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Patent Litigation With Non-Practicing Entities: Strategies, Trends and Techniques

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Leveling The Playing Field in NPE Litigation

- **America Invents Act (“AIA”) 35 U.S.C. Section 299**
 - Limits the ability of plaintiffs to join multiple unrelated defendants in a single action
 - As a practical matter restricts forum shopping by preventing joinder of geographically diverse but unrelated defendants
 - Result has been sharp increase in new patent case filings in District of Delaware and reduction in E.D. Texas
- **Transfer Motions Frequently Granted**
 - Plaintiff’s choice of forum has been eroded
 - Even suit in defendant’s State of incorporation may not stick venue
- **Motions to Dismiss For Failure To State A Claim**
 - Twombly and Iqbal motions have become routine
 - More than fifty percent are granted in whole or in part
 - Sanctions against NPEs are increasing in frequency
- **Motions to Stay Pending Reexamination**
 - On average, more than fifty percent of Stay motions are granted
 - Petitioners have been very successful with *inter partes* reexaminations
- **On the Horizon**
 - Divided infringement: long awaited *en banc* decision in Akamai Technologies
 - AIA post grant review
 - *Inter partes* review under AIA



America Invents Act: Joinder of Parties



- 35 U.S.C. § 299 (newly added under the AIA) limits a plaintiff's ability to join multiple accused infringers.
- Multiple accused infringers may be joined only if:
 - “Any right to relief is asserted against the parties jointly, severally, or in the alternative **with respect to or arising 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.”
- Accused infringers may not be joined **solely on allegations that they each have infringed the patent or patents in suit.**

America Invents Act: Impact On Filing Of New Patent Cases

- District of Delaware Patent Infringement Case Filings
 - January 1, 2011 to September 15, 2011275 cases
 - September 16, 2011 to December 31, 2011.....210 cases
- Eastern District Texas Patent Infringement Case Filings
 - January 1, 2011 to September 15, 2011282 cases
 - September 16, 2011 to December 31, 2011 136 cases

Source: Data obtained from Pacer and Docket Navigator

Top Districts: Overall Win Rates For Patentee



- **Middle District of Florida**
 - Patentee win rate: 60.9%
 - Median time-to-trial (1995 to 2010): 1.71 years (3rd nationally)
 - Transfer rate: 40% (national average 47%)
- **Eastern District of Texas**
 - Patentee win rate: 55.4%
 - Median time-to-trial (1995 to 2010): 2.14 years (6th nationally)
 - Transfer rate: : 36% (national average 47%)
- **District of Delaware**
 - Patentee win rate: 38.9%
 - Median time-to-trial (1995 to 2010): 1.87 years (4th nationally)
 - Transfer rate: 33% (national average 47%)
- **Northern District of Texas**
 - Patentee win rate: 38.7%
 - Median time-to-trial (1995 to 2010): 2.42 years (9th nationally)
 - Transfer rate: 70% (national average 47%)
- **Central District of California**
 - Patentee win rate: 35.3%
 - Median time-to-trial (1995 to 2010): 2.34 years (7th nationally)
 - Transfer rate: 62% (national average 47%)

Source: PriceWaterhouseCoopers, 2011 Patent Litigation Study, (October, 2011); 2010 Legal Metric, Report Nationwide Patent Litigation Statistics ; Docket Navigator

Will The Rush To Delaware Continue?

In Re Link_A_Media Devices Corp., Miscellaneous Docket No. 990 (Fed. Cir., Dec. 2, 2011) (per curiam).

- Non-resident plaintiff sues Delaware corporation with principle place of business in Northern California in the District of Delaware (Judge Robinson)
- Applying the law of the 3rd Circuit the Federal Circuit granted writ of mandamus ordering transfer from Delaware to N.D. California
- State of Incorporation of Defendant not a significant factor in convenience analysis

Rule 12(b)(6) Motions: TWOMBLY / IQBAL

- Heightened pleading standards

- “A party asserting a claim against another has an “obligation to provide the grounds of his entitlement to relief [which] requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do.”

Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555 (U.S. 2007).

- “To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to ‘state a claim to relief that is plausible on its face.’ A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.”

Ashcroft v. Iqbal, 129 S. Ct. 1937, 1949 (U.S. 2009)

Rule 12(b)(6) Motions: TWOMBLY / IQBAL

- Motions to Dismiss in NPE cases have become routine
- Complaints typically contain little detail about accused products and services
- Complaints often fail to provide sufficient basis for indirect infringement claims
- Over the past 15 months more than 50% of motions were granted, at least in part, particularly with respect to indirect infringement claims
- Complaint may be dismissed with prejudice and without leave to replead when amendment would be "futile", or would not survive a motion to dismiss. *Lyda v. Freemantle Media North America, Inc.*, 2012 WL 957498 (S.D.N.Y., March 8, 2012)

Awards of Sanctions And Attorneys' Fees Against NPEs

- Awards of attorneys' fees and sanctions against trolls have become more prevalent
- *Eon-Net LP v. Flagstar Bancorp*
2011 WL 3211512 (Fed. Cir. July 29, 2011)
 - Affirmed district court's award of \$489k in attorneys' fees and sanctions of \$141k against both Eon-Net and its attorneys for litigation misconduct and bad faith filing of baseless claims
- *Highmark v. Allcare Health Management Systems*
2010 WL 6432945 (N.D. Tex. Nov. 5, 2010)
 - Awarded over \$5 million in attorneys' fees, costs, and sanctions against troll and law firm who conducted no pre-filing investigation before filing infringement counterclaims in response to Highmark's DJ action

Motions To Stay Pending Reexamination

- Since 2008, **57%** of motions to stay pending reexamination have been **granted**.

Docket Navigator: <https://www.docketnavigator.com/entry/index.php?page=reexam>

- Likelihood that issues will be simplified or intervening rights created

Success rates (third-party requests) 1999 to 2011:

- Inter partes

- » All claims cancelled: 44%

- » At least one claim cancelled or amended: 87%

- » *Inter Partes* Reexamination Filing Data – Sept. 30, 2011:
http://www.uspto.gov/patents/IP_quarterly_report_September_2011.pdf

- Ex parte

- » All claims cancelled: 12%

- » At least one claim cancelled or amended: 76%

- » *Ex Parte* Reexamination Filing Data – Sept. 30, 2011:
http://www.uspto.gov/patents/EP_quarterly_report_Sept_2011.pdf

Motions to Stay Pending Reexamination

Patent Reexaminations

ADVANTAGES

- ***Inter-partes* permitted on all patents when application is filed after 11/29/99**
- **Can be filed before or after a suit is instituted**
- **Can form basis for staying litigation**
- **Can be initiated by anyone, not just prospective defendants**
- **Amendments to claims may create intervening rights**

DISADVANTAGES

- **No participation in *ex-parte* reexamination**
- ***Inter-partes* estoppel effect**
 - **All art cited to patent office during reexamination or that could reasonably have been cited cannot later be asserted as invalidating prior art in litigation**
- **Patent holder may come out of reexamination with amended claims which will be difficult to invalidate in court**

Divided Infringement

- Divided infringement of method claim - if not all steps of method are performed by single person or entity, may still be liable if:
 - Single party exercises “direction or control” (mastermind theory)
 - *BMC Resources / MuniAuction*
 - Requires either contractual or agency relationship
 - *Akamai Technologies v. Limelight Networks*
629 F.3d 1311 (Fed. Cir. 2010)
- April 20, 2011, Federal Circuit granted *en banc* review in *Akamai Technologies* and posed the question:
 - “If separate entities perform separate steps of a method claim, under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?”

America Invents Act: Post-Grant Review

- Effective Date: September 16, 2012 for financial business method patents. For all other technology it applies to applications having priority claims that are 18 months after date of enactment, i.e. on or after March 16, 2013.
- Person who is not patent owner may petition for review of a patent within 9 months from patent grant (unlimited in time for business method patents for financial products or services)
- Grounds for invalidity are any that can be raised against a patent in court
- Post grant review will be granted if it is “more likely than not” that at least one of the claims challenged is unpatentable, or if the petition raises a “novel or unsettled legal question” that is important to other patents
- Petitioner has the burden of proof by a preponderance of the evidence
- Patent owner has right to file preliminary response to petition

America Invents Act: Post-Grant Review

- Post Grant Review to be completed within 1 year and conducted before a newly formed Patent Trial and Appeal Board
- Petitions for Post Grant Review are not allowed if the petitioner challenged the validity of the patent in court prior to filing the petition, and any civil action filed by petitioner after filing petition for Post Grant Review is automatically stayed
- If a civil action is filed within 3 months from the date patent grant, the court cannot stay a decision on a patent owner's motion for a preliminary injunction
- Petitioner cannot raise issues in a civil action that were or could reasonably have been raised in the Post Grant Review proceeding once a final written decision of the Patent Trial and Appeal Board is issued

Offensive Strategies: *Inter Partes* Review Under America Invents Act

- Person who is not patent owner may petition for review of a patent the later of (1) 9 months **after** patent is granted or (2) the date of termination of a Post Grant Review proceeding
- Grounds for invalidity limited to novelty and nonobviousness based on prior art consisting of patents and printed publications
- *Inter Partes* Review will not be granted unless “reasonable likelihood” that petitioner would prevail with respect to at least one claim (slightly raised threshold from that of Post Grant Review)
- Patent owner has right to file preliminary response to petition
- *Inter Partes* Review to be completed within 1 year and conducted by the Patent Trial and Appeal Board

Offensive Strategies: *Inter Partes* Review Under America Invents Act

- Petitions for *Inter Partes* Review are not allowed if the petitioner challenged the validity of the patent in court prior to filing the petition, and any civil action filed by petitioner after filing petition for *Inter Partes* Review is automatically stayed
- A petition for *Inter Partes* Review is also not allowed if the petition is filed more than one year after the date on which the petitioner is served with a complaint alleging infringement of the patent
- A petitioner in an *Inter Partes* review of a claim that results in a final written decision may not assert in a civil action that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that *Inter Partes* review.

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Questions?