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5A Patent Law Session. Patent Prosecution and Litigation

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Session 5A

Emily C. & John E. Hansen Intellectual Property Institute

**TWENTY-NINTH ANNUAL CONFERENCE
INTERNATIONAL INTELLECTUAL PROPERTY
LAW & POLICY**

Friday, April 22, 2022 – 8:00 a.m.

**SESSION 5: Patent Law
5A. *Patent Prosecution and Litigation***

Moderator:

Penny Gilbert

Powell Gilbert LLP, London

Speakers:

Kenneth R. Adamo

Law Office of KRAdamo, Chicago

***Is It Possible to Steer Your US Litigation Towards a Particular Court, Judge
and/or Jury?***

Carl Josefsson

President of the Boards of Appeal of the European Patent Office, Haar
The Boards of Appeal and the National Courts

David J. Kappos

Cravath, Swaine & Moore LLP, New York

Enhanced Damages in the Current No-Injunction Environment

Panelists:

Ronald E. Dimock

Gowling WLG, Toronto

Otto Licks

Licks Attorneys, Rio de Janeiro

* * *

Session 5A

PENNY GILBERT: Good morning or good afternoon, depending on your time zone, and welcome to the first session of today's patent law track. We've got quite a broad topic for discussion today, patent prosecution and litigation, but in reality, our three speakers are going to be focusing on topics which are largely related to litigation questions. We're going to cover the issue of forum shopping and litigation, the interaction of case law of the European national courts and the decisions of the technical Boards of Appeal of the European patent office, and also looking at relief, the availability of injunctions, and damages following a finding of infringement.

We're fortunate to have three very eminent speakers and some eminent panelists as well with us today and they really don't require any introduction from me, which is good because we don't have time for that. We have as our speakers Ken Adamo, Carl Josefsson from the Boards of Appeal of the EPO, and David Kappos. We also have Ronald Dimock and Otto Licks here as our panelists. Now, into huge regimes which I gather was introduced yesterday, I remind our speakers that they've now been cut down to just six minutes, which means that we're going to have more time for discussion after each of the talks.

I would encourage everybody, if you've got questions, please put them in the Q&A channel and I'll be keeping an eye out for them and raising them with the panel. With that, I'll hand over to our first speaker, which is Ken, who's going to discuss the issue of forum shopping.

KENNETH R. ADAMO: Good morning. It reminds me of the Jefferson Airplane song, those of you who even remember who Jefferson Airplane is, called *3/5 of a Mile in 10 Seconds*. Here we go. Is it possible to steer your US litigation to a particular court, judge, and/or jury? Well, folks, I hate to tell you, the answer is mostly yes. Far from being a pejorative, forum shopping is a US trial lawyer's primary responsibility and principle strategic and tactical step at the commencement of litigation. In fact, forum shopping may actually be the best practice in the truest sense whether one's representing a patent owner or an accused infringer.

Chuang, in a paper, *Offensive Venue: The Curious Use of Declaratory Judgment to Forum Shop in Patent Litigation* went so far as to say, "Parties that do not forum shop proceed at their own risk." Professor Kimberly Moore as she then was in a paper when she was a law professor, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation* discussing the use of declaratory judgment actions noted herself that, "Such actions are considered to be the primary way that accused infringers can level the playing field."

Professor Lemley, who we all know was noted in the Chuang paper at pages 1067 footnote 4, and 1073 footnote 46 that such conduct equated to playing the forum shopping game. Forum shopping is available to an accused infringer through use of 28 USC 2201, the declaratory judgment provisions of Title 28, and also to a patent owner being sued under 35 USC 271 and 281. What I'm going to do now is I'm going to tell you how to do it. Here are the steps for rational forum shopping for either a patent owner or an accused infringer who is able to establish the required actual controversy with a patent owner to use declaratory judgment proceedings.

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Step one, select a target. Determine who's going to be suing whom for what and where. The patent owner would essentially be operating under sections 271 and 281 of Title 35 of our patent act. Accused infringer would be looking at section 2201 of Title 28, that's the declaratory judgment act. The main difference for our purposes between how a patent owner has to deal with this and an accused infringer is venue. Everybody knows about TC Heartland. The patent owner has to deal with section 1400(b) more complicated, difficult venue statute. The accused infringer under section 2201 according to current law does not, I repeat, not have to deal with 1400(b). The old 1391(c) venue provision is what you have to deal with.

Step two, you have to do the necessary research. Two different types of research. First, you've got to research your potential trial judges, knowing whom you're going to sue and where a venue pushes, you have to look at the various trial judges whether you're on the DJ side or the straight-up patent infringement side. You're going to end up likely with two different lists depending upon which way you approach it.

All sorts of resources, an amazing plethora of resources on the services side, Lexology, Lex Machina, Docket Navigator, Law360, all ways you could track the record of judges in the various districts that you would run into. Blogs, IPWatchdog, Patently-O, Patent Docs also should be checked. An amazing resource that most people are not aware of is the Thomson Reuters Practical Law IP and technical weekly update. Now, this provides practice notes and rules that are updated weekly. The current best source of what's going on in the District of Delaware with regard to judge assignments actually is in the April 20th 2022 version of that document and it's not anywhere else to easily be found.

What else should you be looking at? Local rules, local standing orders, all sorts of things that tell you what the trial judges, potential trial judges' predilections and prior practices are. You should particularly look at District of Nevada, Middle District of Florida, Northern District of Illinois, Southern District of New York, Eastern District of New York, Northern District of Texas, District of Western Texas, and Eastern Texas, all the places you should check. You also should take a look at the potential jury. Remember, in the United States you've got to worry about juries.

Juries aren't automatic. You've got to ask for one, but for the most part, you ask, you get. Sources of research for juries, Courtroom Science, Decision Quest, all sorts of jury services that will tell you for the particular venue selection and the particular district and division you might end up, what type of jury you might get. You want to take that into account.

Step four, determine the best districts available based on your research and your targets. Here's where being a trial lawyer really kicks in. You've got to use your experience and the data you gathered to check out where you possibly should go.

Now, for the best districts, you've got to learn how, and this is the last step, so you can make your choice. You've got to learn how the assignment of new cases for judges works and you've got to focus on particularly divisions within districts. We've got 94 districts. Many of the districts, more than half of them,

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have divisions. Texas has four. California has four. New York has four different districts, but within the districts, there are also divisions. How you get a judge often is driven by the division situation. Let's talk about Western Texas first. Many people go, "How does Albright get all these cases?"

Well, if you look at how the Western District of Texas amended plan for random and direct assignment of cases and multi-judge divisions works, that provision says all civil cases filed in multi-judge divisions randomly assigned by a computer. Well, guess how many judges there are in Waco, one and because that is not a multi-judge division, you file in Waco you get judge Albright. That's how that works. How about Northern District of California? This is really complicated. You've got three major divisions in the Northern District of California, San Jose, San Francisco, Oakland.

A clerk is supposed to assign these randomly, but general order number 44 paragraph D(3), the court shall maintain a district-wide system of assignment for intellectual property rights. You've got a special rule for IP cases, which essentially says venue for cases in these categories shall be proper in any courthouse in this district. That means San Jose, San Francisco, Oakland. Now, that's not necessarily good because that's a lot of judges and they've got all sorts of different track records. You don't know which judge out of those three divisions you're going to draw.

That's a tough one. Western Texas, easy. Go to Waco, one judge. Can't go wrong. Northern California, you haven't got a good guess as to who you're going to get. Let's talk about East Texas, almost done. East Texas judges are assigned based on the general order assigning civil and criminal actions. There are six divisions in East Texas: Tyler, Beaumont, Sherman, Marshall, Texarkana, and Lufkin. There is a document that is put out under 28 USC section 137 which is the rule that governs how you assign cases under which Chief Judge Gilstrap has a list. Under that list, he assigns to each of the active judges a certain percentage of the civil docket, criminal docket. By filing in one of those divisions and knowing what the percentage is you've got a pretty good sense of who you are likely to get in that division. Last but not least, Delaware. Delaware is right now a really interesting situation. Most of you know that Chief Judge Stark is now federal circuit Judge Stark. They've got three active judges.

You file right now in Delaware, you're going to get one of those three, all patent experienced. You know exactly who you're going to get or you're going to go into a vacant judgeship docket, which is a horse of a different color, but you've got a pretty good chance, three out of four, you know who you're going to get in Delaware. They're all patent experienced. That's the way you rationally forum shop. Now seven minutes cut to six. I can't talk about the USITC because there just isn't enough time.

I can't talk about the three major documents that you all need to know about particularly Botoman's law review article, Divisional Judge Shopping, published in all places, the *Columbia Human Rights Law Review* in 2018 is a great reference. Don't turn your nose up at forum shopping because you should be forum shopping.

PENNY GILBERT: Thank you, Ken, for that race through it. Now I'm going to ask a fairly naïve question. You've gone through a lot of obviously the various fora in the US. There are lots of courts to choose from and lots of different judges that you can look up historically as to the way that they have decided cases, but from the perspective of a European litigator, tell me the advantages of choosing a jury over a judge or vice versa?

KENNETH R. ADAMO: Well, it's very difficult to not end up with a jury these days under rule 38 and rule 39 of the federal rules of civil procedure. If there's a jury issue presented by the pleading, which is what drives it, either side can ask for the jury. Once you ask, unless you change your mind, you've got the jury. The best thing you can do is try to look at your potential districts and figure out, is it a blue-collar jury? Is it a very educated jury? Do you have a lot of universities there? One of the reasons people like Austin, Texas, for example, and Waco is you've got a lot of universities.

You've got huge high-tech people who participate in Austin. That's the type of thing that you have to look at and it's an art. Picking a jury and trying a case in front of a jury is radically different than any of you folks in the EU have ever dealt with, contemplated, or ever wanted to worry about. Trust me on that. That's why I look like this and I'm only 35, too many juries.

PENNY GILBERT: We'll trust you on that one. Ron, actually, what's your perspective from the Canadian viewpoint?

RONALD E. DIMOCK: Well, thanks very much, Penny, and thanks, Ken. Good to see you again.

KENNETH R. ADAMO: Hey, Ron.

RONALD E. DIMOCK: I would say your forum shopping list is not long enough. You should check out Canada in forum shopping. Here, we don't have forum shopping. All the cases go before a judge of the federal court. We have no juries. There's no deposition practice, just 30(b)(6) discoveries, and we have injunctions. I would add to your list, Ken, and it was a very complete list for the state south of Canada, but I would check out Canada if you have an infringing activity going on there because you can get the trial in less than 24 months and you can get the remedies that could very well apply even into the United States if, for example, the infringement is being exported from Canada.

That's what I would say in response to your well-informed list of shopping for forums in Canada and the United States now.

KENNETH R. ADAMO: Well, if you recall back to the Lubrizol-Exxon wars, which I know you don't want to think of about, but I know you remember. You very much remember that parallel litigation was going on in Canada and we did take both sides, plaintiff and defender took great comfort, I should say, or learned about how your 30(b)(6) deposition practice only works. Yes, you do still have injunctions. Penny knows in her world, you don't have to guess about which judge you're going to get. You pretty much know unless, of course, they get put up to the court of appeal and then you don't get to try cases in front of them anymore. That's a plug for Richard and Colin, of course.

PENNY GILBERT: Exactly. Well, certainly, from a European perspective, of course, we've got forum shopping, of course, with lots of-- One of the issues

for us in Europe is the choice of procedure and timing and the differences between the continental system and the UK system, for example, where we have disclosure and cross-examination and it's very different. I think we're going to have forum shopping with bells on by the time we have the UPC coming into effect because then there'll be a choice of the various divisions plus potentially running alongside various national places.

It will be forum shopping and strategy, a go-go at that point. Otto, have you got what you'd like to make of that, moving to South America?

OTTO LICKS: Wow. Thank you, Penny. Great to see you. Great to see you all. Ken, one thing I would like to ask you after you've mentioned all the possibilities in the US. You have the CAFC for a long time, but you don't have, as in several other countries like we have in Brazil, specialized trial courts for patent cases. Would that impact somehow the way of forum shop, if you have specialized trial judges for patent cases? That's the first question.

The second question I would like to ask you, is forum shopping a bigger issue because of the huge differences you find among the judges in the US, and is there a larger role that higher courts can play in leveling the experiences and the feedbacks you can get from those different courts so we won't have such a wide differences in the trials depending on the particular judge you get?

KENNETH R. ADAMO: Let's start with question one and go to question two and you're going to get me back to rapid speak again. We just got done with a 10-year pilot program here in the United States with 20 different districts out of the 94 to essentially try to get a panel, within certain districts, a subset of a bigger panel of all the trial judges in that district who were willing to take on intellectual property law cases. The United States Supreme Court on a number of occasions, and there have been tests on this in Delaware over the years.

There's no way you're going to get a specialized court by filing a lawsuit or saying it's constitutional, et cetera. It's been tried every way six ways from Sunday. The pilot program, depending upon your point of view, was either a success or not. Most people would say probably not because the good judges in the districts that saw a lot of patent cases like Northern District of Illinois, for example. We've got 30-something judges sitting in the Northern District of Illinois. There are two divisions. Many of those judges are exceedingly patent-wise and patent-friendly.

That's one of the reasons people picked that district, and you can find all that out. There's really no way to officially get an IP-only court that I'm aware of and everybody else seems to have tried everything they can think of really so far. Does it make a difference? Does it drive how people make choices? It does. I don't think there's any question about it. It more or less has to. Unfortunately, we're just not going to get that specialization. You think Judge Michelle and Marty and other people don't like dealing with juries.

Well, they would prefer that we just had the USITC, who tries more intellectual property cases in a given year than anybody else in the United States. The administrative law judges who are on the USITC they see more trials than most of the districts. They're sort of a specialized court just the way it happens. Delaware's luck of the draw sees a lot of cases. As I said, Albright didn't create

himself. The local rules down in West Texas created him. With a lot of practice and Judge Gilstrap the same way, you get good at it. That's about the best we can do. Sorry, Otto. We don't even have anything like Copacabana either, so what can they tell you?

PENNY GILBERT: I'm going to move the discussion on from the US courts now back to Europe. In particular, obviously, we've got a system in Europe where we have the possibility of European patents being in opposition proceedings of the EPO after grants, and at the same time, potentially being litigated in the various national courts. Crossing over now to Carl Josefsson he's going to talk about the interaction between EPO technical Boards of Appeal case law and the national court decisions.

CARL JOSEFSSON: Thank you very much, Penny, and hello to everybody. It is a pleasure to be here. I will talk today about the relationship between case law of the Boards of Appeal and of the national courts in Europe. There's a clear link between what I will address and the Unified Patent Court (UPC). I refer also to the UPC section yesterday, and in particular to the presentation of Klaus Grabinski. The UPC and the coming into life of the UPC is indeed the most important and welcome development in Europe these days.

We have in Europe the Boards of Appeal as the final instance on the granting of European patents and we apply the European Patent Convention (EPC). Also, national courts then apply the EPC. The national courts, they apply the European Union law, the EPC, and national law. As a consequence, we have then parallel overlapping legal systems. What I say here relates to what we have up until now, but in this context the UPC will be like a national court.

What the member states of the European Union participating in the UPC have done or are doing now with the UPC is that they've put together their jurisdictions on infringement and validity into one unified court. 17 member states are participating from the outset. The UPC will have then - as the national courts now - of course, have jurisdiction on the validity, and the Boards of Appeal have also jurisdiction on revocation. Already early on in our history, the Enlarged Board of Appeal underlined and emphasized then the basic purpose of the EPC system to harmonize the applied law in the contracting states and at the EPO.

The European Patent Convention, as such in Article 138 has a secure stand that the grounds for revocation are limited. The contracting states may only revoke patents on the grounds listed in Article 138. The letter of the law is harmonized, but then its interpretation raises questions. The principle developed over the decades is the one of mutual consideration. Decisive is the persuasiveness of the argumentation and the eventual result and then hopefully to as large an extent as possible harmonization.

For the Boards of Appeal, the national decisions are not binding, but the Enlarged Board of Appeal has made clear that we have to take into account the actual national interpretation by the courts of the contracting states. That is what we do. There is an emphasized harmonization philosophy behind the Convention. Now I mention early examples. For instance, in case T 655/95 from the mid-90s, a technical board followed the conclusion of the Dutch Court of Appeal.

More recent examples, the decision from last year on the computer-implemented simulations where the Enlarged Board of Appeal referred, in the reasons to the G 1/19 decision, inter alia then to the old German Federal Court of Justice “*Rote Taube*” decision. Pending now, before the Enlarged Board of Appeal on the so-called plausibility issue, the referring technical board in its referral then discusses the UK Supreme Court cases on the core topic of the referral.

From the perspective of the national court, for example from the German side, one has underlined that the decisions of the Boards of Appeal EPO decisions then are deemed highly persuasive and have to be taken into consideration. Similarly, in the UK, this is also the case law. Importantly there in the *Actavis v Merck* decision from 2008 is an exception to the rule of precedent in the British law. That if there is a settled view of European patent law by the Enlarged Board of Appeal, then this is a reason to reconsider certain case laws. This is, of course, very important.

The harmonization story continues. There are continuous efforts. We remain committed to cooperation and harmonization in the Boards of Appeal. With the future, we will have also the UPC, which is an important improvement of the European system, and where I think we have a good ground to stand on in that we have many informal contacts fostered by conferences like the Venice Conference and our annual Case Law Conference at the Boards of Appeal. We also have expert workshops between the national judges and the Boards of Appeal members.

These are ways that we keep up informally a discussion between us paving the way for harmonization between formally, of course, strictly independent courts where the Boards of Appeal are in the final instance on the granting and the UPC and the national courts are final instances on infringement and validity. Thank you very much for your attention.

PENNY GILBERT: Thank you. Moving on to discussions. I would encourage anybody who's listening if you've got any questions or comments, please put them into the Q&A box, and I'll look out for them. In the absence of that, I'm going to ask-- Let's go to Ron first and ask about the situation in Canada. Do you have an interplay between decisions of administrative proceedings, litigation cases?

RONALD E. DIMOCK: Thanks, Penny. Carl, that was a very useful overview of the European system. I must say that it's a remarkable cooperative effort to harmonize and bring efficiency to final decision making. I wish the world would come together like Europe in that sense maybe through a greater attention to international arbitration. To answer Penny's question about Canada, all appeals from the federal court go to the Federal Court of Appeal. In Canada, about 95% of patent infringement actions are brought in the federal court and decided by the trial division.

Appeals from that go to the Federal Court of Appeal. There are 12 judges presently hearing appeals on that. Three sit at a time in the court in two weeks' time and we get to know ahead of time who those three judges are. It's not like the United States where sometimes they can sit on. Ultimately, though, we do have

appeals to the Supreme Court of Canada from not only the Federal Court of Appeal, where I said the most cases are brought and appealed.

There can be patent infringement cases brought in the provinces of Canada, which then go through the courts of appeal in those provinces, and ultimately, either from the Federal Court of Appeal or the Provincial Courts of Appeal, we go to the Supreme Court of Canada. There you have to have leave. It's in the United States, I know you have to have a writ to show that it should be heard. In Canada, in order to be heard by the Supreme Court, you have to show that it has national importance and it's an issue that is worth debating.

On administrative matters from the patent office, appeals there go to the federal court. In that sense, everything seems to be funneled through the Federal Court of Canada, and ultimately to the Supreme Court. Thanks, Penny.

PENNY GILBERT: Thank you. We've got a question actually from Yogen Justin. Who's got a question directly for Carl. Is there a special body or conference which ensures harmonization between the EPO Boards of Appeal and the national courts? I think you mentioned the Venice Judges Conference, but is there anything that I guess is particularly relevant from the EPO perspective?

CARL JOSEFSSON: Thank you very much. A pertinent question. There is no formal body ensuring harmonization, but what we have in addition to the Venice Conference, is our annual case law conference where national judges participate and where our practice is scrutinized. In discussion with the users also. What we have in addition to that is that we have in recent years started and continue to regularly conduct expert workshops between national judges and Boards of Appeal members. That is what we're doing for the time being. Thank you.

PENNY GILBERT: Thanks. The EPO Academy does a brilliant job of training European judges, generally as well. Otto, have you got anything you'd like to comment from the Brazilian view?

OTTO LICKS: Thank you. As a lawyer having to advise clients that have to go to litigate in Europe, we are, of course, all aware of the great work the EPO does. The question is how UPC, national courts, and EPO will play, but then I think the future will tell. We'll have to wait to see that. As per in Brazil, it's very clear-cut rules that have been used for a long time where in infringement side we don't have a big issue on venue and forum shopping because it has been established a long time ago that you can basically sue anywhere you can find IP infringement, which is usually at national level.

You can basically go to any of the courts and that's a pretty established rule. In addition, we have the specialized trial judges for patent infringement, which is in the jurisdictions in the states that have that, it's a way to go. They have the best knowledge. I think that with the specialization of the trial judge who ended up having the issues of the preliminary injunctions very settled as well. Brazil gives around 80% of the PI in patent infringement cases that are requested. A very high number, which leads to very fast settlements.

If you ask what is the least developed part of patent law in Brazil, it's for certain damages. We're going to hear more about damages at a later time from the capitalists, but we hardly ever have to get to damages because the parties settled

after the PI or settle when claim construction and the case goes in a way that a permanent injunction will most likely be issued by the court even when the preliminary injunction is not granted. On validity, Brazil kills around 19% of the patents that are challenged. 19%, not 89%, 19%, which doesn't make the relationship between a counterclaim of invalidity that useful most of the time.

Usually, it's really about the infringement and not about the attacks on the validity. The Brazilian Supreme Court, under our rules, can hear patent cases. It just did the very first one in 25 years last year. It was devastating because it had to do with patent terms and it cut patent terms for several patents. Apart from those bad instances every now and then, it is a pretty settled I think system that relies a lot on the preliminary injunctions, the permanent injunctions, and in the fact that after you get the patent from the Brazilian PTO, it usually stands all the invalidity challenges.

PENNY GILBERT: Thanks, Otto. Perhaps I could just finish with one last question to Carl and perhaps a controversial question, but what about the case-- There was a European Court of Justice, CJEU and whether Otto knows that they have commented previously on some areas of patent law and the biotech directive and so on. How does that interact perhaps with national courts and the technical Boards of Appeal?

CARL JOSEFSSON: Well, thank you. The case law of the Court of Justice is also taken into account by the Boards of Appeal. Decisions of the Boards of Appeal cannot be appealed to the European Court of Justice in Luxembourg, the highest judicial instance on European Union law or to the European Court of Human Rights in Strasbourg. Nevertheless, we follow the developments there as well. Much attention has been given to the decision in G 3/19, in the biotech area. The reasons there, explains how we understand our legal sources. The case law developed by the European Court of Human Rights in Strasbourg is also relevant for the Boards of Appeal.

PENNY GILBERT: Thank you. We're probably at the end of our time for questions, and we've got more in the Q&A box. We will move over to David Kappos who's going to talk about injunctions and availability of injunctions. If they're not available, then what should be the consequence for the infringer? Thanks, David.

DAVID J. KAPPOS: Thanks. Good afternoon, Penny. Great to see you and great to see everyone else on the panel. Look, this is a big pivot, but it works fine from Otto's comments about the high grant rate of injunctions in Brazil. This is about what do you do when you have the opposite Well, we all know in May 2006, the US Supreme Court issued a decision that dramatically changed the landscape of patent enforcement, and with it, respect paid to patent rights. In E-Bay versus Merck Exchange LLC, the court departed from the longstanding principle that a patent owner is presumptively entitled to an injunction once it defends validity and demonstrates infringement. Now, while this decision was unanimous, it produced two concurring opinions.

One of which authored by Chief Justice Roberts emphasized the historical practice of usually granting injunctions to prevailing patentees, and the other of which, authored by Justice Kennedy, emphasized that non-practicing entities,

abuse patent litigation to quote hold up users for windfall payouts. Now ask a simple question. If a patent owner has no or a low expectation of securing injunctive relief against infringers, is it necessary to enhance damages for infringement to fully compensate the patent owner and deter infringement?

Well, the Kennedy concurrence and the bulk of the post-E-Bay case law has implicitly answered this question, no. Courts have generally adopted a view that a patent owner is made whole by monetary damages appropriately calculated based on a reasonable royalty standard. This is wrong. For patent owners that have no realistic expectation of securing injunctive relief, reasonable royalty damages must be enhanced to achieve full compensation and deter infringement.

This is true, even if a court could calculate without error, reasonable royalty damages in a hypothetical willing buyer, willing seller negotiation. So long as the infringer is sufficiently well resourced and can fund prolonged litigation, in their substantially low likelihood, that the court will shift attorney's fees or award trouble damages, the infringer will usually find it economically advantageous to avoid paying a fee and instead choose to litigate. This is economically rational.

This reasoning is not merely theoretical. Case studies show that device makers and other intermediate users adopt the use then litigate strategy rather than paying a license fee up front. This behavior has an important implication. Rather than reducing patent litigation, a judicial standard that eliminates or significantly limits the availability of injunctive relief encourages infringement promotes stalling tactics by users, and therefore increases litigation.

These counterproductive effects are exacerbated in cases where infringers have greater litigation funding and lower opportunity costs than patent owners who may settle for an amount that undervalues the patent technology or never bother to enter the market at all. A no injunction regime is unlikely to leave patent owners in an economically equivalent position. So long as litigation is costly and uncertain, and the risks of fee-shifting and trouble damages are low, infringers have weak incentives to agree to a license.

Depending on the litigation resources and opportunity costs, patent owners are likely to agree to under compensatory settlements. Given that all licensing takes place in the shadow of potential infringement remedies, a no injunction regime with low likelihood of enhanced damages is prone to distort even negotiated royalty rates to the advantage of licensees. The solution is that in any infringement litigation, in which the injunction remedy is unlikely to be granted, a court should apply a multiplier to enhance the monetary damages owing to the patentee under the reasonable royalty standard.

This multiplier should be designed to cover the under deterrents and under-compensation effect of a no injunction regime, by making even a well-resourced infringer worse off by electing to infringe and invite litigation rather than negotiating a license fee up front. Courts can set the multiplier at an appropriate level to minimize any overcompensation and over deterrence effects under an enhanced damages regime.

As a result, this proposal will be consistent with your original purpose of the treble damages patent law, which was to compensate patentees, who were

unable to petition for injunctive relief. It will avoid overcompensation. It will correct for the under-deterrence effect, and it will produce a more rational litigation and patent licensing environment for the US. Penny, thank you.

PENNY GILBERT: An immediate comment from Ron.

KENNETH R. ADAMO: It's a very interesting proposal. Good luck. One of the reasons why so many US ITC investigations are running these days, is that's the closest you can come right now. It's got a lot of restrictions to it, but it's the closest you can come right now to guaranteeing an injunction equivalent. They're called limited or general exclusion orders or cease and desist orders because that's the only remedy the US ITC can grant. Now, as I said, a lot of restrictions to using the ITC, but the ITC is getting-- I've told my colleagues who are down there all the time.

They're so busy they don't know whether to spit or go blind, to use a bad phrase. David, I know you're, you're fully gunned up on this. That's about the best that people have been able to find at the moment, so I agree with you. The damage that no injunctions in the general litigation sphere is real. I don't deny that. I started practicing long enough ago where you won as patent owner you got an injunction. Bang. End of story. Okay. I've lived in both worlds, and I agree with you it's a huge problem. I like your solution, but good luck.

PENNY GILBERT: Ron.

RONALD E. DIMOCK: Sure. Thanks very much, Dave. It is a real problem as I see it for patent owners in the United States. It invites infringement in their continuing battles. Your solution as Ken says if it's acceptable would certainly solve some of the problems. The question is whether it will be accepted. I guess a couple of comments that I see from outside the United States and that is you could add to the award of costs, enhanced costs award is one thing. What I wondered if you could borrow from your trade secret law the use of unjust enrichment.

Where you as the patentee would sue for infringement and accuse the infringer of being unjustly enriched by its infringement. Therefore, under that equitable law you would be able to have the infringer discourage its profits made from that infringement. Of course, not every last penny, but certainly whatever was caused, whatever profit was made from the infringement after you discount or deduct from certain expenses and so on. To me, that is a law that is waiting there for patentees in Canada. For example, we do have injunctions. We don't have eBay, although it started in Canada.

We have injunctions. It's rare that you don't have an injunction. The patentee would have to do something egregious not to get an injunction. We also have the option for a successful patentee to choose between its own damages or the profits made by the infringer. There's a case going to the Supreme Court of Canada right now on how you determine the profits made by the infringer. How do you account for the apportionment and what expenses are being deducted? There's a lot of interest, I think in the problem that you have in the United States with not having enhanced damage awards, but my suggestion from outside is consider the trade secret law there in your country where you can get unjust

enrichment and get the discouraging of profits made by the trade secret violator or the patent infringer as the case may be.

DAVID J. KAPPOS: Interesting idea, Ron. In fact, unjust enrichment isn't just a US law that comes up in the trade secret context. It's borrowed from English common law and it could be applied in general anytime there's a windfall that accrues to one party over another. I like that a lot. That could potentially be applied now. One other thing and Carl maybe I can tap on you being in Europe there and I should also give credit to Jonathan Barnett who's my co-author of a paper that we recently published that advances this whole concept of a compensatory economic regime to substitute because of the US no injunction environment.

Carl, one of the things we note in the paper is that in Germany recently the laws were changed to provide for exactly this kind of approach in cases where injunctions aren't going to get granted because of their changes to their injunction regime there which I would call more of a slight tweak than an E-Bay change. They now in Germany recognize the need for enhanced damages on the very same basis that we were advocating. Correct me if I'm wrong but that's my understanding. Is there anything you can comment on there Carl?

CARL JOSEFSSON: Thank you very much, Dave. I'm sorry I don't have a hands-on on the developments in this respect. I don't know if Penny has or if there's any German in the audience that can serve. As I'm aware of the developments but I'm not to this detail, I prefer to not answer this question.

PENNY GILBERT: Certainly and there's been a change in law in Germany to allow for or to move away from the automatic injunction of volume infringement to allow for damages. I personally wasn't aware of the enhanced factor other than that damages would be available instead which is quite similar in the UK where we have much more of a proportionality assessment and in these half ads. If damages aren't so even injunctions not available and damages are an alternative but again not on an enhanced version. Actually, Ken, before you come in can I just put some questions or in fast comments that have come up?

KENNETH R. ADAMO: It's just another quick point. Unjust enrichment is an equitable issue. Juries don't get heard on equitable issues for the most part. Trial judges handle those. That's a very interesting spin from what Ron is suggesting that might ameliorate some of the concerns about juries. This idea that David's on the cutting edge on this stuff there's a lot of good ideas out here but who knows.

DAVID J. KAPPOS: Interesting point, Ken. I love it. That could really put some of these issues back in the hands of the trial court judges.

KENNETH R. ADAMO: Absolutely.

PENNY GILBERT: I've got some comments from Robin Jacobs.

[laughter]

DAVID J. KAPPOS: Booyah. Good morning your Lordship.

PENNY GILBERT: There's a logic to having higher damages once you've got a pattern that's been held valid and infringed then effectively you've got an infringer. If they continue to infringe then you've got willful infringement in effect. You should pay more for that infringement of a solid patent than you do in

the phase before there's actually finding of infringement. There is definitely logic to that.

KENNETH R. ADAMO: That almost always gets factored in when you're on your post-trial. Trial judges are very aware that once you got a verdict if you keep going, bang, you're a willful infringer. That gets handled pretty well by any experienced trial judge. It's rare to see a three multiplier. You'll get a two sometimes but there are some cases out there where the infringing conduct has been pretty-- They've got no good, non-infringement or invalidity position and what you would think you'd get a three and you don't get a trial judge who'll go over two.

DAVID J. KAPPOS: I agree Ken that that was what we found. Jonathan and I have been looking into this topic. It was a surprise to me treble damage really doesn't exist. It's enhanced damages on willful infringement but it's generally not treble.

PENNY GILBERT: We have another observation from George Baden who says the proposal makes sense, but shouldn't there be an exception in cases where a continuation claim is drafted after a product is long on the market and the infringer is completely blindsided by the suits and the patentee has undue leverage because of the infringers sunk costs in the existing products.

DAVID J. KAPPOS: That's a good point and there should be. That's why we built into the proposal countervailing requirement for the judge to consider avoiding overcompensation because you don't want to go back to a regime where then unfairness winds up going to the side in this case Penny the good faith product manufacturer who wasn't trying to infringe a patent. In fact, was trying not to infringe a patent.

PENNY GILBERT: Then John Richard said, "Didn't we drop unjust enrichment as a remedy for patent infringement in 1946 because it was just too difficult to apply?"

KENNETH R. ADAMO: That's the argument. You can't do both. David, I think that's my recollection. It was 46 or 47. I think the questioner is actually right.

RONALD E. DIMOCK: In Canada-- Sorry Dave you're going to respond to that.

DAVID J. KAPPOS: No, go ahead. Go ahead sorry.

RONALD E. DIMOCK: That question was raised in Canada a number of years ago, the difficulty with counting the profits. I think it's a specious argument in my view because when you're looking at the unjust enrichment and profits and Ken's quite right it's an inequitable relief but you're looking at reality, you're looking at actually what did the defendant do, how much did it make, and what were its expenses. Where if you look at reasonable royalty you get into the hypothetical world as to what would have been hypothetically negotiated at the time that the infringement began so you're into an imaginary world of negotiation.

Whereas with unjust enrichment and so on. Everything with the actual happen means during the infringing activity. I don't buy that argument that unjust enrichment and discouragement of profits is a more difficult exercise than

references to damages. I really think it brings it to the trial judge and let him or her bring equity to the infringing activity on behalf of the patentee.

DAVID J. KAPPOS: I tend to agree with that, Ron. I was having the same reaction and I was also going to mention that our proposal is not to substitute or just riffing off of your point Ron. My understanding was not to substitute unjust enrichment for reasonable royalty damages but to use it along the lines of what Jonathan Barnett and I are proposing to increment or increase the reasonable royalty damages so that infringement has some downside associated with it.

RONALD E. DIMOCK: That's right or you can make it as we have in Canada as an option. If you don't want to give up your financial information, if you're looking for your damages on behalf of your client then you go after the unjust enrichment, the profits made by the defendant. I think the option could work so that you don't get both. In Canada, you can't get both damages and profits so you can decide based on your discovery and deposition practice that you've taken which would be more beneficial for the patentee to pursue, its damages or the infringement profits.

KENNETH R. ADAMO: Under the statute in the damages on 284, you can't go below a reasonable royalty. David's right. Some sort of an alternative might work but you really can't take reasonable royalty out of the equation. I don't think it would sell if you tried to do it.

DAVID J. KAPPOS: You wouldn't want to. I agree, Ken. You wouldn't want to take it out. It's a floor.

PENNY GILBERT: Let's ask Otto now. It sounds as though in Brazil either patent's revoked or else if it is infringed then you get an automatic injunction but what about damages and the options?

OTTO LICKS: Well, the damages we have in the statute established as everything that patent owner lost, everything the infringer made, or a reasonable royalty. It's up to the patent owner to pick one of them. Depending on the industry you're in, for instance, in the relation between the research base and generics, we usually have established ways of calculating based on the price per pharmaceutical unit, discounting taxes. It's a pretty straightforward as well based on the law in place since the mid-90s. Again, usually what happens is most of our clients regardless of the technology, they much rather get a fast preliminary injunction and the certainty of a permanent injunction, and they use that leverage to negotiate not only the settlement in Brazil but the global settlement. That's why we ended up in several of the multi-jurisdiction patent campaigns using Brazil as a leverage to settle globally.

I think if you look into the interest of different clients, different patent owners, it's important for most of them to make sure that they have a stream of revenue coming and not only hoping that at the end they will end it up with a pot of gold because it takes a very long time for that pot of gold to actually exchange hands. You lose your good people in R&D, you lose the ability of maintaining other clients paying royalties if you're in tech, or you lose the markup that you have if you're in a pharma.

You know better than me that once the generic comes in, even if we take the generic out of the market the price will never go up again to where it was

before the first generic get in. I think at the end, the patent right is the right to exclude others and the experience that we have in Brazil is that most of our clients are seeking the preliminary injunction and the permanent injunction and they will work out any type of agreement out of court in order as a damage calculation.

KENNETH R. ADAMO: We have preliminary injunction practice in our world. Juries aren't involved in PIs, but there was a time when there were a lot of PIs, I can remember. We don't have a lot in contrast to what we had 10, 15 years ago. Now, lately, we seem to be getting more people trying for a PI. In fact, the ITC you even have something called temporary relief which is a PI equivalent, it's rarely used. I think it's only been successful once or twice, but it's something that, David, I don't know whether you've looked at this, but one wonders why, if my sense of this is right, why aren't people using PIs more?

As part of that, you can tell a trial judge, "Hey, look at E-Bay. I'm doing this now, I know you've got a busy docket, you've got criminal cases and speedy trial act and all that, but I'm doing it because I can't do it at the back end the way I used to be able to. I need to do it now." I think that that's something maybe we ought to be looking at as to why the bar is not recommending to its clients exactly the type of approach that Otto is using, obviously, with good success in Brazil.

DAVID J. KAPPOS: Ken, I think you're exactly right on the decrease in requests for preliminary injunctions in the US. Kristen Orsenga if I remember right, it might be in Richmond, has done research on that, if I remember right has found that indeed the requests for both permanent injunctions and preliminary injunctions have gone down a lot in the US in recent years. The thinking is because plaintiffs understand and their lawyers, but tell me, Ken, because you're advising folks, I would certainly advise a client to say, "You've got little chance of getting an injunction these days so don't even bother trying for one except if you really meet some very strict criteria." The thinking is probably lawyers are advising their clients not to even request PIs and so they're not asking for them.

PENNY GILBERT: I guess certainly in Europe we see the PI practice mostly in the pharma fields. One difference is that you have the orange book and the purple book as well, so you don't have that same urgency quite often to exclude a product coming onto the market. I think Otto makes a very good point because the availability of injunction does depend upon the client and the area of their technology and certainly for some areas of technology and some businesses, the injunction is the key to maintain that monopoly. If you haven't got the availability in the injunction, it really does weaken the patent rights,

That takes us through to a question that we've got from the opening who said, "Is the increasing injunction wariness of courts due to the high percentage of patents that are being eventually revoked?" Is that something the courts' taken into account? Does that also call for an increased harmonization of patentability standards between patent offices and courts?

KENNETH R. ADAMO: Well, the whole German injunction issue, and I have been trying to follow it as best I can from reading things here, one of the reasons that people who say it's got to be fixed is because when push comes to shove and you finally do get to a validity trial, 40% or 50% of these patents are being found invalid. Now, I'm just repeating what I've read, whether that's

accurate or not, I don't know, but I know the people who were saying, "We've really got to get rid of that injunction gap," even though it's very favorable for all reasons including what Otto was pointing out with worldwide products. You get an injunction somewhere, you can level it pretty much worldwide and you can end the things often very quickly. That's certainly what I remember on that particular point.

DAVID J. KAPPOS: Just to further question, at least in the US, the injunction is requested and granted, the permanent injunction, after validity and infringement are found. The issue of patents being found invalid is not really such a big factor. It would be in a preliminary injunction and that would be another factor in probably why plaintiffs aren't requesting them.

KENNETH R. ADAMO: Well, there's also, if you look hard at the PI law, the presumption of validity doesn't rigorously apply in PIs in the United States. There's a lot of law out there, but you'd think that people argue with the patent owner says, "Oh, yes, I'm entitled to presumption of validity." Well, if the defendant can demonstrate vulnerability on a validity question, that's often enough to demonstrate that you're not entitled to a PI. It's not easy here. There's a lot of tricks and stuff going on.

RONALD E. DIMOCK: Your point, Ken, about the front end and the back end. It seems if you can't get an injunction at the back end, why in the world would a judge give you an injunction in the front end if at the end of the trial there would be no injunction? I think the preliminary injunctions have gone the way of many practices in the past and really, I think the problem as I see it is the E-Bay case and perhaps maybe a re-jigging of that too would solve some of the problems as well.

KENNETH R. ADAMO: The reason a lot of trial judges are not so turned off about granting a PI is in part what Otto argued. Trademark works the same way. How many trademark cases can you recall after a PI is adjudicated? If the PI is granted, the case is over, it's settled. In patent cases, with trial judges, it's the same thing. If the law supports granting a PI, if they grant the PI, that patent case which they're usually not enamored of anyway could go away. They have enough other work to do, trust me.

PENNY GILBERT: We're going to have to stop our time up. Rilana is giving us that look.

PENNY GILBERT: Thank you very much. I think it's a really interesting topic for discussion and lots of food for thought there. Probably a good point as well to say that John Pegram reminds me that the German injunction issue is going to be discussed later today so all those questions that we couldn't answer will be answered by others later. Thank you everyone so much for your contribution. Really interesting topics. Certainly, I think Dave's suggestion, we're going to hear more of that.

DAVID J. KAPPOS: Thanks, Penny.

OTTO LICKS: Was a pleasure. Thank you, Penny. Thank you all.