



JAUIP Summer IP Seminar

Fundamentals of Patent Dispute Resolution in Japan and the United States

September 2, 2015

Naoki Yoshida

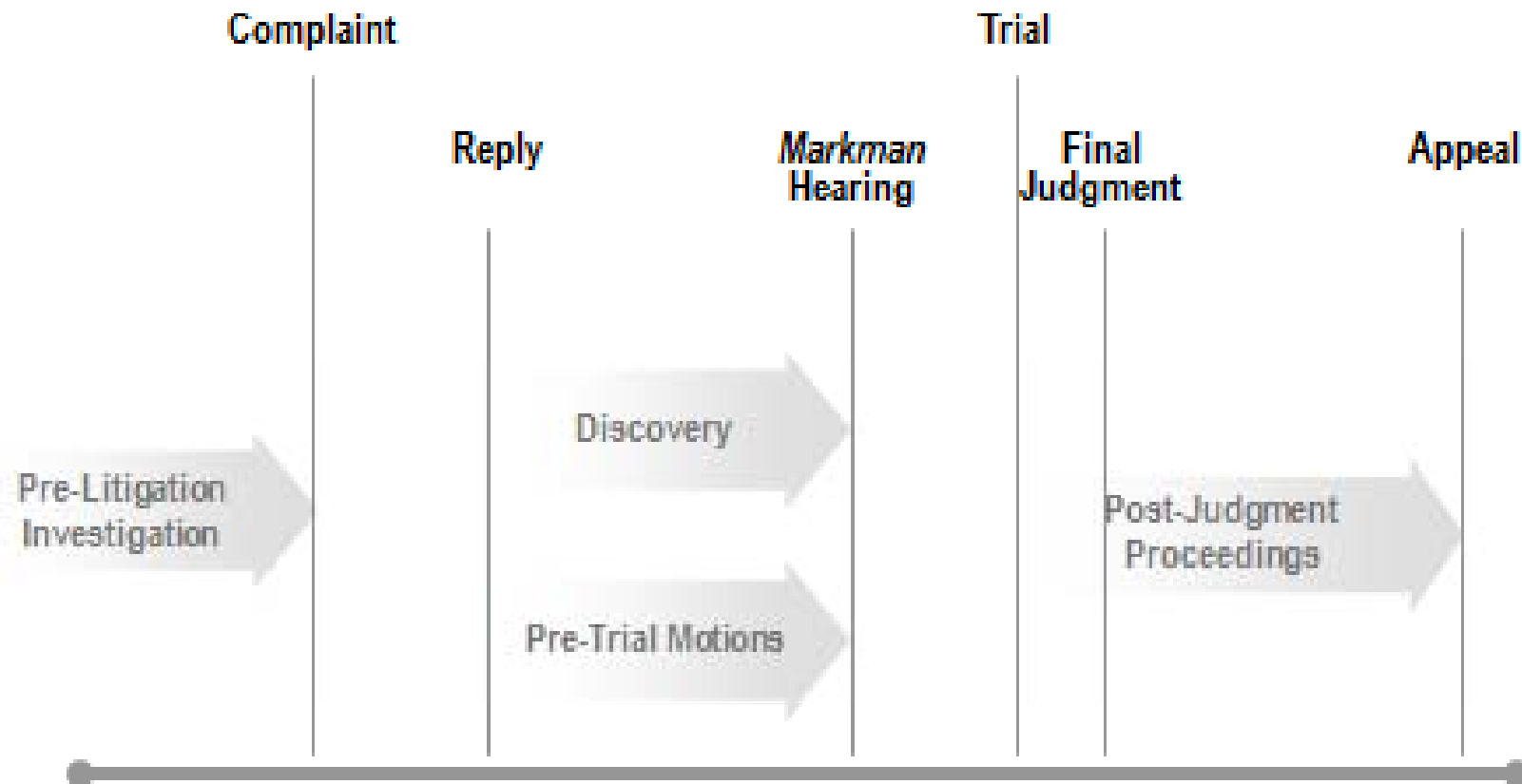
Finnegan, Henderson, Farabow, Garrett & Dunner, LLP

- I. Civil Litigation in the United States
 - 1. Discovery
 - 2. Damages
- II. Border Protection in the United States
- III. Alternative Dispute Resolution (ADR) in the United States

I. U.S. CIVIL LITIGATION

- U.S. patent litigation in Federal Courts
 - Multiple district courts (trial courts), and one court of appeals (U.S. Court of Appeals for the Federal Circuit), and the U.S. Supreme Court
 - Jury
 - Large damages awards
 - Expensive
 - Extensive discovery
 - Docket speed varies based on courts
 - Experts

U.S. PATENT LITIGATION STAGES



I-1. DISCOVERY

- Purpose
 - Fact finding
 - Evidence for use at trial
- Broad scope
 - Governed by Federal Rules of Civil Procedure
- From parties and non-parties

WHAT IS DISCOVERABLE?

- Fed. R. Civ. P. 26(b)(1): Discovery scope and limits
 - “Parties may obtain discovery regarding any matter, not privileged, that is relevant to the claim or defense of any party ...”
 - “Relevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence.”

DISCOVERY DEVICES

- Initial disclosures
- Interrogatories
- Requests for documents & things
- Requests for admissions
- Depositions
- Expert reports and depositions

INITIAL DISCLOSURES

- Fed. R. Civ. P. 26(a)(1)
 - Before formal discovery, after reasonable inquiry, parties must automatically supply:
 - Names of people with discoverable information
 - Copy or description by category and location documents and things in possession, custody, or control
 - Damages computations and documents
 - Any insurance agreement covering judgment

INTERROGATORIES

- Written questions to be answered in writing under oath
 - Infringement information (accused products, etc.)
 - Rationale supporting affirmative defenses
- Relatively inexpensive way to obtain information on who, when, where, etc.

DOCUMENT REQUESTS

- Must produce all discoverable documents in “possession, custody, or control.”
- Relevant information
- Any and all documents relating to:
 - Accused product/method
 - Patent prosecution
 - Correspondence
 - Research & development
 - Business plan & records
- Electronic discovery
 - E-mail
 - Any files stored electronically

REQUESTS FOR ADMISSION

- Request another party to admit the truth of any discoverable matter
- Facts, opinions of facts, application of law
- Establish proof of truth of specific facts
 - Simplifies evidence at trial
- Response must admit, deny, object to each request, or explain in detail
 - Failure to properly respond may constitute an admission of the fact

DEPOSITIONS

- Sworn testimony recorded by a court reporter (stenographically, video)
- Formal procedure but no Judge present
- Questions and answers
- Purpose
 - Discover evidence
 - Additional documents and people with knowledge
 - Discover what witness knows or believes, how they will testify, and committing witness to testimony
 - Preserve testimony that may be unavailable at trial
 - Obtain testimony to support a motion
 - Assess persuasiveness and credibility of witnesses

DEPOSITIONS (cont'd)

- Who to Depose?
 - From Accused Infringer
 - R&D people, Business managers, Financial, marketing, & sales people, and Corporation – Fed. R. Civ. P. 30(b)(6)
 - From Patent Owner
 - Inventors, Other R&D people, Business managers, and Corporation – Fed. R. Civ. P. 30(b)(6)
- Where to depose?
 - In the United States
 - Law firms, hotels, companies
 - Outside the United States
 - In some countries (e.g., Japan), U.S. embassy or consulates
 - In some countries (e.g., China), depositions are not allowed

PRIVILEGE

- Limitations on discovery
- Attorney-Client Privilege
 - Communication between the client and attorney made
 - in confidence
 - for legal services
 - that are not “waived”
- Work Product Immunity
 - Information prepared in anticipation of litigation that reflects the mental impression, opinions, or legal theories of a lawyer or of another representative of a party
- Privilege can be waived
 - Accidental
 - Through documents or witnesses
 - Intentional
 - Through production of counsel’s opinion

PROTECTIVE ORDER

- Protect confidentiality of information and documents produced to opponent
- Control disclosure of confidential information
 - Who accesses confidential information
 - How presented in court filings
 - Disposition after conclusion of case
- May not protect at trial
- “For Attorneys’ Eyes Only”
 - Highly sensitive information (e.g., technical information under development, and financial and marketing information)
 - Access limited to outside counsel and approved outside consultants/experts (and maybe in-house counsel)

I-2. DAMAGES

- High damages awards example (some were later reduced):

Year	Parties	Technology	Award (in million \$)
2009	Centocor Ortho/ Abbott Lab	Arthritis drugs	\$1,673
2007	Lucent/Microsoft	MP3	\$1,538
2012	Carnegie Mellon/ Marvell	Disk drive noise reduction	\$1,169
2012	Apple /Samsung	Smartphone	\$1,049
2012	Monsanto/Dupont	Genetically modified seeds	\$1,000
2005	Cordis/Medtronic	Stents	\$595

DAMAGES THEORIES

- Lost profits
 - Lost sales
 - Diverted sales
 - Price erosion
 - Increased expenses
- Reasonable royalties
 - Amount a person desiring to make, use, or sell a patented product would be willing to pay
- Enhanced damages – no punitive damages
- Attorneys' fees in exceptional cases
- Pre-judgment interest
- Post-judgment interest

LOST PROFITS

- Causation
 - Demand of product
 - No suitable noninfringing alternatives
 - Patentee had the manufacturing capability and marketing capability to sell the number of patented products
- Amount of lost profits
 - Actual lost sales, projected lost sales, price erosion, accelerated reentry, increased costs, etc.

REASONABLE ROYALTY

- Established royalty
 - Paid or secured before infringement began
 - Paid by sufficient number of persons
 - Uniform in amount
 - Not under threat of suit
 - For comparable rights or activity under patent
- No established royalty available
 - Hypothetical negotiation

II. BORDER PROTECTION IN THE U.S.

- U.S. International Trade Commission (ITC)
- Section 337 (19 U.S.C. § 1337) cases involve patent, trademark, and copyright infringement and other acts of unfair competition
- History and Purpose
 - Section 337 was originally enacted in 1930 to protect US industries by making unlawful the importation of goods by unfair methods of competition and unfair acts, including patent infringement, that might prohibit, harm, restrain, or monopolize trade in commerce

THINGS YOU SHOULD KNOW ABOUT ITC

- Faster than a district court— a final decision from the Commission in approximately 18 months
- Expertise in patent law
- Extensive and liberal discovery
- Exclusion order similar to an injunction—significant after *Ebay* decision.
- However, no damages

SIMILARITIES TO AND DIFFERENCES FROM DISTRICT COURT ACTIONS

- Similarities:
 - Patent law (both appeal to Federal Circuit)
 - Infringement contentions/Invalidity defenses
 - Claim construction
 - Depositions/Written discovery
- Differences:
 - Complaint
 - DC – notice pleading ↔ ITC – detailed factual pleading
 - Remedies
 - DC – damages/potential injunction ↔ ITC – no damages/automatic injunction
 - Likelihood of Trial
 - DC – 3% ↔ ITC – 40%.
 - Decided by
 - DC – Article III Judge or jury ↔ ITC – Administrative Law Judge
 - Jurisdiction:
 - DC – personal jurisdiction ↔ ITC – in rem jurisdiction over imported goods

STRUCTURE OF THE ITC

- 6 Commissioners appointed by the President and confirmed by the Senate for 9-year terms
- Only 3 Commissioners can be from the same party
- Chairman position alternates every 2 years between the parties based on seniority.
- 6 Administrative Law Judges

III. ADR IN THE U.S.

- Ways to Resolve Legal Disputes
 - Negotiation
 - Mediation
 - Settlement Conference
 - Arbitration
 - Litigation through Trial
- Criteria for Making Selection
 - Objectives of Parties
 - Cost
 - Time
 - Informal vs. Established Rules

HOW IS A SELECTION MADE?

- By Contract
 - Parties pick ADR method
 - Parties define scope & select rules
 - Includes mediation or arbitration clause
- By Court
 - May direct parties to engage in ADR
 - Non-Binding
 - Northern District of California Rules
 - Require parties in patent cases to select before case management conference
 - Options are non-binding arbitration, early neutral evaluation, mediation, or settlement conference

NEGOTIATION

- Third party: None
 - Voluntary
 - Minimal costs
 - Goal: Agreement between parties
 - Dispute resolution: Achieved solely by parties
-
- | | |
|---|--|
| <ul style="list-style-type: none">• Advantages<ul style="list-style-type: none">– Parties in control– Result is mutually acceptable– Private proceeding– Enforceable as a contract | <ul style="list-style-type: none">• Disadvantages<ul style="list-style-type: none">– Talks may cause hostility– No neutral evaluation of positions– No discovery– Cannot bind a party |
|---|--|

MEDIATION

- Third party: Mediator
 - Voluntary
 - Costs: Mediator time
 - Goal: Agreement between parties
 - Dispute resolution: Mediator helps parties settle
-
- | | |
|--|--|
| <ul style="list-style-type: none">• Advantages<ul style="list-style-type: none">– Parties select mediator– Mediator finds areas of agreement– Neutral evaluation of positions– Parties in control– Result is mutually acceptable | <ul style="list-style-type: none">• Disadvantages<ul style="list-style-type: none">– No determination of parties' rights– Cannot bind a party– No discovery– Mediator cannot issue orders |
|--|--|

SETTLEMENT CONFERENCE

- Third party: Judge or magistrate
- Voluntary
- Minimal costs
- Goal: Settlement, dismissal/judgment
- Dispute resolution: Judge encourages parties to settle issues in litigation
- Advantages
 - Evaluation by judicial officer
 - Parties in control
 - Result is mutually acceptable
 - Judge can issue orders
 - May reach agreements on further conduct of case
- Disadvantages
 - Judge's time is limited
 - No determination of parties' rights
 - No power to impose a settlement

ARBITRATION

- Third party: Arbitrators
- Binding decision
- Costs: Discovery, hearing, arbitrators
- Goal: Determine parties' rights
- Dispute resolution: Decision on merits by arbitrators
- Court review is limited
- Advantages
 - Determines parties' rights
 - Enforceable by courts
 - Parties select arbitrators
 - Provides for discovery & trial
 - Usually faster, cheaper than court
- Disadvantages
 - Can be expensive
 - Cannot be appealed

THANK YOU



Naoki Yoshida
Partner, Attorney at Law
Finnegan, Henderson, Farabow,
Garrett & Dunner, LLP
Shiroyama Trust Tower, 33rd Fl.
4-3-1 Toranomom
Minato-ku, Tokyo 105-6033 Japan
Tel (81)3.3431.6517
naoki.yoshida@finnegan.com