Considerations in Filing and Defending Against a Patent Infringement Suit

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Agenda

• Patent litigation overview

• Economic considerations

• Strategic considerations

• Evaluating merits
Patent Litigation Overview

• More than 200,000 patents issued annually
• Over 2700 patent suits filed annually; nearly 4000 cases pending

• Potentially large damages awards
  – NTP v RIM – $600 million
  – i4i v Microsoft – $400 million
Economic Considerations

- **Time:** Average case duration is about 2 years; many cases last more than 4 years

- **Money**
  - Average cost between $4.5 and $5 million
  - Average jury award $6.5 million

- **Uncertainty**
  - 3.3% of cases reach jury trial
  - 15% of cases at least partially overturned on appeal

http://www.patstats.org/Patstats3.html
Patent Damages

• Reasonable royalty rates:
  – Royalty base: revenue pool implicated by infringement
  – Royalty rate: percentage of royalty base
  – The trend in courts makes it harder for plaintiffs to capture high royalties
  – Double-digit royalty rates no longer common

• Lost profits
  – Reasonable certainty that would have profited $X but for sale of infringing product
Strategic Considerations

• Temporary or permanent injunction

• Cross-licensing agreements

• Other competitive considerations

• Counterclaims
Evaluating Merits - Plaintiff

• Know your patent claims

• Identify infringing products and processes
  – Each claim element must be present in the infringing product

• Claim construction issues
  – Surprise, plaintiff and defendant do not agree on what claims mean
  – Patent specification and prosecution history dictate meaning

• Prior art / Invalidity and Unenforceability Issues
  – Must fully review prosecution history

• Damages / Laches

• Witnesses – interview the inventors
Evaluating Merits - Defendant

• Learn the claims of the asserted patents

• Learn the accused product or process
  – Systems are complex
  – Often, no single individual possesses complete knowledge of elements of an accused product or service
  – Identify key witnesses, consulting and testifying experts

• Non-infringement arguments

• Invalidity / Unenforceability arguments

• Financial exposure