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WHERE TO WIN

PATENT-FRIENDLY COURTS REVEALED



Where to win: patent-friendly courts revealed

Multinational companies are increasingly finding themselves litigating in multiple jurisdictions. **Michael Elmer** and **Stacy Lewis** reveal findings from **Finnegan's Global IP Project** to help IP counsel choose the best first-strike forum

Market globalisation and electronic commerce are pushing patent disputes beyond country boundaries and landing them, sometimes contemporaneously, in multiple countries with varying legal systems and consequent varying results. Patent owners and alleged infringers face a complicated labyrinth when mapping out a global strategy for IP litigation.

Although patent enforcement remains national in nature, business considerations often incline to global dispute resolution, particularly when they encounter the same competitors in multiple countries. It is important to consider, therefore, that the result in the first suit brought often has a large impact on the overall global effort. Legally, of course, that first result has no bearing on later suits in different countries. But in practice, business managers seek certainty, and the outcome of litigation in one jurisdiction often influences settlement negotiations in other jurisdictions.

An early win, therefore, is crucial, whether for the patentee or the alleged infringer. In the Global IP Project, we use the term first-strike strategy to describe the approach of trying to obtain a good first result that can be leveraged to favourably resolve other conflicts (see methodology, page 7). But where should a so-called first strike take place? In which country or countries? And, if available, which court? Where will a favourable result most likely occur?

Global patent litigation decisions

To achieve the best global business result, patent portfolio enforcement/attack strategies should be developed with an understanding of (1) the global business objectives of the company; (2) each national system of patent enforcement (including substantive matters such as claim construction, jurisdiction and venue requirements, evidence gathering, and privilege issues); and (3) the Global IP Project's research.

Using the objective data on patent infringement litigation win rates and methodologies developed by the Global IP Project, we can analyse litigation in any of the 30 countries participating in the project. Where we have court-specific data within a country, such as the US, China, and Japan, we can use the analysis to make *intra-country* forum shopping decisions as well. In many other countries, such intra-country analysis is not relevant because there is only one court that hears IP cases – either statutorily established or *de facto*.

It is worth noting that there is some movement in a number of countries towards a single IP specialty court. For example, France moved to one court this year (in Paris – previously six courts could hear patent litigation cases) and after January 1 2011, Switzerland will have one patent infringement litigation court in St Gellen with a trained cadre of IP judges (previously there were 26 courts, one in each canton). In Europe, Germany, Italy and Spain remain as countries with intra-country forum shopping options (see figure 3).

China still has more than 70 courts of first instance for patent infringement litigation, while South Korea has 40. Japan has two options, but in 2008 Taiwan revised its court system from 11 to one IP specialty court.

Example of a first-strike strategy

A favourable first outcome in patent litigation provides leverage to settle disputes in other jurisdictions. On page 4, figure 4 (based on a real case) depicts an offensive first-strike by a patentee, and shows the importance and power of a first-strike strategy.

Country win rates

Competitors looking for a good place to challenge patents will be interested in courts with a low patentee win rate. Knocking out a patent is an excellent first-strike for an alleged infringer competitor. Looking at the data for England and Wales, one sees that historically, the Patents Court in London has been such a venue (see figure 5).

Germany has a reputation for being patentee-friendly, and the objective data, although partial, supports this. In Dusseldorf, the most active of the 12 first-instance courts in Germany, and the one for which there is the most data, patentees won on infringement in 63% (213/340) of the cases sampled between 2006 and 2009 (see figures 6 and 7).

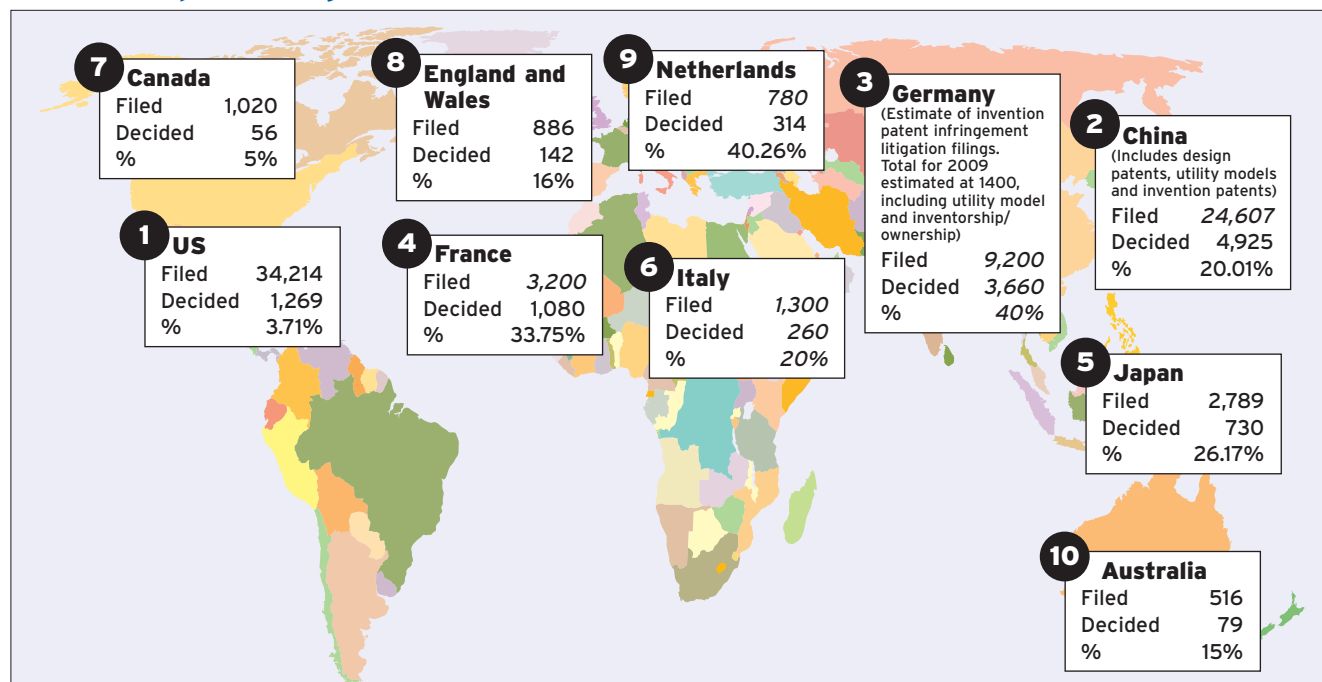
The issue of validity is tried in a separate forum in Germany, either in the Federal Patent Court, the German PTO (challenge must be made within three months of patent issuing), or, for relevant patents, the EPO (challenge must be made within nine months of patent issuing). The patentee statistics in the Federal Patent Court are set out in figure 8.

According to the Global IP Project methodology, the patentee win rate in validity challenges at the Federal Patent Court for 2003 to 2007 is 45% + (half of 23%) = 57%.

It is estimated that approximately 40% of the patent litigation in Germany takes place in Dusseldorf, but there are a total of 12 possible courts, providing the possibility of forum-shopping in Germany (see figures 9 and 10).

Damage trials are rarely conducted in Germany, and awards historically have not been high. However, the system is designed so that the loser pays both parties' costs and the court costs. In addition to Dusseldorf and the Federal Patent Court, there is some very limited patentee win rate data available for the courts in Braunschweig (2/7, 29%) and Munich (6/15, 40%). There is also some preliminary injunction data for Dusseldorf available (24/41, 59% for 2006-09; this is one of the highest preliminary injunction win rates we have uncovered for the 30 countries in the Global IP project). Munich recently introduced new procedural rules in an effort to streamline proceedings and get from filing to a decision in less than one year. For preliminary injunction requests in Munich, the goal is to have a hearing within a day of filing.

First-instance patent infringement cases filed and decided worldwide



*Italics indicate estimate from Global IP Project participant

Figure 1: The 10 countries with the greatest number of patent litigation filings (1997-2009). At these rates of filing, it is expected that Korea and Taiwan will break into the top 10, and England and Australia will drop out, within the next year or two.

What about the BRIC countries?

All eyes are on the BRICs (Brazil, Russia, India and China), as the economies in those countries develop. While the Global IP Project's data for China, Brazil and India is good, based on copies of first instance decisions, it has been much harder to obtain objective data so far in Russia. However, 2010 marked a new development when the first Russian data became available. It showed 14 first instance patent litigation decisions, four of which (29%) were decided in favour of the patentee. The average time from filing to decision in these 14 cases was 10 months. Russia, like China, is a bifurcated system with 81 first instance courts for infringement matters (called arbitration courts) and the Russian Patent Office Chamber on Patent-Related Disputes (the Chamber) for validity challenges. No validity challenge data is available to date. An Arbitration Court may stay proceedings pending the outcome of a validity

challenge, but the practise among the 81 first instance courts is not uniform.

Brazil's patent law has been in effect since 1996, and was largely motivated by the GATT/TRIPs Agreement. Infringement actions are decided by state courts, most often in the state court of São Paulo. There are seven state courts of Rio de Janeiro, which are specialty courts that handle, among other things, intellectual property. The Global IP project data for 2006 to 2007 indicates a 30% patentee win rate (6/20) for first-instance infringement litigation decisions, and a preliminary injunction win rate of 38% (3/8). Cancellation actions and patent term extension actions are decided by federal courts, generally by the Federal Courts of Rio de Janeiro. There are four specialised IP federal courts, the 35th to 39th. A unique aspect of Brazilian IP law is so-called pipeline patents, or patents based on foreign patents that become issued Brazilian patents without additional examination. One issue is

Patentee win rates, Japan

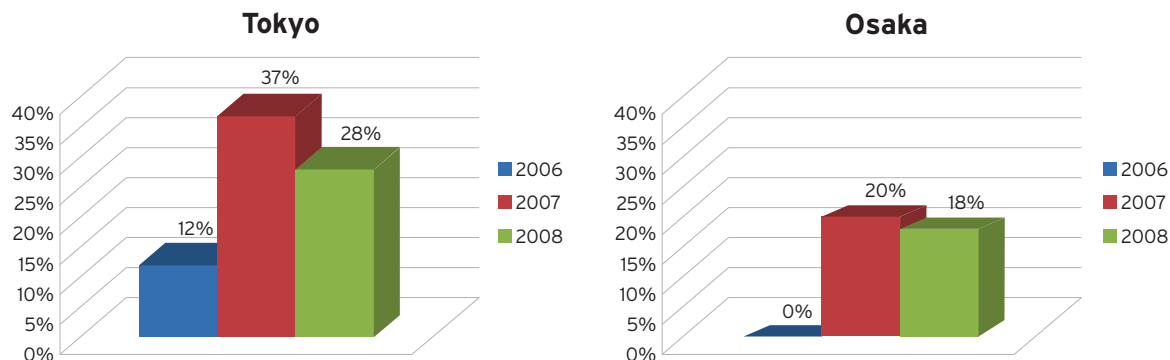


Figure 2: Comparison of patentee win rates in Tokyo and Osaka. While patentees generally have a low win rate in Japan, it is clear that they fare better in Tokyo than Osaka - the average for these years is 26% in Tokyo (24/94) and 16% in Osaka (5/31). It should be noted that Tokyo handles about three times as many cases.

Most active patent litigation courts in European countries

Country	England and Wales	Germany	Netherlands	France	Italy	Spain	Switzerland	Denmark, Sweden, Norway, Finland
Number of courts	Technically two, effectively one	12	1	1	12	70	One from January 1 2011	1
Most active	London	Dusseldorf	Hague	Paris	Milan, Rome	Madrid, Barcelona	St Gellen	Vestre Landstrett, Stockholm, Oslo, Helsinki

Figure 3: Number of IP specialty courts in Europe per country.

whether, when the parent patent receives extension, the Brazil pipeline patent should receive an extension as well. There are more than 100 cases before Brazilian courts on that issue. So far, the trend for the Brazilian courts is to agree with the BPTO that the extension should be denied. The Global IP Project has objective data on Brazilian patent infringement litigation decisions and preliminary injunctions.

Until recently there has been very little patent litigation in India. However, in 2002 it changed its procedural laws and in 2004, its substantive law to allow product patents for pharmaceuticals and chemicals. This has significantly increased the volume of patent infringement litigation being filed in India. Patent infringement law suits can be heard by any of the 23 different high courts in the country but the two most active ones are in New Delhi and Chennai. The most active patent infringement court is the Delhi High Court, which is believed to hear almost 70% of the patent litigation cases filed throughout India.

In the past 15 years, a total of 45 patent infringement decisions have been reported in the law reports. Of these, four related to permanent injunctions (two being granted and two refused, or a 50% win rate) and 41 related to temporary injunctions (15 granted and 26 refused, or a 37% win rate). Of the two permanent injunction cases, one included a first-ever damage award for patent infringement for approximately \$56,000 (based on July 2009 exchange rates).

Although patent litigation in India, a common law jurisdiction, is relatively inexpensive (about \$50,000 for complicated cases over a period of two to three years) it is still relatively slow and unpredictable. The exception is the Delhi High Court, which appears to have adopted a host of process-related measures to speed up cases since the Supreme Court decision in *TVS v Bajaj* indicated its expectation that patent infringement cases should be completed within four months. [China, remaining BRIC country, is discussed below].

A first-strike strategy

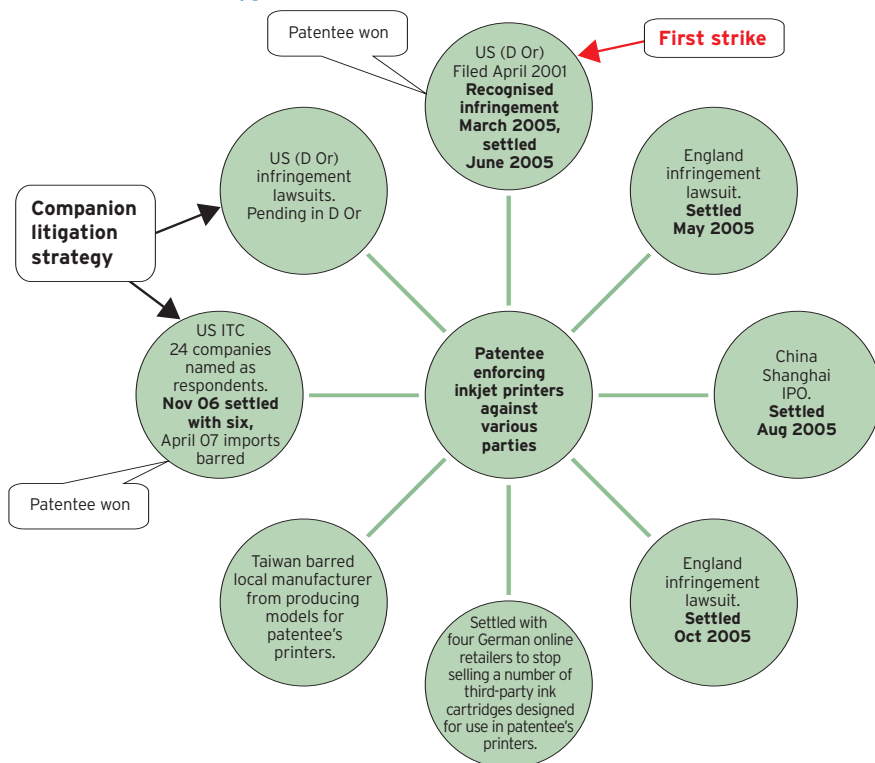


Figure 4: Example of a first strike strategy in action. The patentee filed an infringement claim in the US in April 2001, which settled in June 2005. Within a year of a favourable claim construction decision, three infringement lawsuits in two other jurisdictions settled, and ITC settlements were entered in November 2006. In total the favourable first-strike assisted in successfully enforcing the patent in five other jurisdictions and the ITC.

Objective decision-making

As shown in figures 11 and 12, the Global IP Project uses its objective data about factors such as patentee win rate, litigation cost and time to decision to feed a framework of objective litigation factors used to evaluate forum shopping alternatives. Based on the analysis below, Germany and the Netherlands emerge as the most patentee-friendly European fora, with France a close third. The Patents Court in London is the least patentee-friendly forum in Europe, and a high percentage of cases there are filed by competitors challenging patents. For first instance decisions filed by the alleged infringer in 2006 to 2009, the alleged infringer was successful 86% of the time (25/29).

Figures 11 and 12 reflect how objective factors interact and can provide a basis on which companies can structure their patent enforcement and attack strategies. In any specific set of facts, of course, each of these objective factors may have more components. For example, there is a significant amount of patent litigation over utility model patents in Germany. This probably skews the average time to trial downwards. In a large, complicated litigation where the dispute is over an invention patent, it is likely the time to a first instance decision in Germany would be similar to

Patentee win rate, England and Wales

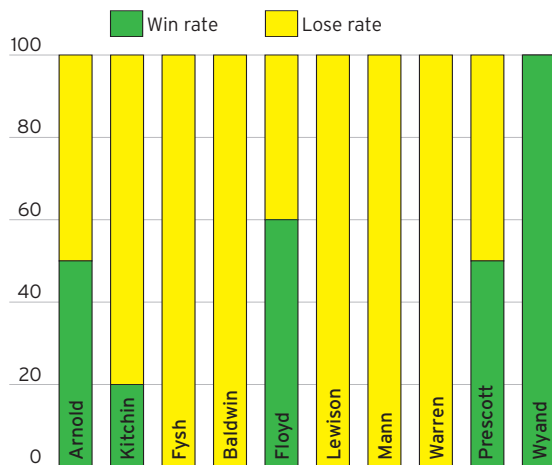
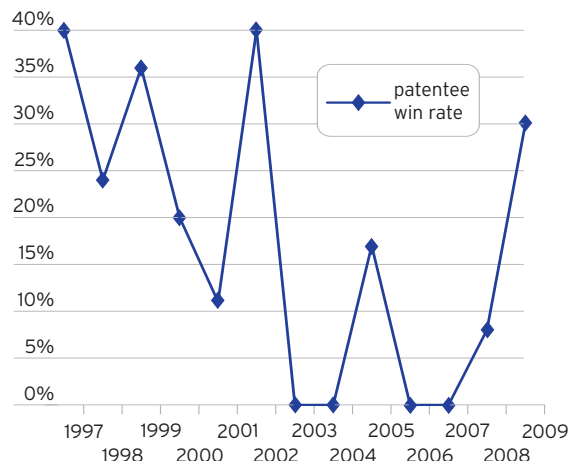


Figure 5: Patentee win rate and results of first-instance patent infringement decisions in Patents Court, London (2000-2009). Data on judges is for 2009. There have recently been three new judges appointed.

Patentee win rate, Dusseldorf

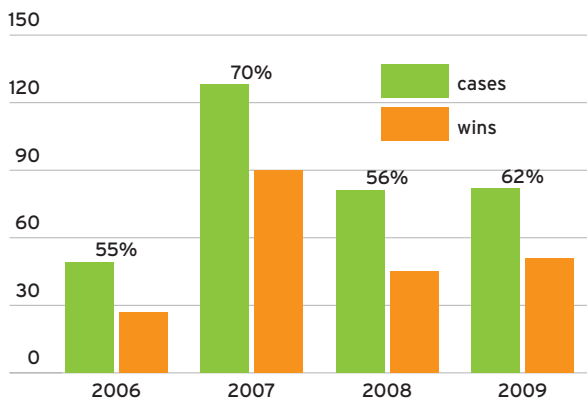


Figure 6: Patentee win rate in Dusseldorf court of first instance, 2006-2009. Overall 63% (213/340). This represents about 25% of the number of actual decisions from the Dusseldorf court.

Preliminary injunction win rate, Dusseldorf

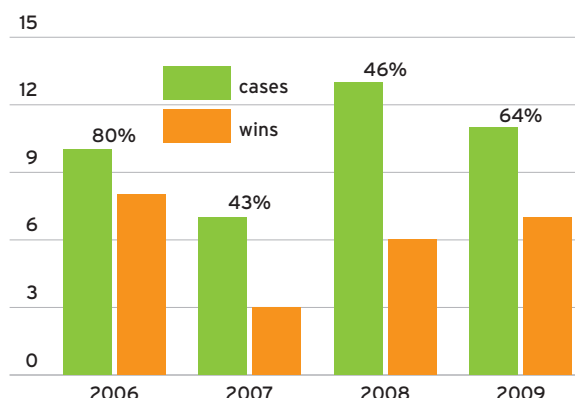


Figure 7: Preliminary injunction win rate in Dusseldorf, 2006-2009. Overall 59% (24/41).

that in other European countries. One such example is the multi-jurisdictional litigation between Novartis and Johnson & Johnson, which related to patents for extended wear contact lenses. The patent was upheld by the EPO in an opposition challenge before the parties entered multi-jurisdictional national litigation. The Netherlands upheld Novartis's European patent and granted an injunction against Johnson & Johnson. The patent was held invalid in the UK, valid and infringed in France and invalid in Germany. The decisions in the Netherlands and France came after 17 months, in England after 21 months, and the infringement decision in Germany remains pending after 36 months.

In addition, time considerations must also take into account whether both validity and infringement will be determined together or separately. In a bifurcated system, such as Germany, a patent litigation decision in a district court only determines the issue of infringement. The validity dispute, if raised, is determined on a separate, usually longer, time line. In England, both infringement and validity are determined at once, but often a damages

hearing never occurs; the parties come to an agreement after the trial decision has been rendered. On the other hand, in the Netherlands and France, validity, infringement and damages are usually decided. Accordingly, a longer litigation time may be worth it in a beta-test court such as the Netherlands (an additional three months), or in a French court (as much as an additional 18 months), if a patentee can get all three issues decided in one forum.

Patentee win rates by claim, Germany

Federal Patent Court, Germany	2003	2004	2005	2006	2007
Claims maintained without change	82	53	83	22	21
Claims amended (nullified in part)	16	27	24	33	32
Claims cancelled	38	34	42	28	39

Figure 8: Patentee statistics from the Federal Patent Court in Germany.

Patent litigation filings by courts of first instance, Germany

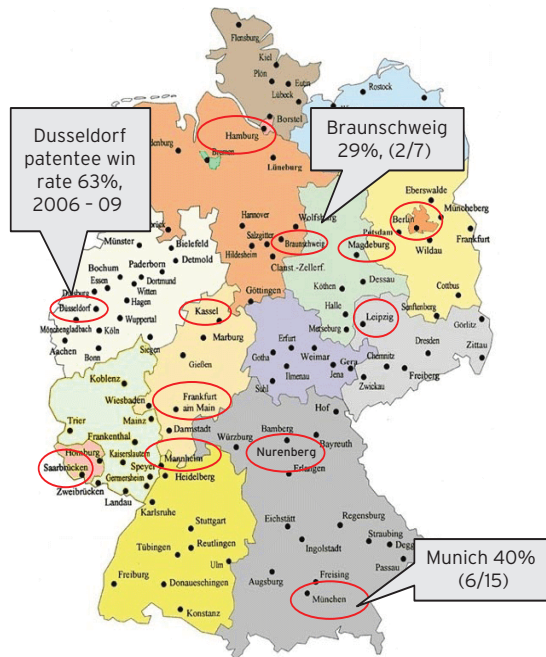


Figure 9: Twelve courts of first-instance in Germany.
Source of win-rate data: <http://www.duessendorfer-archiv.de/>

In a perfect world, these statistics would be publicly available on an industry-specific basis in every country. They are not. Where they are available, however, in countries such as England, France and the Netherlands, a company gets an objective measure of how the courts have treated a specific industry or technology. For example, the overall patentee win rate for the Netherlands for 2006 to 2008 is 23% (29/125), but in pharmaceuticals the win rate is higher, while in electrical and chemical/materials engineering, it is much lower. In France, as another example, the medical device win rate for 2006 to 2008 is lower (20%) than the overall average (39%) (see figures 13 and 14).

Litigation trends

If a jurisdiction is seen as patentee-friendly (the Eastern District of Texas in the US is one example), filings of infringement suits increase in that jurisdiction. For example, in the Eastern District

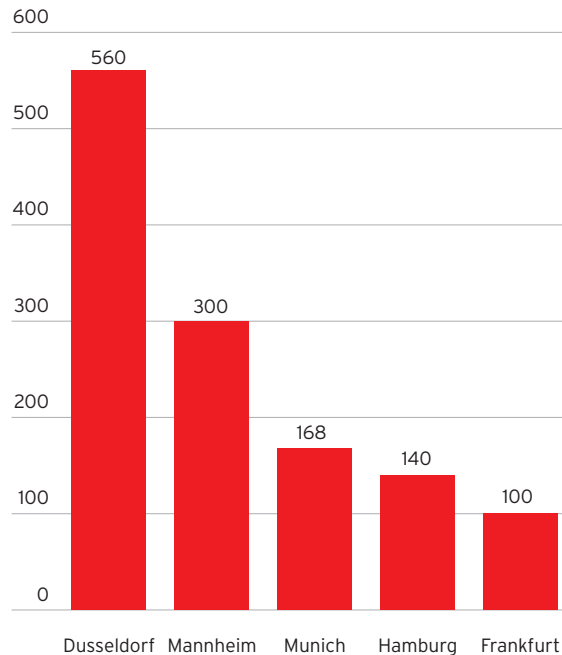


Figure 10: Patent litigation filings in the five most active German courts of first-instance in 2009. Source: JUVE 2010 report.

of Texas, where the patentee win rate in a trial by jury increased dramatically beginning in 2000 up to a high around 80%, the number of patent litigation filings rose by 1,124% between 2001 (33) and 2007 (371). More recently, however, in part as a reaction to a series of successful motions to transfer as well as decisions from the Court of Appeals for the Federal Circuit, filings in the Eastern District of Texas have decreased, and the most active patent litigation court in the US in 2009 was the Central District of California.

As mentioned above, intra-country forum shopping does not exist in every country, but where it is possible, the Global IP Project predicts that win rates will begin to drive it. China provides an excellent example. There are more than 70 Intermediate People's Courts across the country which hear patent cases. In 2007, Zhejiang Hangzhou Intermediate People's Court was the most active Chinese jurisdiction in patent litigation with 146

Patentees: Patent litigation factors

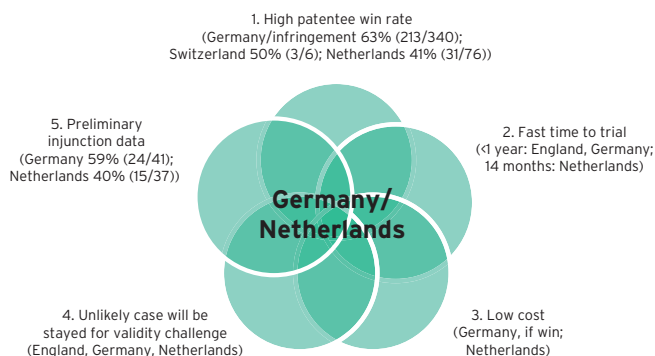


Figure 11: Comparison of patent litigation factors among European countries from a patentee's perspective.

Alleged infringers: patent litigation factors

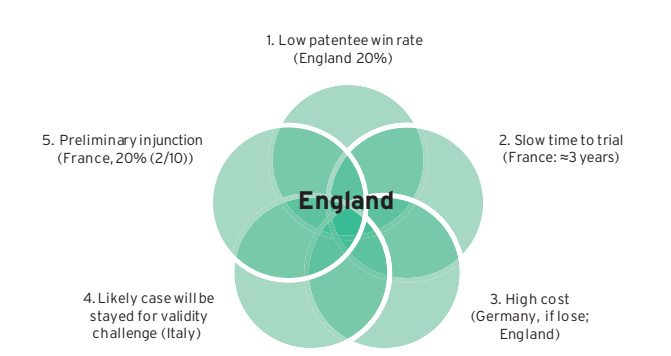


Figure 12: Comparison of patent litigation factors among European countries from an alleged infringer's perspective.

The project and methodology

In 2001, the Global IP Project began to take shape when a group of law firms in 30 countries agreed to share information about first-instance patent infringement dispositions in their home countries. The firms began to amass real numbers - objective data on win rates in both overall terms and in individual courts, where applicable. For the Global IP Project, a patentee win occurs where at least one claim of one patent has been held both valid and infringed in a decision on the merits in the first instance. If a particular country is one in which validity and infringement are not decided in the same place, there are two win rates - one for the infringement forum and one for the validity challenge forum. Armed with this objective information, counsel can intelligently advise clients on a forum for that crucial first strike: the country (and court, if applicable) where they have the best chance of obtaining a favourable result.

By counting only first instance decisions on the merits, the results represent only the tip of the iceberg of patent infringement litigation, but this is the best common factor across the existing variety

of legal systems and cultures. The patentee win rate is the total number of patentee wins on the merits in the first instance, divided by the sum of patentee wins and patentee losses. In countries such as Germany, where validity and infringement are tried in separate places and there are multiple fora in which to challenge validity, there are multiple validity-challenge win rates. An element of estimation exists in our determination of validity-challenge win rates. This is so because when the validity of a patent is challenged, our methodology records one of three possible outcomes: all claims are maintained without change (a clear win for the patentee); all claims are invalidated (a clear loss for the patentee); and at least one claim is amended (which could be either a win or a loss for the patentee, depending on whether the amended claim covers the allegedly infringing product). The Global IP Project validity challenge win rate is the total number of cases where all claims are maintained plus one half of the cases where at least one claim is amended. For example, if 20% of the claims are maintained without change, 20% are

invalidated, and 60% have at least one claim amended, our methodology considers the validity-challenge win rate for patentees to be 50% (20% + half of 60%).

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cases filed, and had an overall patentee win rate of 76% (34/45) (for invention patents, utility models and design patents). For purposes of the Global IP project, invention patents are defined as issued patents that were subject to examination. In China, utility model patents and design patents, which comprise more than 80% of patent litigation, are not examined. In 2008, filings in Zhejiang rose to 134, but were surpassed by filings in Zhejiang Ningbo Intermediate Court, where the overall patentee win rate (invention patents, utility models and design patents) was 85% (46/54). If we consider invention patents only, and look at patent infringement decisions, the court with the largest number of cases in both 2007 and 2008 is Beijing No. 2 Intermediate People's Court. While the patentee win rates are not the highest there, the filings perhaps reflect the court's location in the capital city. The highest invention patent patentee win rate is found in the Hunan Changsha Intermediate People's

Court with a patentee win rate in 2007 to 2008 of 100% (13/13). Before the availability of this data, it was commonly perceived that foreign patentees could win only in courts located in Beijing or Shanghai. The reality appears to be more court-specific, based on our preliminary findings (see figure 15).

The intangible factor: confidence

When developing a global patent litigation strategy, patent litigants may consider an additional intangible factor: the degree of confidence in each judicial system. For example, while the number of patent infringement lawsuits is rapidly rising in China, reflecting a growing confidence in Chinese patent enforcement, there remain very serious concerns regarding small-time Chinese infringers who, if found to infringe, can effectively fold their tents and move elsewhere. No objective data exists as to what percentage of wins is actually enforced in practice. There is anecdotal evi-

Patentee win rates by technology, Netherlands

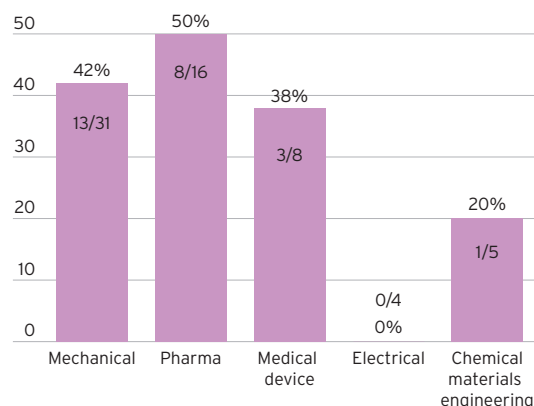


Figure 13: Patentee win rate in the Netherlands by technology (2006-08).

Patentee win rates in medical devices, France

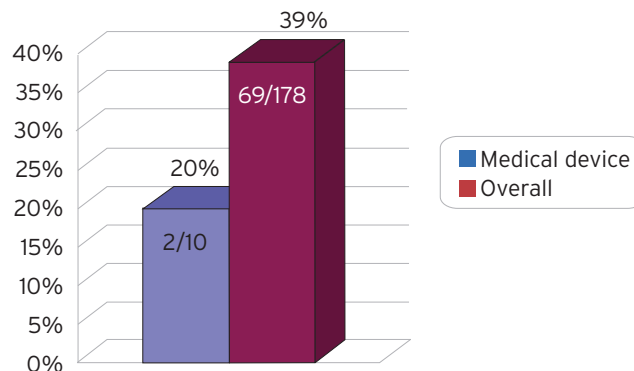


Figure 14: Medical device patentee win rate compared to overall rate in France (2006-08).

High-level trends and predictions

Patent practitioners may use the data of the Global IP Project for client-specific counselling and patent portfolio enforcement. For example, some clients use the data to decide where to file patents. The Global Project can also provide insight into some high-level trends:

1. Globally, not including the US, the patentee win rate is about 35% (based on 2006 to 2008 data from 16 countries).
2. Based on 2006 to 2009 data, the London Patents Court is the best first-strike forum for alleged infringers, followed closely by Japan.
3. The US offers the best opportunity for obtaining high patent damages. The average patentee win rate in the US effectively doubles if the patentee can survive the summary judgment motion phase of the litigation.
4. While US litigation costs are considerably higher than those of any other country, the issues of validity, infringement and damages are all resolved in one trial. Many other countries require at least two separate actions for the issues of validity and infringement, and the issue of damages either may require an additional trial, or - as is most often the case - will never be judicially determined. In addition, some countries, such as Germany, assess the loser with a significant portion of the winning party's litigation fees. This is a huge litigation deterrent not found in the US and most other countries.
5. Taiwan, France and Switzerland are moving from multiple courts to a single IP specialty court for patent infringement litigation may reflect a trend.
6. Germany is widely thought of as a patentee-friendly forum. Objective data from Dusseldorf indicates this is well founded (overall patentee win rate over 60%), but data is less than perfect because:
 - a. There is an incomplete record of case results available (Dusseldorf data only represents about 25% of the actual number of decisions by the Dusseldorf court);
 - b. There is a lack of statistically meaningful objective data from the other 11 patent infringement courts;
 - c. The data does not distinguish between utility models, design patents, and invention patents; and
- d. A bifurcated system means that validity is not determined at the same time, so a patent infringement win does not tell the whole story and the win could prove to be pyrrhic.
7. Expect to see forum shopping develop within countries outside the US where patentee win rate data are now available by court (China, Japan, and India).
8. In China, litigation remains relatively inexpensive, and patentee win rates are often relatively high. Expect litigation filings to continue to rise and more non-Chinese companies to obtain Chinese utility model protection because of the high win rate and the damage award in the utility model infringement case, *CHINT v Schneider Electric Low Voltage (Tianjin) Co Ltd* (2007), in which the damage award was Rmb330 million (about \$44 million). This case ultimately settled for \$24 million just before a decision by the appeal court was due).

Patentee win rates by court, China

Court	Invention patent cases	Wins	Win rate	Court	Design patent cases	Wins	Win rate	Court	Utility model cases	Wins	Win rate
Hunan Changsha	13	13	100%	Zhejiang Jinhua	15	15	100%	Zhejiang Jinhua	11	11	100%
Shanghai 2nd	6	5	83%	Gansu Lanzhou	9	9	100%	Guangdong Shenzhen	4	4	100%
Zhejiang Ningbo	12	10	83%	Hunan Changsha	8	8	100%	Zhejiang Hangzhou	21	20	95%
Yunnan Kunming	5	4	80%	Jiangsu Nantong	7	7	100%	Liaoning Shenyang	11	10	91%
Hubei Wuhan	5	4	80%	Henan Zhangzhou	6	6	100%	Zhejiang Ningbo	15	13	87%
Beijing 2nd	16	15	94%	Shanxi Taiyuan	6	6	100%	Hunan Changsha	7	6	86%
Beijing 1st	6	3	50%								

Figure 15: Patentee win rate in Chinese courts of first instance (2007-08) across invention patents, utility models and design patents.

dence of at least some enforcement in cases such as *Zalman Tech Co Ltd v Shenzhen Fluence Technology Co Ltd* (Guangdong High People's Court, 2008) and *Fujian Steel Company v Xiamen Jimei Liantie Steel Casting Factory* (Fuzhou Intermediate People's Court, 2006).

Although legally there is no *res judicata* or collateral impact of a decision in one country on a decision in another, the reality is that business managers seek certainty, and the outcome of litigation in one jurisdiction often influences settlement negotiations in other jurisdictions. The Global IP Project serves as a much-needed information source for patentees wishing to maximise the chances of a successful first strike that will leverage a favourable global settlement. An objective basis for strategic, litigation decisions meets the needs of both patentees seeking to enforce their

patents worldwide and competitors wanting to preempt patentees from initiating a first strike in a patentee-friendly forum. With the tools created by the Global IP Project, companies can inform themselves on a variety of aspects of litigation in 30 countries before making the critical decision of whether and where to litigate a patent infringement dispute.



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