



The Ever-Changing Patent Litigation Playbook: Exploring the Latest Trends and Litigation Tactics

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Agenda

1. Venue: The Rise of W.D. Tex.
2. *Alice* Motions: Legal & Tactical Trends
3. IPRs: More Risk, Less Reward
4. Foreign Parallel Litigation: Why You Should Care About Germany
5. Litigation Funding for patent cases

Venue

How Things Used To Be

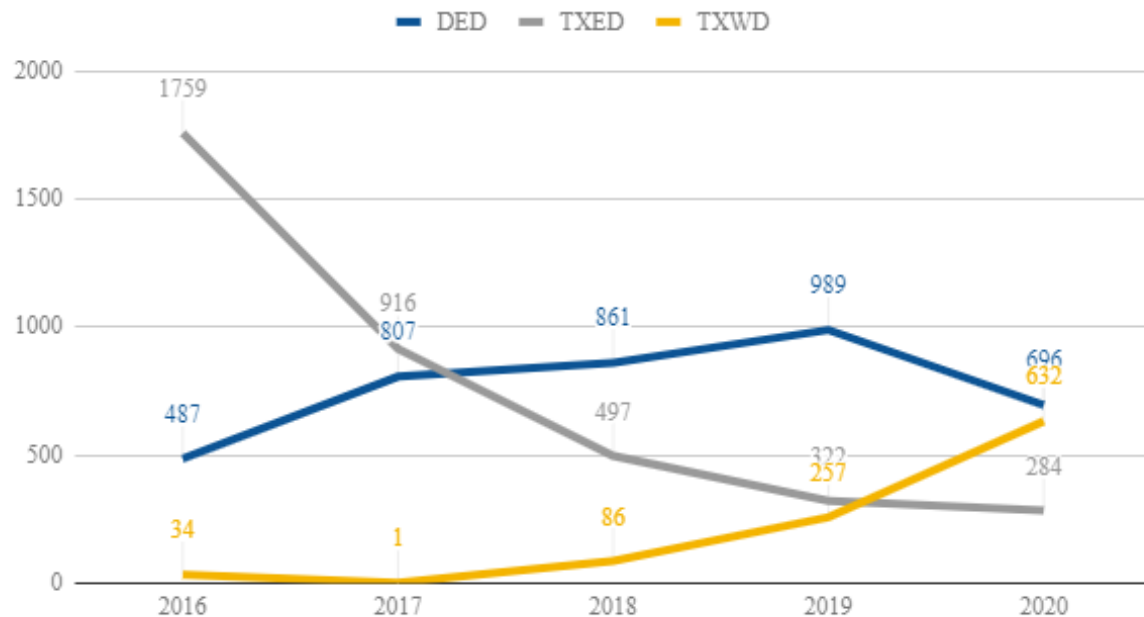
In 2016, less than four years ago ...

- Barack Obama was president
- Pokémon GO was the fastest growing app in history
- Zika was the disease we were all worried about
- **More than 40% of all patent cases were filed in E.D. Tex. – 1759 cases in 2016**



The Patent Venue World Today

DED, TXED, & TXWD Patent Cases



What Happened?

TC Heartland v. Kraft Foods, 137 S. Ct. 1514 (2017)

- Venue in patent cases previously proper in essentially any federal district
- In *TC Heartland*, the Supreme Court held:
 - Venue for a U.S. company in patent cases is proper only in district where the defendant (1) resides (*i.e.*, state of incorporation) or (2) has committed acts of infringement *and* has a regular and established place of business
- Federal Circuit has since held that a “regular and established place of business” requires:
 - defendant have a physical presence in the judicial district. *In re Cray*, 871 F.3d 1355 (Fed. Cir. 2017)
 - employees conducting business; merely having computer servers in district not enough. *In re Google*, 949 F.3d 1338 (Fed. Cir. 2020)
- As a result, E.D. Tex. no longer a proper venue for most U.S. company defendants

What Happened?

Hon. Allan Albright

- Appointed by President Trump to the W.D. Tex., Waco Division
- Took the bench on September 18, 2018
- Long-time patent litigator
- Took it upon himself to make W.D. Tex. a patent litigation destination
 - Went on speaking tour with presentation entitled: "Why You Should File Your Next Patent Case Across the Street from the 'Hey Sugar'"



Why Patent Plaintiffs Are Flocking To Waco

- **Largely transfer-proof venue**
 - Austin, TX also in W.D. Tex.
 - Virtually every sizeable technology company has a “regular and established place of business” in Austin
- **Rapid path to trial**
 - Judge Albright’s stated goal is a faster schedule than PTAB’s IPR schedule (and he is very unlikely to grant a stay pending IPR)
- **No early *Alice* motions**
 - *Alice* motions heard only after claim construction
- **Plaintiff friendly juries**
 - When E.D. Tex. banned mock trials, Waco became common stand in

Implications For Patent Defendants

- **No easy exit from Texas**

- If defendant has presence in Austin, venue is likely proper
- Judge Albright highly unlikely to grant motion to transfer under 28 U.S.C. § 1404(a)

- **No quick wins**

- No Alice-based Rule 12(b)(6) motions; need to wait until after claim construction
- Unlikely to grant *Iqbal*/ *Twombly*-based Rule 12(b)(6) motions

- **No early crystallization of infringement contentions**

- Minimal showing required to justify amendments to contentions (both infringement and invalidity)

Implications For Patent Defendants

- **Engaged judge who understands patent law and technology**
- **Possible to transfer from Waco to Austin**
 - Judge Albright willing to grant intra-district transfers
 - Jury venire in Austin more tech savvy and less plaintiff friendly than Waco
- **Limits on discovery**
 - General discovery stayed until after claim construction
 - No ESI/ email discovery absent a showing of good cause
- **Likely too popular to remain a “rocket docket”**
 - With exponential growth in patent docket, time to trial likely to grow

Other Venues Post-TC Heartland

- **District of Delaware**

- Still busiest patent district given number of companies incorporated in Delaware, but W.D. Tex. is catching up fast (already has more NPE initiated cases)
- Current judges not particularly plaintiff friendly

- **Eastern District of Texas**

- Still fourth busiest venue, and as plaintiff friendly as ever
- *In re Google* likely to further reduce number of cases properly venued in district
- BUT foreign companies and U.S. companies with established places of business including employees – e.g., companies with offices or stores in Dallas suburb Plano – still subject to suit in district

- **C.D. Cal. and N.D. Cal.**

Alice Motions

Alice & Its Aftermath

“Stating an abstract idea while adding the words ‘apply it’ is not enough for patent eligibility.”

Alice Corp. v. CLS Bank Int’l,
573 U.S. 208 (2014)

- **2-step validity inquiry**
 - Are claims directed to an abstract concept?
 - Do claims add an “inventive concept”?
- **No “do it on a computer” claims**
- **No limiting use of abstract idea to particular technological environment**

Alice & Its Aftermath

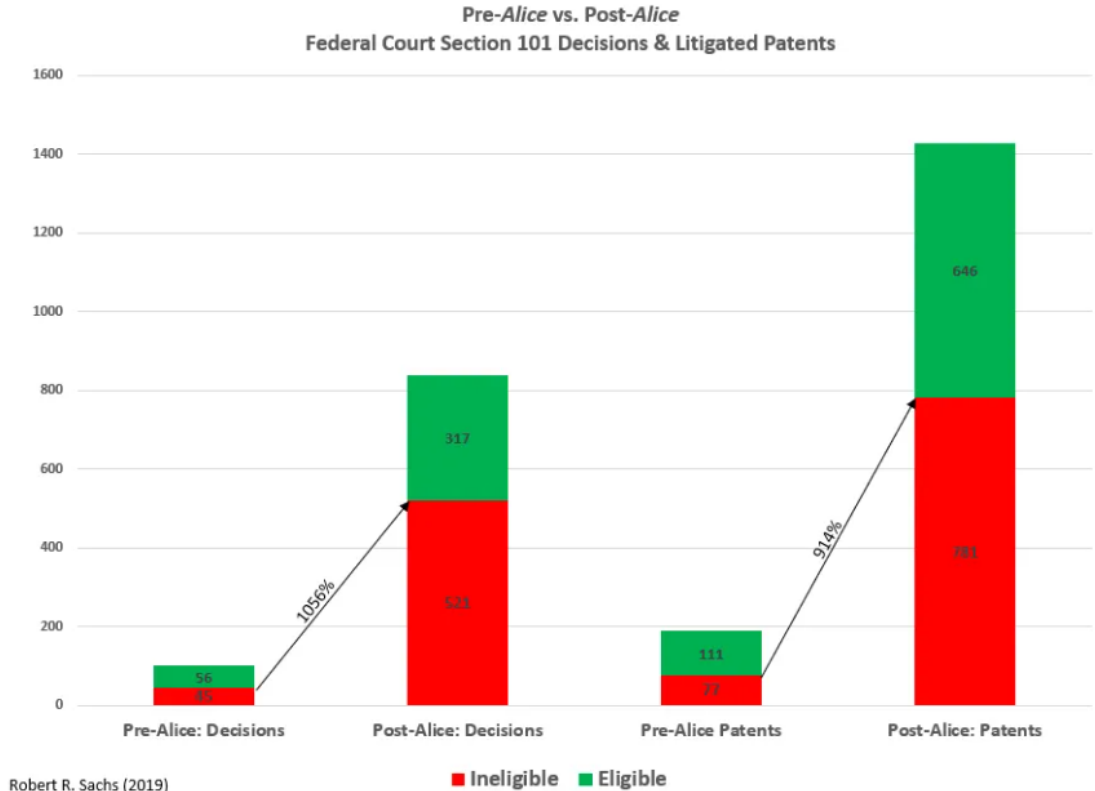


Figure 2

Eroding *Alice*

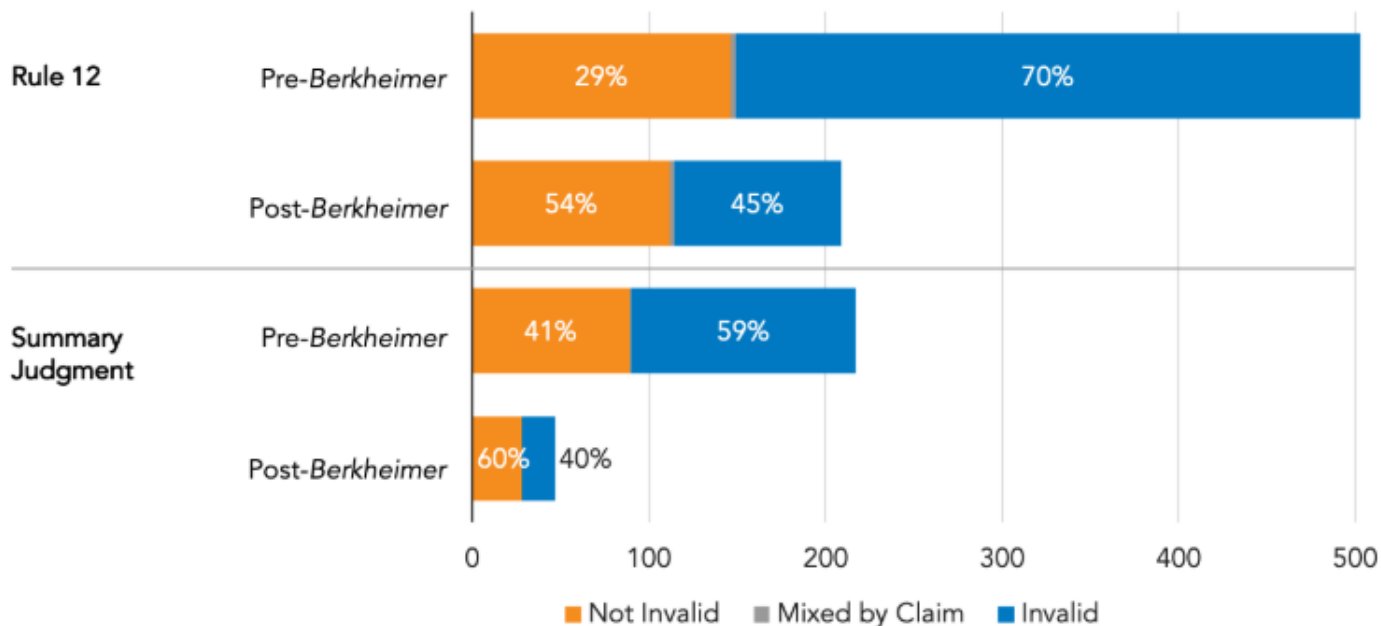
- ***Berkheimer v. HP Inc.*, (Fed. Cir. 2018)**
 - whether claims recite routine, conventional activity raised disputed factual issue, precluding summary judgment
- ***Aatrix Software, Inc. v. Green Shades Software, Inc.*, (Fed. Cir. 2018)**
 - affirmed *Berkheimer* at JOP & JMOL stage

Eroding *Alice*

- *MyMail Ltd b. Oovoo, LLC* (Fed. Cir. 2019)
 - Where claim construction dispute at 101 stage, district court must adopt patentee's construction or construe claims before addressing eligibility
- *Cellspin v. Fitbit* (Fed. Cir. 2019)
 - Patents presumed eligible under 101
 - “plausible and specific factual ***allegations***” that aspects of claim are inventive sufficient to defeat MTD

The *Berkheimer* effect

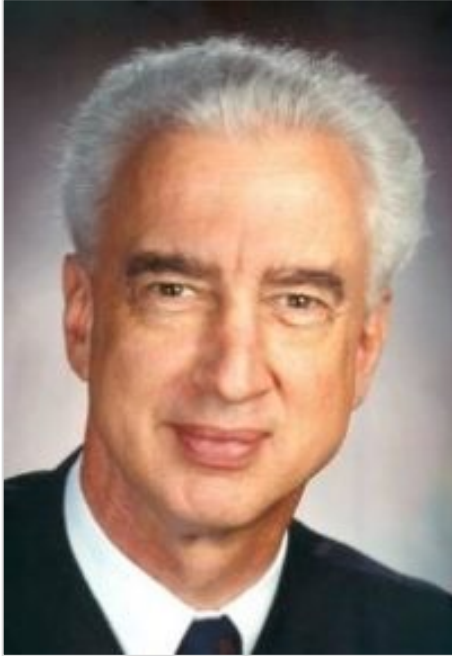
Alice Invalidation Rates, Pre- and Post-*Berkheimer*



Six Years Post-Alice: Takeaways

- ***Berkheimer* & *Aatrix* make it harder to win § 101 dismissal via dispositive motions**
- **Plaintiffs incentivized to plead “facts” re inventive concept**
 - “The technology was not well-known at the time of the invention”
- **Judges may mount additional roadblocks to early *Alice* motions**
 - Judge Albright: *Alice* motions heard after claim construction
 - Judge Gilstrap: party intending to file § 101 motion must serve “Eligibility Contentions”
- **Greater uncertainty around eligibility outcomes**

Six Years Post-Alice: Takeaways



Hon. Paul Michel (ret.)

“I spent 22 years on the Federal Circuit and 9 years since dealing with patent cases, and I cannot predict in a given case whether eligibility will be found or not found. If I can't do it, how can bankers, venture capitalists, business executives, and all the other players in the system make reliable predictions and sensible decisions?”

Inter Partes Review

IPR – Quick Review



- **What are IPRs?**
 - Administrative trial proceeding within USPTO to challenge validity of patent claims
 - Established in 2011 as part of American Invents Act
 - Limited to anticipation and obviousness challenges based on prior art patents and printed publications
 - Time limit: must be commenced within 1 year of service of complaint for patent infringement

IPRs – Quick Review

- **Benefits for defendants**

- Easier standard for invalidation – preponderance of the evidence
- Tried to administrative judges familiar with patents and validity issues
 - Oftentimes more comfortable with finding claims unpatentable based on obviousness than lay juries
- Relatively quick – 18 months to final decision
- Potential stay of district court litigation pending IPR
- Relatively high success rate historically

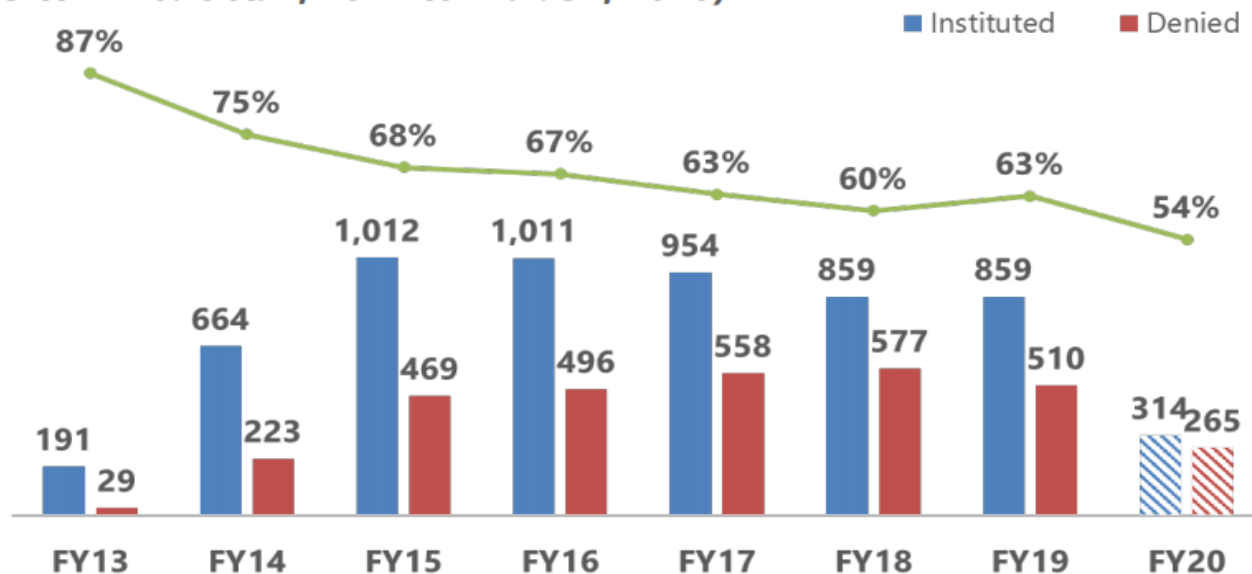
IPR Trends: More risk, Less Certain Reward

- Institution rate
- Success rate
- Estoppel

Institution Rate

Institution rates

(FY13 to FY20: Oct. 1, 2012 to Mar. 31, 2020)



Apple Inc., v. Fintiv, Inc.

- Decided by PTAB March 20, 2020; designated precedential on May 5, 2020
- Six factors to weigh in deciding whether to deny institution due to status of parallel district court litigation:
 1. whether court granted stay or evidence exists that one may be granted if a proceeding is instituted;
 2. proximity of trial date to the Board's projected statutory deadline for a final written decision;
 3. investment in the parallel proceeding by court and parties;
 4. overlap between issues raised in petition and in parallel proceeding;
 5. whether petitioner and defendant in parallel proceeding are the same party; and
 6. other circumstances that impact the Board's exercise of discretion, including the merits

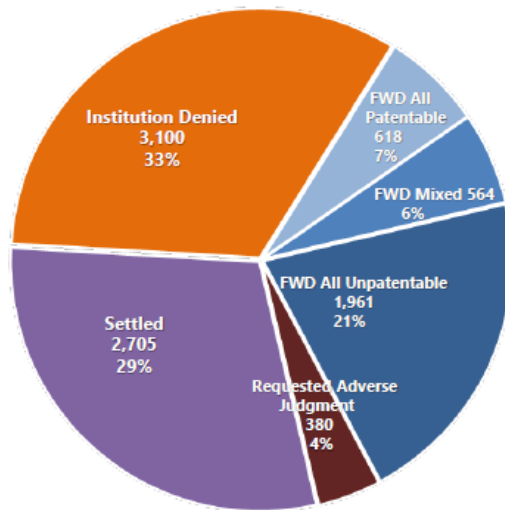
Implications of *Apple* for Patent Defendants

- Discretionary institution denials likely to increase – *Apple* factors give PTAB lots of leeway
- Time is of the essence
 - Patent defendants/ IPR petitioners need to file IPRs ASAP
 - No longer viable strategy to delay IPRs so that hearing and Final Written Decision come after district court trial
- Stays matter more than ever
 - Patent plaintiffs/ IPR respondents will seek out venues/ judges who do not grant stays
- Judge Albright is going to get even busier

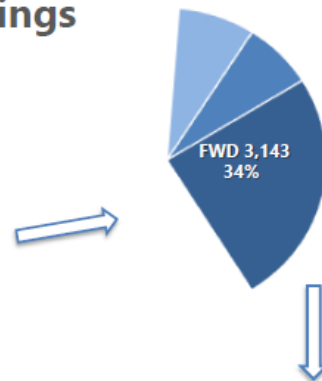
Success Rate

Sept. 2012 – June 2019:
1 or more claims
survived in 38% of
Final Written Decisions

Outcome of concluded proceedings
(All time: Sept. 16, 2012 to Mar. 31, 2020)



Joined and dismissed cases are excluded.



Percentage of the Final Written Decisions

618 (20%)	FWD All Patentable
564 (18%)	FWD Mixed
1,961 (62%)	FWD All Unpatentable

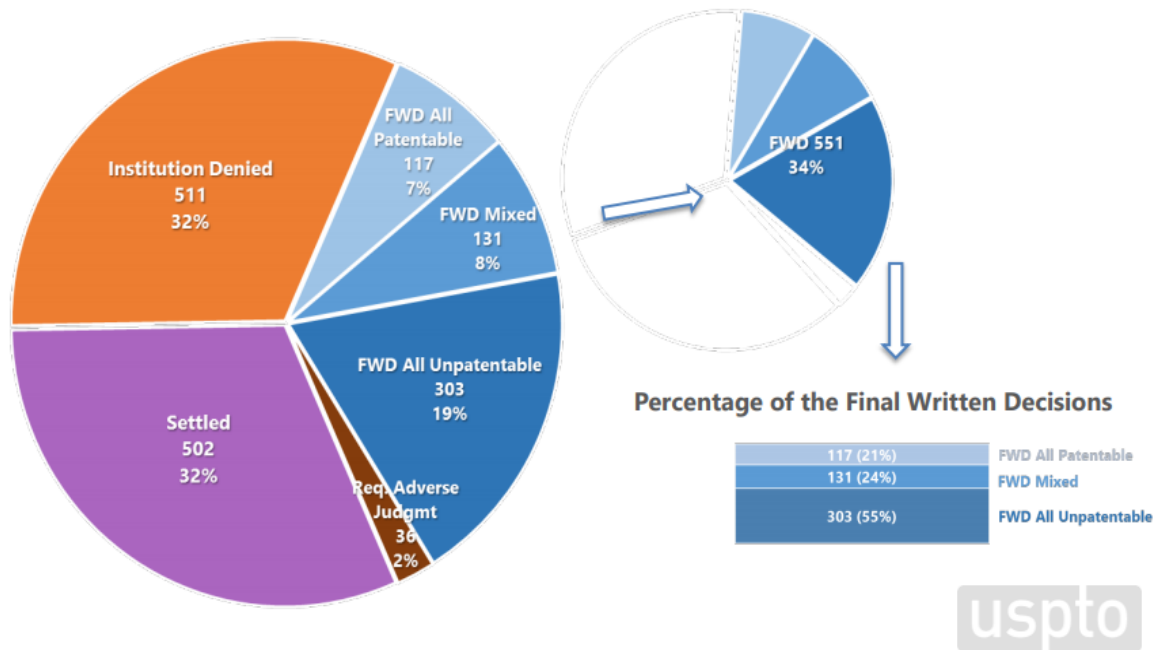


Success rate

2019:

1 or more claims
survived in 45% of
Final Written
Decisions

Outcomes in FY19, by petition



Estoppel



- **IPR estoppel**

- After the PTAB issues Final Written Decision, petitioner estopped from arguing invalidity of claims based on grounds that the petitioner *raised or reasonably could have raised in IPR proceedings*

- **Implications for patent defendants**

- Think twice about IPRs if lacking good non-infringement defense
- Need “system” prior art for use in district court in event IPR estoppel applies

Scope of Estoppel

- **Paper art and estoppel**

- Some courts (a minority) apply only to grounds that were petitioned and instituted
- Other courts (the majority) extend to grounds that were never petitioned

- **System art and estoppel**

- Some judges have held estoppel applies to system art that is “materially identical” to a prior art publication
- Recent example: D. Del. Chief Judge Stark, *Wasica Finance GMBH v. Schrader Int’l, Inc.*, 2020 WL 1150135 (D. Del. Jan 14, 2020)

- **Overall – trend is toward broader application of estoppel**

IPR Trends: More Risk, Less Certain Reward

Key takeaways:

- **IPRs are riskier and less likely to succeed than in past**
 - Lower institution rate and lower success rate
- **Need to assess and file IPRs ASAP**
- **Factors to consider in deciding to pursue an IPR:**
 - Likelihood of stay pending IPR and how far along district court case will be at time of institution decision
 - Availability of non-infringement defense and/or system art
 - Availability of evidence of functionality of prior art system that is not disclosed in prior art publication



Foreign Parallel Litigation

Foreign Parallel Litigation



German Patent Litigation – Key Things To Know

- **3rd busiest jurisdiction for patent litigation (after USA and China)**
 - Approximately 2/3 of European patent infringement cases lodged in Germany
 - Approximately 20% of all patent cases are filed by NPEs (vs. 4%-6% in other European countries)
 - 60% of plaintiffs are foreign companies/entities
- **Very plaintiff friendly**
- **Trend of filing German actions in parallel with U.S. patent claims**



German Patent Litigation – Key Things to Know

- **Bifurcated system – different courts handle validity and infringement**
 - 12 regional courts have jurisdiction over infringement claims
 - Düsseldorf, Mannheim, and Munich most prominent
 - Validity challenges handled at German Federal Patent Court or at patent office
- **Courts don't move at same speed**
 - Automatic injunction if there is finding of infringement
 - Decision on infringement – approximately 8-12 months
 - Decision on validity from Federal Patent Court -- approximately 2.5 to 3 years
 - German “injunction gap”
 - Approximately 88% of all claims challenged in the Patent Court are revoked

German Patent Litigation – Key Things to Know

- **Almost No Discovery**
 - Speeds process and reduces costs
 - Ideal if able to establish infringement based on public information; not ideal if source code or other non-public information is required
- **Low Damages**
- **No jury trials**
- **Injunctions as a matter of right**
 - Very difficult to convince court to stay pending outcome of validity action
- **Loser pays fees and costs – with limits**

What do if facing German patent suit

- **Prepare for an injunction**
 - Assess/ develop design arounds
- **Slow down infringement proceedings**
 - E.g., push for court-appointed expert, which can slow proceeding
- **File invalidity action in jurisdiction with faster track to resolution**
 - Great Britain
 - Netherlands

Litigation Funding

Litigation Funding



“The principal motive for my retirement was the failure of the court to treat litigants without financial resources fairly. Litigation finance patches an important hole for businesses with valid claims to hire an attorney.”

Hon. Richard Posner (ret.)

Source: <https://www.law.com/americanlawyer/2019/06/20/posner-casts-lot-with-litigation-funding-underdog-legalist/>

Litigation Funding In Patent Cases



- **Increasingly common in patent cases**
- **Creates new class of litigants**
 - Plaintiffs without sufficient funds to bankroll litigation
 - Larger companies who want to keep litigation expenses off balance sheet
- **Changes litigation incentives & settlement dynamics**

Discovery Considerations

Funding agreements often not discoverable

- **Need specific showing of relevance to claim or defense**
 - *MLC Intellectual Property v. Micron Technology, Inc.* (N.D. Cal. 2019)
- **May qualify as work product**
 - *Lambeth Magnetic Structures v. Seagate Tech. (US) Holdings, Inc.* (W.D. Pa. 2018)
- **Do not necessarily harm patentee's standing**
 - *WAG Acquisition LLC v. Multi Media LLC*, (D.N.J. 2019)

Thank you!

Alice & Its Aftermath

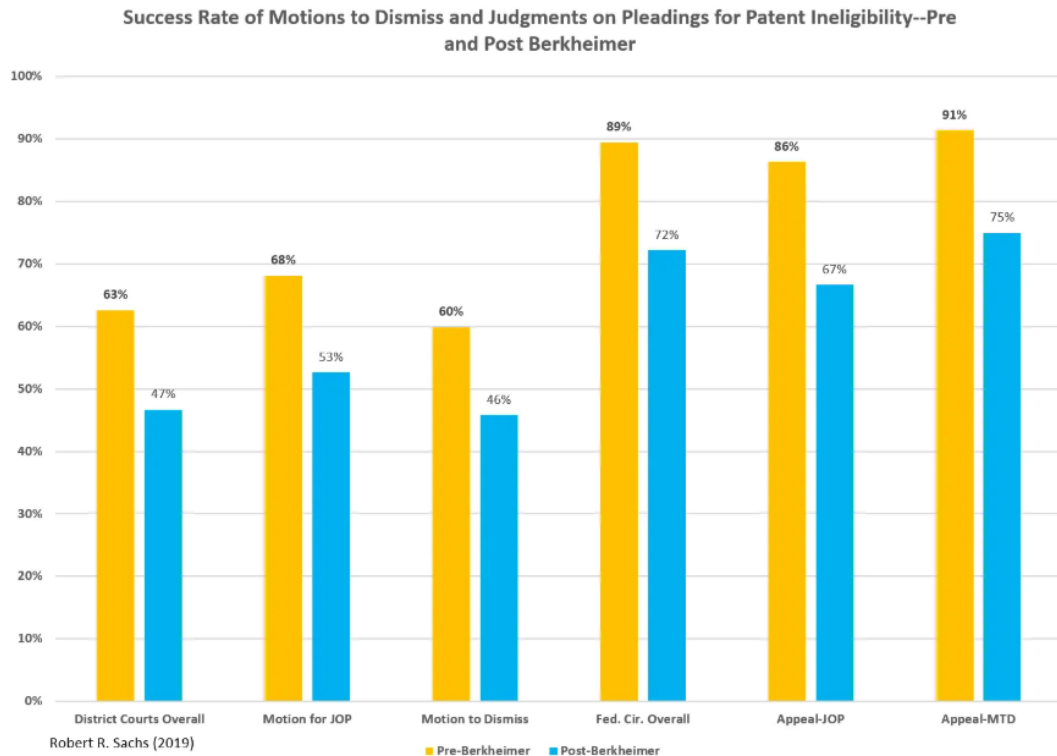


Figure 5