



Mightier Than the Sword: Wielding Your Patents for a Competitive Edge and Cash Flow

Presented by Mayer Brown LLP and Fangda Partners

October 14, 2020

Gary Hnath

Partner, Mayer Brown LLP

+1 202.263.3040

ghnath@mayerbrown.com

WeChat ID: G33333377

Jing Zhang

Partner, Mayer Brown LLP

+1 202.263.3385

jzhang@mayerbrown.com

WeChat ID: LawGirlMB

Bryan Nese

Associate, Mayer Brown LLP

+1 202.263.3266

bnese@mayerbrown.com

WeChat ID: NJSuccessStory

Giant Hu

Fangda Partners

giant.hu@fangdalaw.com

Hans She

Fangda Partners

hshe@fangdalaw.com

Part I

Filing a Patent Infringement Case in the United States

US Patent Infringement Actions – Agenda



How do I choose which patents to assert?

Where should I file my patent infringement case?

What work should I do before filing?

How much can I collect in damages if I win?

How Do I Choose Which Patents to Assert?

Who Are My Targets?

- Specific competitors?
- Broad chunks of the industry?

What Are My Goals?

- Increase/retain market share?
- Monetize patents through licensing revenue?

How Much Will It Cost?

- Billable hour/fixed/contingency fee arrangement with law firm?
- Third-party funder?

How Do I Choose Which Patents to Assert?

Considerations



Scope of Claims – Likelihood of Infringement

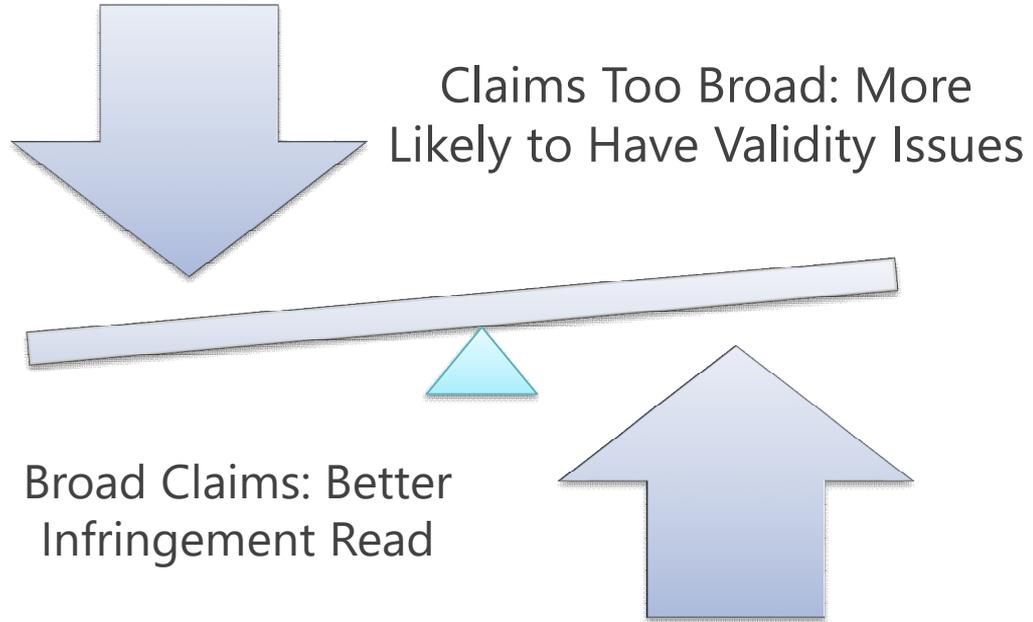
Scope of Claims – Likelihood of Validity

Remaining “Life” of Patent (Potential Damages)

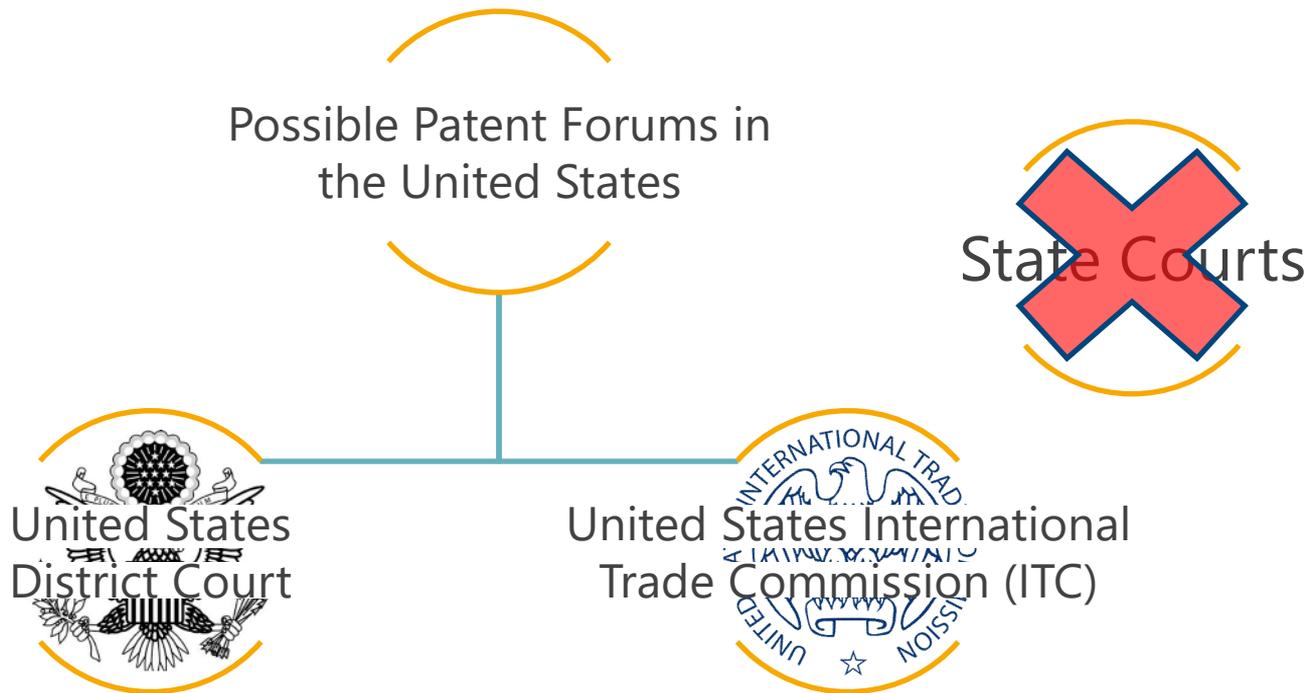
Well-Written Specification / “Clean” Prosecution History

Scope of Patent Claims: Balancing Infringement and Validity

16. An imaging device having an image element, said image element comprising:
a photoresponsive element providing electric charge in response to incident light flux,
a charge storage element receiving and storing electric charge from said photoresponsive element,
a gain control element interposed between said photoresponsive element and said storage element,
a charge drainage switch when closed connecting said charge storage element to a charge drain therefor,
a logic gate having a pair of inputs and controlling said charge drainage switch dependent upon whether said pair of inputs carry like or dissimilar signals,
an output amplifier providing an output voltage level indicative of charge stored on said charge storage element, and
an output switch having a control input which is one of said pair of inputs and when closed connecting said output voltage level to an output signal conductor.



Where Should I File My Infringement Case?



Filing a Patent Case at the ITC

Benefits to ITC Investigations

- **Fast** resolution (~16 months)
- Expansive **discovery**
- Can accuse unrelated parties in the same case
- Exclusion orders are powerful **leverage**

Drawbacks to ITC Investigations

- Need to prove a **domestic industry**
- Infringing articles must be **imported** into the United States
- No monetary **damages**
- No **preclusive** effect



Filing a Patent Case in District Court

Benefits to District Court

- **Monetary damages** for infringement, in addition to injunctions
- No need to prove a **domestic industry**
- Right to a **jury trial**

Drawbacks to District Court

- Proceedings can be **slow** (3+ years, depending on the district)
- Jury trials have a lot of **uncertainty**
- Limited to certain districts by **venue** laws



Filing a Patent Case in District Court: Venue



"The patent venue statute, 28 U.S.C. § 1400(b), provides that '[a]ny civil action for patent infringement may be brought in the judicial district **where the defendant resides, or** where the defendant has committed acts of infringement and has **a regular and established place of business.**'"

TC Heartland LLC v. Kraft Foods Group Brands LLC,
137 S. Ct. 1514, 1516 (2017) (emphasis added)

What Work Should I Do Before Filing?

Choose "Pool" of Patents to Assert



Draft Infringement Claim Charts



Search for Prior Art

What Work Should I Do Before Filing?

Choose "Pool" of Patents to Assert

Rank by strength in infringement, validity, damages, and specification/prosecution history

Discuss pros/cons of each patent with US counsel

What Work Should I Do Before Filing?

Draft Infringement Claim Charts

For each patent, choose at least one representative claim and representative product.

Search for publically available evidence: product manuals, news articles, company websites/marketing materials.

If possible, obtain samples of accused products.

What Work Should I Do Before Filing?

Search for Prior Art

Consider engaging a search firm.

Search for specific companies' patents as well as using broad search terms.

Don't forget to look for prior art products (including your own)!

Liability Considerations



Which Patents to Assert



Which Forum to File In

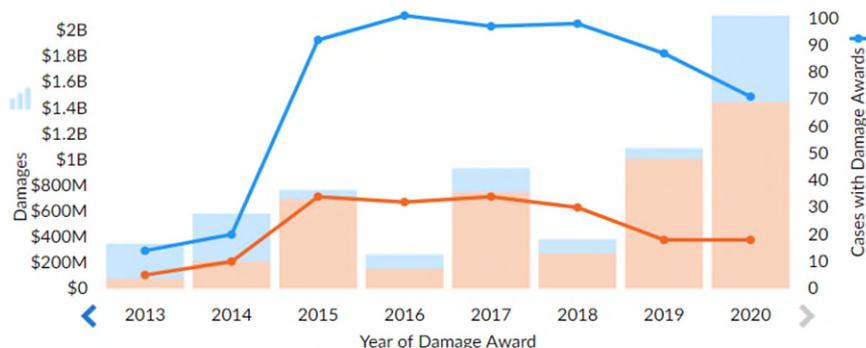


What Pre-Suit Work to Undertake

How Much Can I Collect in Damages?

- If successful, patent owners can receive “damages **adequate to compensate** for the infringement, but in no event less than **a reasonable royalty.**”
- In addition, in certain circumstance, the court may increase the damages by **up to three times.**
- The court may also award **attorneys’ fees** to the winning party in **exceptional** cases.

DAMAGE TYPE	CASES	AMOUNT	
▼ Patent Damages	230	\$8,061,668,246	<input type="checkbox"/>
Reasonable Royalty	184	\$6,334,669,052	<input checked="" type="checkbox"/>
Lost Profits	59	\$509,623,946	<input type="checkbox"/>
Enhanced Damages	60	\$1,217,375,248	<input type="checkbox"/>
▼ General Damages	416	\$473,304,334	<input type="checkbox"/>
Attorneys' Fees / Costs	392	\$225,028,947	<input type="checkbox"/>
Prejudgment Interest	56	\$248,275,387	<input type="checkbox"/>
		Grand Total: \$8,534,972,580	



How Much Can I Collect in Damages?

Types of Damages

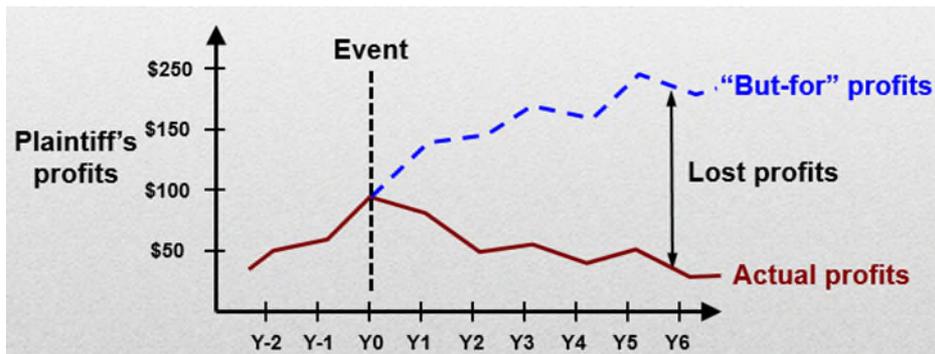
Lost Profits

Reasonable Royalty

Enhanced Damages

How Much Can I Collect in Damages?

- In order to obtain **lost profits**, a patent owner must show:
 - Demand for the patented product;
 - Absence of acceptable non-infringing alternatives;
 - Manufacturing and marketing capability to exploit the demand; and
 - Amount of profit patent owner would have made “**but for**” the infringement.



How Much Can I Collect in Damages?

- How to determine the **reasonable royalty** damages?
 - Commonly Used Approach: **Hypothetical Negotiation** (*Georgia-Pacific* factors)
 - 1. Takes place just prior to the first instance of infringement.
 - 2. The negotiation is over a non-exclusive license.
 - 3. Willing participants both accepting that the patent is valid and infringed.



How Much Can I Collect in Damages?

- How are **enhanced damages** determined?
 - *Halo Electronics v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016):
 - Appropriate only for egregious behavior.
 - *E.g.*, conduct that is willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, or flagrant.
 - District courts granted broad discretion to increase **up to three times**.
 - Recent example: On Oct. 5, 2020, Cisco Ordered To Pay \$1.9B in Damages
 - Judge Henry Coke Morgan Jr. of the Eastern District of Virginia awarded Centripetal \$755.8 million in damages and **multiplied that amount by 2.5** based on his conclusion that "this is an egregious case of willful misconduct."



How Much Can I Collect in Damages?

- What are the **information needed** for calculating damages?
 - FRCP 26(b)(1): “Parties may obtain discovery regarding any non-privileged matter that is relevant to any party’s claim or defense and proportional to the needs of the case.”
 - Commonly requested information include:
 - Sales and cost data, sales projections, product pricing documents
 - Financial reports including profit-and-loss statements
 - Business plans, market research reports, and marketing materials
 - Information on product manufacturing and distribution, including capacity
 - Information on prior licenses and negotiations
 - Documentation referencing any asserted patents

How Much Can I Collect in Damages?

- What is the **role of the damages/financial expert**?
 - Expert witnesses are necessary when a party must present evidence that is reasonably considered to be **outside a juror’s common knowledge**, or “beyond the ken of the ordinary lay person.”
 - Economists or financial experts may testify on issues such as:
 - Market definition and market share, demand for the patented product, the acceptability of non-infringing alternatives, distribution channels, price elasticity, profitability, the value of the invention or the apportionment of the patented invention to the value of the product or process, and licensing royalties for comparable products.
 - The application of the *Panduit* test and/or the *Georgia-Pacific* factors and the expert’s conclusion, e.g., how the market would have behaved if defendant had never released the infringing product on the market, or a royalty expressed as a percentage of defendant’s sales, a per unit amount, or a flat sum.
 - **Ultimate opinions** on the measure of lost profits and/or reasonable royalties.

Part II

Filing a Patent Infringement Case in China

Preparatory Work Before Initiating Patent Litigation in China

Hans SHE 2020-10-24

Contents

- Identification of Plaintiff(s)
- Determination of Defendant(s)
- Procedural Documents
- Evidence Collection
- Validity Test
- Claim Chart
- Civil Complaint

Identification of Plaintiff(s)

Not only patentees, but also “**interested parties**” may initiate patent infringement lawsuits

Factors to be considered:

- Be it a foreign-related or entirely domestic case
- Calculation of damages
- Different procedural requirements for legalization
- Availability of legal representative and witnesses
- Number of representative attorneys



Takeaway: a licensee shall have authorization of “substantive” right to be a plaintiff

Determination of Defendant(s)

Sole defendant v. Co-defendants

Parties that may be joined as co-defendants include:

- Manufacturer
- Seller
- Advertiser
- E-commerce platform
- Trade show organizer
- Sole shareholder or actual controller of a corporate defendant

Takeaway: depending on case scenarios, sometimes, it is more advisable to sue a sole defendant that may not vigorously defend itself



Factors to be Considered in Determining Defendants

- Financial capacity of defendants
- Possible jurisdiction
- Sophistication of defendants
- Other factors

Takeaway: besides the three specific IP courts, courts in Nanjing, Shenzhen, Hangzhou, Suzhou and Ningbo also appear to be reliable



Procedural Documents

State of California
Secretary of State

CERTIFICATE OF STATUS

ENTITY NAME:
Redacted

FILE NUMBER: ***Redacted***
 FORMATION DATE: 07/15/1999
 TYPE: DOMESTIC NONPROFIT CORPORATION
 JURISDICTION: CALIFORNIA
 STATUS: ACTIVE (GOOD STANDING)

I, ALEX PADILLA, Secretary of State of the State of California,
hereby certify:

The records of this office indicate the entity is authorized to
exercise all of its powers, rights and privileges in the State of
California.

No information is available from this office regarding the financial
condition, business activities or practices of the entity.

IN WITNESS WHEREOF, I execute this certificate
and affix the Great Seal of the State of
California this day of June 10, 2016.


ALEX PADILLA
Secretary of State

NP-25 (REV 8/2015)

NLH

Common Procedural Documents

- Certificate of Good Standing
- Power of Attorney
- Certificate of Legal Representative
- Board Resolution

Takeaway: it is advisable to specify in the power of attorney that the Chinese lawyers shall have the authorization to prepay litigation fees and take refunds

Evidence Collection

There is no “discovery” under Chinese law, so plaintiffs have to front-end investigation work for evidence collection

Common ways include:

- Preservation of defendant’s website and social media accounts
- Disguised on-site visit
- Notarized sample purchase of infringing products
- Notarization of defendant’s trade show
- Evidence preservation through court or other authorities



上海市东方公证处
SHANGHAI ORIENTAL NOTARY PUBLIC OFFICE

Takeaway: it is advisable to ride on a governmental authority for evidence collection

Validity Test



- Validity test is a must for design or utility model patent
- It is also highly advisable for invention patent
- Brief introduction to bifurcated patent system

Takeaway: as China follows the standard of global novelty and inventiveness, it is advisable to team up with patent attorneys across globe to cover main IP offices

Claim Chart

LTE iPhone Claim Chart for Cellular Communications Equipment v. Apple Eastern District of Texas (CIVIL ACTION NO. 6:14-cv-31)

Acacia subsidiary Cellular Communications Equipment LLC won a \$22.1 million verdict against Apple using US8055820, which is acquired from Nokia.

Reference: [LTE Patents for Standard Data 2Q 2016](#)

Link: http://www.techipm.com/a/ksulb/LTE%20Patents%20for%20Standards%20Data%202Q%202016_Intro.pdf

Claim 12	Infringing Products
<p>An apparatus, comprising: a processor; and a memory including computer program code, the memory and the computer program code configured to, with the processor, cause the apparatus to at least monitor a usage of a plurality of buffers;</p>	<p>The infringing Apple's iPhone 5 products are stated to be the LTE standard compliant equipments. See the following product information in http://support.apple.com&h=sp655%kscalen_US.</p> <p>iPhone 5 - Technical Specifications</p>  <p>Processor</p> <ul style="list-style-type: none"> • 1 GHz • 1.3 GHz • 1.5 GHz <p>Memory and Storage</p> <ul style="list-style-type: none"> • 16 GB • 32 GB • 64 GB • 128 GB <p>Cellular and Wireless</p> <ul style="list-style-type: none"> • LTE • GSM • CDMA • TD-SCDMA • HSPA • GSM-R • LTE-M • NB-IoT • 5G • Wi-Fi • Bluetooth • NFC • Ultra Wideband

- In anticipation of invalidation, it is advisable to allege infringement for as many as claims
- It is not necessary to go into all details
- It is OK to mark infringement under equivalents as “literal infringement”

Takeaway: the disassembly of infringing product shall also be notarized

Civil Complaint

民事起诉状

原告：花木兰，女，1949年8月8日出生，汉族，住北京市XX区XX镇XX村，联系电话：66668888（家）。

委托代理人：何大壮，北京XX律师事务所律师，住XX区XX园I小区X单元201，联系方式：13912345678。

被告：李香君，28岁，住北京市XX区XX镇XX村，邮编：100000。

诉讼请求：

1. 请求判决被告赔偿医疗费3000元，营养费500元，护理费500元（10天×50），共计4000元。
2. 请求判决被告承担原告起搏器植入手术费的（50000元）的50%，即50000×50%=25000元。
3. 请求判决被告承担精神损害赔偿费1000元。
4. 判决对方承担诉讼费用。

案由：人身损害赔偿

事实与理由：

2014年10月10日下午2点左右，原告正在家中看电视，原告的女儿与儿子及被告等一伙人因家庭琐事到原告家闹事，在原告要求他们出去的过程中，被告推搡原告并试图施向屋外，同时对原告实施了殴打，导致原告面部红肿，胳膊不能动弹，不得不入院治疗，经鉴定，已经构成轻伤。原告因为遭到殴打，受到刺激后引发冠状动脉粥样硬化性心脏病，不得不接受植入人工心脏起搏器手术，前后总共花费50000元，为维护原告的人身合法权益，根据中华人民共和国民事诉讼法的相关规定，向贵院提起诉讼，恳请依法判决。

此致
北京市XX区人民法院

具状人：花木兰（手印）
2015年3月1日

附件：

1. 起诉书副本一份。
2. 证据清单一份。

Usually, a civil complaint is a succinct legal document, which is merely a couple of pages

Takeaway: some courts may request the legal representative of plaintiff to hand sign civil complaint



Hans SHE

Partner at Fangda Partners

1356 400 4915

hshe@fangdalaw.com

Mr. She is a specialized IP litigator with high confidence and competitive spirit. He was one of top IP Chinese lawyers with extensive experience assisting foreign IP right holders with enforcing their portfolio in China.

Determination of Damages in Patent Litigation in China

Giant HU 2020-10-14

Contents

- Several Methods to Determine Damages
- Legislation Trend to Strengthen Punishment
- Procedural Mechanisms to Prove Damages

I. Several Methods to Determine Damages

- Actual losses of patentee
- Illegal profits of Infringer
- Multiples of license fees
- Reasonable expenses
- Statutory damages
- Stipulated damages



II. Legislation Trend to Strengthen Punishment

*The infringed party may claim punitive damages, where an infringement upon intellectual property is conducted **on purpose** and the circumstances of the infringement are **serious**.*



Patent Law (Draft Amendment)

Legislation plan for the year of 2020

➤ Amendment of *Patent Law*

- Multiple of license fees (≤ 5 times)
- Statutory damages ($\leq \text{¥} 5 \text{ M.}$)



III. Procedural Mechanisms to Prove Damages

Opinions on Comprehensively Strengthening Judicial Protection for IP (2020), Para.12

- Government records: tax records, financial reports...
- Infringer's records: financial data showed in financial reports of listed co., on infringer's websites, or on an e-biz platform...
- Industrial data: industrial average profits...

Evidence Submission Order



Several Provisions concerning Evidence in Civil Litigation (2020) , Rule 45-48

- Identification of evidence
- Evidence controlled by the accused infringers
- Need and importance of the fact to be proven
- Disputed facts being proven

Speaker



Giant HU

Partner at Fangda Partners

1391 663 6722

giant.hu@fangdalaw.com

Dr. Hu is specialized in dispute resolution, especially in intellectual property law, competition law, anti-trust law, and other complex fields.

Thank you for your attention!

Questions?