Considerations for Global Patent Litigation

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The world has long since moved to a global economy, in which people and products are constantly crossing borders. Intellectual property is not an exception. Robust intellectual property protection frequently involves filings around the world—in the United States, Europe, Asia, etc. For patents, particularly, patent owners strategically acquire patent protection in countries where they or their competitors operate.

For patent litigation, this global protection presents interesting strategy questions for enforcement of patent rights. Where there is global infringement of extensive patent rights around the world, where does a global patent holder file suit? The answer is never “everywhere” due to the costs of patent litigation. However, where to file, how many cases to file, and when to file requires an analysis of the pros and cons of the various jurisdictions, in conjunction with an understanding of the specific goals of the enforcement effort. This article will explore a comparison of some of the major jurisdictions, including the United States, Europe, and China, looking at potential strengths and weaknesses of each jurisdiction. It will then further explore how those various strengths and weaknesses may play into decisions about the where, when, and how many of global enforcement actions.

The Nuts and Bolts of Global Jurisdictions for Patent Litigation

Jurisdictions can vary considerably in their handling of patent litigation. Specific variations discussed below include differences in litigation costs, average length of litigation, available remedies, bifurcated infringement and invalidity tracks, scope of discovery, and special damages. This article explores how some key jurisdictions, including the United States, Europe, and China, compare in these areas.

Litigation Costs

Due primarily to differences in the scope of discovery, as discussed below, costs of patent litigation in the United States greatly outpace those in Europe and China. Average costs of litigation in the United States measure in the millions, depending upon the value of the litigation. For example, a patent litigation case with $10 million to $25 million at stake had a median cost of $2.4 million in 2017. In contrast, the average costs of patent litigation in Europe or China run in the low hundreds of thousands.

All three jurisdictions are similar in limiting the ability to shift fees. The dramatically higher cost of litigation in the United States is a key factor in determinations regarding where to file suit. However, as discussed herein, the United States provides some key benefits that often make it worth the increased costs.

Average Length of Litigation

As with cost, the United States outpaces most of Europe and China on the average length of litigation. The average duration of patent litigation in the United States is approximately 18 to 42 months, varying greatly depending upon factors including the amount in controversy, scope of discovery, and jurisdiction.

At the other end of the spectrum, patent litigation in China can conclude in as little as six months, with an average duration of six to 18 months. Europe falls in the middle, ranging from an average of approximately 14 months in Germany to an average of 24 to 36 months in the United Kingdom. As with costs, the average duration of litigation plays into considerations of where and when to file.
Discovery Scope

As discussed above, differences in the scope of discovery across jurisdictions are critical factors in the increased duration and cost of U.S. patent litigation. The United States allows expansive discovery, including required disclosures (pursuant to Federal Rule of Civil Procedure 26(a) and, in some districts, pursuant to local patent rules), interrogatories, requests for admission, requests for production of documents or things, requests for inspection, and depositions. Generally, the limit on the scope of discovery is that “relevant to either party’s claims or defenses and proportional to the needs of the case.” Although some limits are built into the Federal Rules of Civil Procedure—e.g., 25 interrogatories, ten depositions, seven hours per deposition—those limits can be expanded by agreement of the parties or by request to the court. In practice, those limits are frequently increased in patent litigation. Thus, discovery in U.S. patent litigation can span months or even years and cost hundreds of thousands or even millions of dollars.
In contrast, other global jurisdictions have more limited or nonexistent discovery. Germany and China have almost no allowed discovery. The United Kingdom provides for some basic disclosures but allows essentially no depositions. There are pros and cons to these differences. Limited discovery is a primary reason that patent litigation is less costly and less time-consuming in other jurisdictions. Limited discovery, however, can also make it difficult to prove a claim or defense. Therefore, it is advisable to gather information in advance of litigation to the extent possible in non-United States jurisdictions.

**Available Remedies**

Jurisdictions also differ in availability and likelihood of various remedies, including damages, punitive damages, and injunctions. For example, punitive damages are generally only available in the United States, through willfulness findings can result in awards up to three times the actual damages. With respect to injunctions, however, the United States proves a harder jurisdiction, requiring proof of irreparable harm generally requiring a competitive relationship. In contrast, many other jurisdictions automatically grant an injunction upon a finding of infringement. The table below outlines some of these key differences. Generally, the highest damages awards are available in the United States and the United Kingdom. Notwithstanding the highest award of $50 million in China, damages in Chinese patent infringement cases (and in other Asian countries such as Japan and Korea) are typically low. Damages awards in Europe, with some exceptions like the United Kingdom at the high end and the Netherlands at the low end, tend to fall in the middle range.

These differences require a careful evaluation of the goals in a particular enforcement effort—is the primary goal damages or an injunction? Are both goals equally critical? The answers inform the strategy for where and when to file.

**Infringement/Invalidity Tracks**

Many jurisdictions have separate litigation tracks for challenges to infringement and invalidity. For example, in both Germany and China, infringement cases are determined by courts, and invalidity cases are determined by the respective patent offices. In these jurisdictions, those separate tracks can also have very different timelines. For example, in Germany, the average time to a decision on invalidity is often more than a year longer than the time to decide on infringement. Courts generally refuse to stay the infringement proceeding even with a pending invalidity challenge. This can lead to a situation in which an entity is enjoined pursuant to a finding of infringement of a patent that is later determined to be invalid. In such a jurisdiction, the usefulness of invalidity proceedings as a defensive tactic to allegations of patent infringement is minimal.

In China, the proceeding is more integrated. The court considering infringement will generally stay proceedings pending the invalidity analysis. A helpful graphic was created by Allen Tao of Liu Shen & Associates demonstrating his experience with the procedure:

In contrast, patent litigation in the United States includes both infringement and invalidity, and those issues are generally not bifurcated. The exception is post-grant proceedings in the U.S. Patent and Trademark Office, such as inter partes review (IPR) proceedings under the America Invents Act. Such proceedings proceed independently of federal court patent litigation and are heard by the Patent Trial and Appeal Board. The timeline for IPR proceedings is generally, but not always, shorter than the timeline for federal court litigation. Courts will often, but not always, stay federal court proceedings pending the outcome of IPR challenges. Thus, the interplay between IPR proceedings and federal court litigation depends heavily on the jurisdiction at issue (presenting a further consideration in determining whether the United States presents an attractive jurisdiction in a particular enforcement action).

Like the United States, France, and the United Kingdom also do not bifurcate infringement and invalidity determinations. Also, like the United States, various post-grant procedures may be available for an attack on the validity of a patent.

**Other Differences**

In addition to the differences discussed at length above, other differences between jurisdictions include the

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<th>Figure 3</th>
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<tr>
<td><strong>Highest Damages Award</strong></td>
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<tr>
<td>$2.5 billion</td>
</tr>
<tr>
<td><strong>Punitive Damages</strong></td>
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<tr>
<td><strong>Injunctions</strong></td>
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</table>
availability of jury trials, availability of criminal proceedings, and the existence of specialized courts. These differences are summarized in the table below:

Each of these differences could be important for deciding on an enforcement strategy. For example, the lack of specialized trial courts in the United States is frequently cited as a flaw in the system, given the high rates of reversal on appeal on such matters as claim construction. Likewise, a jury trial could be a positive or a negative in a particular case.

**Evaluating Where, When, and How to Pursue Patent Litigation**

The differences in global patent litigation jurisdictions discussed above complicate decisions on where, when, and how to pursue patent litigation. In making these decisions, key considerations are time constraints, cost constraints, the amount of money at issue, the key goals of the enforcement effort, and the evidence at hand.

For example, if time is of the essence for obtaining an initial determination, the United States may not be the best jurisdiction for an initial filing. The same would apply to budgetary constraints.

**Litigation Goals**

As a first step, a potential plaintiff should evaluate its litigation goals. Is the primary goal an injunction or monetary damages? Is the primary goal a large judgment or a quick judgment? Is the primary goal to leverage a global settlement? Understanding these objectives is key to determining the best way to proceed. For example, if the primary goal is a quick decision from which the plaintiff can leverage a global settlement, an initial filing in Germany could be the best start. Filing in Germany, which is a patentee-friendly jurisdiction with low costs and automatic injunctions upon a finding of infringement, is most likely to result in a quick judgment that could then be used to negotiate a global settlement or inform future cases. Likewise, an initial foray in Germany could be advisable if the goal is an injunction.

On the other hand, if the primary goal is a large monetary settlement, the United States provides the most likelihood of that result. Allowing both high damage awards and punitive damages upon a finding of willfulness, the

<table>
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<tr>
<th>Figure 5 &quot;</th>
<th>United States</th>
<th>Europe</th>
<th>China</th>
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<tbody>
<tr>
<td>Jury Trial</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Criminal Liability</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Specialized Courts</td>
<td>First Instance—No Appeal—Yes</td>
<td>First Instance—Yes Appeal—No</td>
<td>First Instance—Partly Appeal—No</td>
</tr>
</tbody>
</table>
United States has generated damages awards in the billions of dollars. Such damages are simply not available from a jurisdiction like China (or other Asian jurisdictions) or from most European jurisdictions.

Evidence

In addition to a consideration of the primary goals, a potential plaintiff must consider whether it can prove its claim and, if not, whether it can obtain necessary information in a given jurisdiction. In those jurisdictions where discovery is limited or nonexistent, a plaintiff must conduct investigations in advance to establish its case before filing. In contrast, in the United States, as long as the plaintiff has sufficient information to state a claim, the information needed to prove that claim can be obtained through the expansive discovery permitted by the Federal Rules of Civil Procedure. Although it greatly increases the expense, for substantial cases with high stakes, that increased expense can be justified.

Putting It All Together

An enforcement strategy does not have to be limited to a particular jurisdiction. A plaintiff in need of information to fully prove a claim could file in the United States and pursue discovery through documents and depositions in that case while simultaneously investigating facts relating to other relevant countries. For example, with a non-U.S. defendant shipping infringing products around the world, a plaintiff could start proceedings in the United States, work through discovery, and investigate infringing activities in other jurisdictions. Using information obtained in the foreign investigations, the plaintiff could bolster the pending litigation in the United States.

In another scenario, a plaintiff could file first in Germany and work toward a quick judgment that could assist in litigation in other jurisdictions (including the United States) and provide leverage for a global settlement that would mitigate the need to take expensive and protracted litigation in the United States to conclusion.

Conclusion

Every case is different. Understanding the basic differences in how patent litigation plays out in global jurisdictions, evaluating your or your client’s primary goals, and understanding the strengths and weaknesses in a particular case allows proper evaluation of the best jurisdiction(s) for a particular enforcement strategy.


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