintiff may choose to try its case before a judge if it believes that:

- Its case is very strong.
- The judge may hear the case more quickly without a jury.
- The judge may be better able to understand the issues.

In addition, cases before the ITC are heard by an administrative law judge and there is therefore no jury right in that forum.

Generally speaking, patent infringement cases outside the US are heard by judges and not juries. Most other countries either have no jury system or limit that system to criminal cases.

AVAILABILITY OF PRELIMINARY RELIEF

Obtaining preliminary relief, including an injunction barring sale or import of the accused products, might be critical for a patentee to keep costs down, preserve market share and obtain a settlement or victory. Preliminary relief is available

throughout the world in cases between competitors, where the intellectual property (IP) rights are strong and the issue of infringement is clear.

An attractive feature of US litigation is the judge's ability to grant a preliminary injunction on an expedited basis, typically on the order of months, not years, if the plaintiff has a strong case.

Germany and Japan also allow for preliminary injunctions in appropriate situations.

SEPARATE OR CONSOLIDATED INFRINGEMENT AND VALIDITY TRIALS

Infringement and validity are considered together in US courts and the ITC. An alleged infringer may also challenge patents in the US Patent and Trademark Office (PTO). These PTO proceedings, including *inter partes* review, post-grant review and *ex parte* reexamination, often proceed in parallel with the court case unless the case is stayed pending the proceedings.

>> For more information on *inter partes* review and post-grant review proceedings, search [PTAB Trial Practice Rules](#) and [Patent Infringement Claims and Defenses](#) on our website.

Various patent offices around the world can also hear patent validity challenges in various proceedings, such as oppositions in the European Patent Office. In jurisdictions such as Germany and Japan, validity is considered in a nullity action separate from the infringement action. This could be advantageous, since the infringement action is not intertwined with patent validity. Further, the patentee may be entitled to an injunction if the infringement action favorably concludes before the nullity action resolves patent validity.

AVAILABLE REMEDIES

While the scope and availability of damages varies between the US and non-US forums, all major countries provide injunctions as a potential remedy for patent infringement. If a company is or will be enjoined from selling commercially significant products in a key market, it may feel compelled to settle.

Customs agencies, including the ITC, also have broad injunctive remedial powers. The ITC is perceived as a pro-patentee forum because it can grant broad exclusion orders and is relatively fast in providing a decision. Because of these features it is used by patentees in the US to ratchet up the pressure on accused infringers, even though monetary damages are unavailable.

US courts historically have granted high damage awards, including awards over \$1 billion, as in the recent NDCA Apple/Samsung case or the District Court of Massachusetts Kodak/Polaroid case 20 years ago. Further, the US is one of the few countries that allow treble damages if the infringement is found to be willful (35 U.S.C. § 284).

Foreign patent infringement awards tend to be much smaller than in the US. Treble damages for willful infringement are not common outside of the US and are not available in some key jurisdictions, such as Germany and Japan.

Injunctive relief that can ban imports or sales in a given country is also available as a remedy across jurisdictions. Moreover, although this practice is controversial and may be curtailed in the future, the Dutch courts have historically issued cross-border injunctions in IP cases. This greatly broadens the impact of an infringement decision in the Netherlands.

European customs proceedings can also be a powerful and cost-efficient tool for patentees to block infringing goods from the European Union. In 1999, the European regulations were broadened to include patents as a class of IP that the patentee can use to block importation of infringing products where the patentee:

- Has specific information regarding the routing and whereabouts of the allegedly infringing goods.
- Initiates an infringement litigation within ten days of registering the patents with customs (*Article 13, EC Council Regulation, No 1383/2003, July 2003*). The goods will then be detained until the litigation's outcome.

However, the utility of customs proceedings is limited, because the detained goods' owner can obtain their release by paying a security sufficient to protect the patent owner's interests.

SUBSTANTIVE DIFFERENCES IN LAWS

Important differences between US patent law and other countries' patent laws will also have an impact on strategy.

TYPES OF PATENTS

A company's patent portfolio can vary substantially in different jurisdictions. Different types of patents may be available in each jurisdiction, and the scope of patent claims may differ substantially by jurisdiction, for example:

- US patents may include broad functional claims directed to features, while in Europe and Japan, patent claims often tend to be limited to narrow technical improvements.
- Design patent protection can be obtained relatively quickly and inexpensively in the US and abroad for a product's non-functional ornamental appearance.
- Utility model protection is available in Europe and Asia. Utility models can be used for infringement litigation but, since they are not examined, a utility model's validity may be more easily challenged. In addition, judges may decide to stay infringement litigation based on a utility model if good prior art exists. Notably, in Germany, where infringement and validity proceedings are bifurcated and the infringement courts usually proceed more quickly than the validity courts, utility models can be a powerful weapon.

- The US, Europe and Asia have different rules concerning whether, and to what extent, software or methods of doing business are patentable.

>> For more information on US patent law, search [Patent: Overview](#) on our website.

ANTITRUST AND COMPETITION LAW DEFENSES

Finally, it also is essential to develop a good understanding of the potential competition law or antitrust defenses that may be raised in various jurisdictions.

Patentees often assert standards-essential patents in large patent wars with competitors. However, the accused infringers may raise significant competition law-based defenses in response, such as equitable estoppel, as well as antitrust defenses (see, for example, *Qualcomm v. Broadcom*, 501 F.3d 297 (Fed. Cir. 2008)).

In the US, the Federal Trade Commission (FTC) can also choose to investigate patent enforcement and licensing practices affecting industry standards (see, for example, *In the Matter of Rambus, Inc.*, 2006 FTC LEXIS 60 (Aug. 2, 2006); *Dell Computer Corp.*, 121 F.T.C. 616 (1996)).

Some companies have had more success pursuing competition law issues outside the US. For example, the European Trade Commission has found that companies that undertake obligations to a standard setting organization to license their patents on “fair, reasonable, and non-discriminatory” terms and conditions (FRAND) may not seek injunctions.

In the US, the authority on this issue has been mixed. However, recent district court and Ninth Circuit decisions support extending the FRAND defense to the US (*Apple, Inc. v. Motorola Mobility, Inc.*, No. 1:11-cv-08540 (N.D. Ill. June 22, 2012); *Microsoft Corp. v. Motorola Inc.*, D.C. No. 2:10-cv-01823-JLR (9th Cir. Sept. 28, 2012)).

In Germany, the FRAND defense has been used with great success. The German Supreme Court has ruled that defendants in patent infringement suits can argue that they are entitled to a patent license on a FRAND basis under the country’s antitrust laws when the patent holder refuses to grant a license. By contrast, the Hague District Court in the Netherlands dismissed the argument that an adjudicated infringer was entitled, on FRAND terms, to a “compulsory license under cartel law.”

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