Quelques enseignements du droit américain (juridiction et procédure)

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Outline

- A federal system for patent law
  - Uniform patent law across the US (35 U.S.C. §§1)
  - Uniform procedural rules (Federal Rules of Civil Procedure)
  - Same Court of Appeal for the coherence of the law
- Jurisdiction
  - Subject matter
  - Over the person or entity (personal)
- Venue and transfer of venue
  - Legal criteria
  - Factors affecting choice of venue
  - Increasing impact of non practicing entities
    - Concentration of patent cases before some district courts
- Ongoing patent reform
  - Changes brought by the Supreme Court
  - State of Patent Reform Act

A federal system: uniform patent law

- Founders authorized Congress to enact laws:
  - "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors, the exclusive Right to their respective Writings and Discoveries" (Art. I, §8, clause 8 US Constitution)
    - Incentive to invest but the ultimate beneficiary = public
    - Therefore: "for limited Times" but also other doctrines: infringement tests, patent misuse, remedy provision, adequate notice of the boundaries of claims … to ensure the reward is not disproportionate to the public benefit
- Federal patent law: 35 U.S.C. §§1
- Federal institutions: USPTO for the issuance of patents, exclusive jurisdiction for Federal Courts

A federal system: uniform procedure

- Federal Rules of Civil Procedure (FRCP):
  - Govern the course of proceedings for all civil cases in the US courts (how to start and serve an action, to create a schedule, to conduct the discovery, to make the motions etc.)
  - Initially adopted by the Supreme Court; amended occasionally by a committee of Federal Judges
- But individual district can adopt additional procedural rules (« local rules ») and some judges their own specific rules (« local local rules »)
  - On minor issues: how cases are assigned within a district, where to file, how to request that papers remain confidential, etc.

A federal system: only Federal Courts

- First instance: the trial courts = US District Courts (one or more districts per State)
  - Same actions and defenses (in a federal statute)
- Same Court of Appeals = the Federal Circuit Court of Appeals
  - To foster the coherence in the law
- Training for judges in patent cases organised by the Federal Judicial Council (an education body created by the US Congress) to promote efficiency in the courts

Jurisdiction: subject matter

- 28 U.S.C. § 1338 (a): « *The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents* »
  - Exclusive juridiction of federal courts
  - Need to « arise under » patent law
    - Infringement claims = paradigm of an action « arising under » the patent laws + validity
      - ><action for breach of license where the patent invalidity claim=defense
      - >< ownership of patent
    - Declaratory actions: the character of the threatened action determines whether federal jurisdiction
      - More complicated between parties to a license
- Federal jurisdiction if challenge of PTO action

Supplemental jurisdiction and bifurcation

- 28 USC § 1367(a): « *the district courts shall have supplemental jurisdiction over all other claims that (…) form part of the same case or controversy* »
  - The jurisdiction of federal district courts extends to state law claims arising out of a patent dispute
    - Ex.: trade secret or unfair competition cause of action relating to the patented technology
- Bifurcation between legal and equitable issues
  - Infringement and invalidity claims/defenses: can be tried by a jury
  - Equitable claims (joint inventorship) and defenses (inequitable conduct, patent misuse, estoppel… leading to patent unenforceability) are <u>exclusively</u> for bench trials
    - Common to bifurcate legal and equitable issues, jury and bench trials

Jurisdiction: over the person or entity

- The power of the court to render a binding decision as to a particular party. Unfairness of subjecting a defendant to suit in a distant and inconvenient forum
  - Respect of the constitutional due process: clearly if residence
  - Sufficient: « minimum contacts » with the district (ex. the defendant placed enough products into the « stream of commerce » conscious that such goods will be sold in the district)
  - Declaratory actions: patentee sending C&D letters = insufficient
- Patent cases typically do not raise substantial issues of personal jurisdiction since defendant is alleged to have offered infringing products within the district
  - >< cases with non-US-based parties

Venue

- 28 U.S.C. § 1400 (b): any patent infringement action may be brought in the judicial district where *(1) « the defendant resides »* or *(2) « where the defendant has committed acts of infringement and has a regular and established place of business. »*
- Satisfying the venue requirement for patent cases is less rigorous than in other areas of the law
  - If the defendant is a corporation, it is « deemed to reside in any judicial district in which it is subject to personal jurisdiction » (§ 1391 (c))
- Generally possible to bring suit in any district as the products are available across the US (« minimum contacts » / « stream of commerce »)
  - Consequence: defendants often sued in a district in which they have no presence; thus motion to transfer

Transfer of venue

- District courts may transfer « *for the convenience of parties and witnesses in the interest of justice* » (28 U.S.C. § 1404(a))
- General: burden for defendant to demonstrate why the forum should be changed
  - Supreme Court: « *unless the balance is strongly in favor of the defendant, the plaintiff's choice of forum should rarely be disturbed* » (*Gulf Oil v. Gilbert*)
- Other (still disputed) view: § 1404 permits courts to grant transfers upon « *lesser showing of inconvenience* »
  - When proved that new venue is more convenient, the burden of proof would be met for defendant

Transfer of venue

- Courts balance the convenience of the litigants and the public interest in fair / efficient administration of justice
  - Convenience factors:
    - Ease to access to sources of proof
    - Availability of process to secure the witnesses's attendance
    - Cost of attendance and other practical problems
  - Public factors:
    - Court congestion
    - Local interest in having local issues decided at home
    - Familiarity with the governing law
    - Avoidance of conflict of law problems

Factors affecting choice of venue

- Time to trial
  - Faster recovery, less chance of finding prior art
- Success rates (before juries)
- Average damages awards
- Likelihood of successful move to transfer by defendant
  - If likelihood to transfer, risk of losing control for defendant's « home turf »
- Likelihod of staying the case if re-examination
  - Judges have discretion whether to stay a case if the PTO has agreed on a re-examination of the patent
- « Home town » advantage and attitude towards corporations
  - Perceived bias in favor of « the underdog » / against large corporations (ex. Eastern District of Texas)

Issue of non practising entities (NPE)

- NPE = an entity that does not have the capabilities to design, manufacture or distribute the patented products
  - Licensing entities, small inventors, universities, … «patent trolls »?
- NPE's use of patent proceedings has arguably lead to the following:
  - Increased use of jury trials v. bench trials
    - Success rates for patent holders are higher when decided by juries
    - Significantly larger awards by juries
  - Concentration of patent cases before a few federal district courts

A closer look*

Patent litigation trends and the increasing impact of nonpracticing entities

Concentration of patent cases before a few district courts (PWC, 2009)

- Out of 94 federal districts, 10 account for half of patent cases
- Certain district courts (particularly Virginia Eastern and Texas Eastern) seem more favorable to patent holders
  - The top five districts (with the most identified decisions) accounted for 33 % of all identified NPE cases
- Forum shopping by patent owners prompted
  - the reaction of the Federal Circ.: *In re TS Tech* (2008)
    - E.D. of Texas: plaintiffs' paradise lost? (-36% patent filings)
  - a proposal for changing venue rules (Patent Reform Act)

Patent reform: changes brought by the Supreme Court

- The recent US Supreme Court rulings have reduced the leverage of NPEs (and raised the bar for patentees):
  - *eBay v. MercExchange* (2006): four-part test for getting an injunction
  - *MedImmune v. Genentech* (2007): licensee is not required to terminate its license before seeking a declaratory judgment that the patent is invalid or not infringed
  - *KSR International v. Teleflex* (2007): raising the bar for patent holders to prove their inventions are nonobvious
  - *Quantas Computer v. LG Electronics* (2008): expansion of patent exhaustion rule
  - *Bilski v. Kappos* (2010): business methods patents might be curtailed (but not excluded from subject matter)

State of Patent Reform Act … and some teachings for Europe?

- Process:
  - First US Patent Act: 1790 (« An Act for the promotion of useful arts » - no major changes
  - Two Bills in 2007 (Senate and H.R.); then amended Patent Reform Bill by Senate Judiciary Committee (April 2009) asking to bring it to the floor
  - 15 Sept. 2010: letter of 25 senators (1/4 Senate) to support
  - Will the « lame-duck session » bring the PRA on the floor?
- Content
  - Substantive: first to file, post grant reexamination…
  - Procedure:
    - Assessment of damages and willful infringement…
    - On venue: transfer possible « *upon a showing that the transferee venue is clearly more convenient than the (pending) venue* » (amended § 1400)

Some teachings for the discussion…

Thank You

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