

Protecting the rights of innovators and creators

Lieff Cabraser's intellectual property practice represents inventors, startups, and businesses in intellectual property disputes against some of the world's largest technology companies. Our attorneys handle all phases of intellectual property matters, from pre-litigation licensing strategy to appeals before the United States Courts of Appeals for the Federal Circuit.

What are the first steps to take in enforcing a patent?

PATENT INFRINGEMENT MATTERS always begin with rigorous infringement and invalidity analyses. An **infringement analysis** is a claim-by-claim, element-by-element comparison of the infringing product or service with the claims of the patent. An **invalidity analysis** consists of a rigorous comparison of the patent with the prior art (prior art includes products or publications that existed prior to the filing date of the patent) to determine whether the novel features of the invention may have existed in the prior art. Retaining counsel to undertake a thorough and rigorous infringement and invalidity analyses before filing suit is critical to bringing a successful patent infringement action.

Should a potential infringer be approached with an offer to license the patent prior to filing suit?

EVERY CASE IS UNIQUE. However, many companies have a policy of rejecting unsolicited offers to license patents out of hand without substantively reviewing the offers. Moreover, a company that is approached by a patent holder seeking to license a patent may be entitled to file a lawsuit seeking a declaration that the company does not infringe the patent or that the patent is invalid (a “declaratory judgment” action)—even if the patent holder did not intend to sue the potential licensee for infringement. Potential licensees should always be approached carefully and with the assistance of experienced counsel.

What are the stages of a patent infringement lawsuit?

PRIOR TO FILING THE LAWSUIT, the plaintiff completes detailed infringement and invalidity analyses. After the initial complaint is filed, the plaintiff usually must quickly prepare and provide to the defendant “**infringement contentions**,” — detailed, claim-by-claim charts that demonstrate how each element of each claim is infringed by the accused product or service. A defendant then usually responds with “**invalidity contentions**,” which are detailed, claim-by-claim charts that may argue that the novel aspects of the asserted claims existed in the prior art and that the patent is therefore invalid.

After these contentions have been served, a court usually holds what is known as a “Markman” hearing (after the U.S. Supreme Court case *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), where the court interprets the meanings of claim terms on which the parties cannot agree. The parties then engage in discovery, including expert discovery, and proceed toward trial. Prior to trial, either party can file motions seeking a determination by the court that the patent either is or is not infringed or invalid.

After these determinations are made or a trial is held, either party can appeal the result to the United States Court of Appeals for the Federal Circuit—the sole appellate court with jurisdiction over patent infringement lawsuits. Trial court determinations on infringement and validity issues are frequently reversed by the Federal Circuit.

What are potential outcomes of a patent infringement action?

THERE ARE SEVERAL possible positive outcomes of a patent infringement lawsuit. The parties can agree to a negotiated licensing settlement involving the payment of royalties early on in the case. The parties can also engage in mediation at any point during the lawsuit; bringing in a neutral third party can often facilitate a mutually agreeable settlement arrangement. Finally, a patent holder can pursue its claims at trial, where attorneys’ fees and **treble damages** for willful (i.e., knowing) infringement may be available.

What remedies are available for patent infringement?

A NUMBER OF REMEDIES are available for patent infringement:

- The court may issue an injunction preventing the defendant from using or selling products or services embodying the patented technology;
 - A plaintiff may be entitled to a “reasonable royalty” for the defendant’s use of the patented technology;
 - A plaintiff may also be entitled to lost profits attributable to the defendant’s infringement;
 - In cases of willful, or knowing, infringement, a plaintiff may be entitled to treble damages.
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How are damages for patent infringement determined?

THE MOST COMMON form of damages awarded in patent infringement cases is a “**reasonable royalty**.” A reasonable royalty is frequently defined as the amount of royalty payment that a patent holder and the infringer would have agreed to in a hypothetical negotiation taking place at a time prior to when the infringement first began. See Model Patent Jury Instructions, The Federal Circuit Bar Association § 6.6 (2012).

In determining the amount of a reasonable royalty, courts and juries frequently apply the so-called “Georgia-Pacific” factors (after *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970)), which include:

- 1 The royalties received by the patent holder for the licensing of the patent-in-suit, proving or tending to prove an established royalty.

- 2 The rates paid by the licensee for the use of other patents comparable to the patent-in-suit.

- 3 The nature and scope of the license, as exclusive or nonexclusive, or as restricted or nonrestricted in terms of territory or with respect to whom the manufactured product may be sold.

- 4 The licensor's established policy and marketing program to maintain his or her patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly.

- 5 The commercial relationship between the licensor and licensee, such as whether they are competitors in the same territory in the same line of business, or whether they are inventor and promoter.

- 6 The effect of selling the patented specialty in promoting sales of other products of the licensee, the existing value of the invention to the licensor as a generator of sales of his nonpatented items, and the extent of such derivative or convoyed sales.

- 7 The duration of the patent and the term of the license.

- 8 The established profitability of the product made under the patents, its commercial success, and its current popularity.

- 9 The utility and advantages of the patented property over the old modes or devices, if any, that had been used for working out similar results.

- 10 The nature of the patented invention, the character of the commercial embodiment of it as owned and produced by the licensor, and the benefits to those who have used the invention.

- 11 The extent to which the infringer has made use of the invention and any evidence probative of the value of that use.

- 12 The portion of the profit or of the selling price that may be customary in the particular business or in comparable business to allow for the use of the invention or analogous inventions.

- 13 The portion of the realizable profits that should be credited to the invention as distinguished from nonpatented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer.

- 14 The opinion and testimony of qualified experts.

- 15 The amount that a licensor (such as the patent holder) and a licensee (such as the infringer) would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount which a prudent licensee—who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention—would have been willing to pay as a royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a prudent patent holder who was willing to grant a license.

What are the possible risks associated with bringing a patent infringement action?

A PATENT HOLDER SEEKING TO ENFORCE its patent always faces the risk that its patent will be declared invalid or unenforceable. A defendant can preemptively file a declaratory judgment action seeking to invalidate or hold unenforceable the patent even before a patent infringement lawsuit is filed. Defendants in patent infringement lawsuits virtually always argue that the patents are invalid and not infringed. However, questions of infringement and validity usually involve detailed issues of fact that can only be determined after discovery—including expert analysis—has taken place.

How has the *America Invents Act* affected patent holders seeking to enforce their patents?

THE LEAHY-SMITH AMERICA INVENTS ACT (“AIA”), enacted in September 2011, implemented a number of changes affecting plaintiffs in patent infringement lawsuits. One important change is that multiple defendants may now only be sued together, or “**joined**,” in the same patent infringement lawsuit if the infringement claims against the defendants involve common issues of fact.

Under Section 299 of the AIA, multiple accused infringers may be joined only where the claims against them arise out of “the same transaction, occurrence, or series of transactions, or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process” and “questions of fact common to all defendants or counterclaim defendants will arise in the action.” 35 U.S.C. § 299(a)(1)-(2). In other words, accused infringers may not be joined together “based solely on allegations that they each have infringed the patent or patents in suit.” *Id.* § 299(a)(2).

A plaintiff can, however, still file multiple infringement lawsuits in the same court against independent defendants and then seek to have the cases “related” or consolidated under one judge for various purposes, including rulings on common claim construction and validity issues.

Additionally, the AIA has implemented a new “**post-grant review**” system. Under the new system, the validity of a patent can be challenged on any grounds in the PTO if a request for Post-Grant Review is filed within nine months after the patent has been granted. The AIA also created a new type of administrative proceeding known as “covered business method review,” which may be used at any point after the patent has been granted. A “covered business method” is defined as a “method or apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” See AIA Section 18(d)(1).

While the AIA has implemented a number of changes to the patent system, patent holders concerned that their patents are being infringed are still able to vigorously and effectively pursue the full range of remedies available for patent infringement.

For a free, confidential no-obligation review of your case, please contact attorneys Eric Fastiff or David Rudolph at Lief Cabraser.

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