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Session 603

PATENT LITIGATION TRENDS



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EXECUTIVE SUMMARY



Patent Litigation Trends

MODERATOR:

Lisa Knight, *Associate GC, AIG*

PANELISTS:

- Marla Butler, *Partner, Thompson Hine LLP*
- Lewis Hudnell III, *Principal Attorney, Hudnell Law Group P.C.*
- Ellisen Turner, *Intellectual Property Partner, Kirkland & Ellis LLP*

OVERVIEW

This panel discussion with technology and patent litigators highlighted complexities in patent law. Willfulness, damages awards, and patent eligibility are among central questions being considered by the courts. Trends in the Patent Trial and Appeals Board (PTAB) and the Western District of Texas contribute to the uncertainty, notably around the role of inter partes review (IPR) proceedings running parallel to federal court. Some legislative proposals before Congress could address these issues.

KEY TAKEAWAYS

Current cases highlight the attention to damages awards and patent eligibility.

Recent and current cases shed light on the areas of practitioners' focus and point to upcoming issues.

Recent decisions: The Federal Circuit addressed willfulness this year and the Supreme Court waded into patent law.

- *SRI Int'l, Inc. v. Cisco System* (Fed. Cir. Sept 28, 2021). The Federal Circuit recently clarified the standard for willful infringement and enhanced damages. Willfulness is "deliberate and intentional infringement," but does not necessarily lead to enhanced damages, which require conduct that is "malicious," "wanton," or "bad faith."
- *Minerva Surgical, Inc. v. Hologic, Inc.* (Sup. Ct. June 29, 2021). An inventor who sold his company and assigned its patents to the acquirer started a new company in the same field and began to sell an improved technology. The acquirer sued the

BIG IDEAS

- Recent patent-related case law focuses on areas such as patent eligibility along with willfulness and damages. There is hope the Supreme Court will clarify some matters.
- The Western District of Texas is the epicenter of patent litigation.
- The Patent Trial and Appeals Board's practices significantly reduce the number of inter partes challenges it hears.
- Bipartisan interest in Congress exists for legislation to change elements of patent law.

inventor's new company for patent infringement. The Supreme Court looked at the doctrine of assignor estoppel, which limits an assignor's ability to challenge a patent's validity. The Court did not discard this doctrine but did limit it by ruling that the doctrine applies only when the assignor's claim of invalidity contradicts explicit or implicit representations made in assigning the patent. The key takeaway is that an entity acquiring patents should seek detailed representations from the assignor about the validity of the patent claims.

Cases on the horizon. Practitioners await possible Supreme Court review (and possibly legislation) clarifying case law governing possible damages as well as patent eligibility. Two noteworthy cases are:

- *VLSI v. Intel*. The jury found that Intel infringed VLSI's patents and awarded \$2.1 billion in damages, the second-largest award in a patent case. Appeals may lead to rulings that curb damages awards in the future or raise legislative concerns, both of which have been used in the past when large awards were scrutinized.



- *Am. Axle & Mfg., Inc. v. Neapco Holdings LLC* (cert. petition pending). The Supreme Court may address the vexing issue of Section 101 patent eligibility. The Supreme Court's 2014 decision in *Alice Corp. v. CLS Bank* purported to set rules for Section 101, but many practitioners continue to find these rules unclear. Many litigants, especially defendants, want the Supreme Court to establish bright lines in this area to enable an early assessment of the strength of a case.

“Practitioners find that *Alice* didn’t provide a lot of bright lines—it’s fuzzy. And many litigants, especially defendants, want bright lines.”

— Marla Butler, Thompson Hine LLP

The Western District of Texas is at the forefront of patent litigation activity in the United States.

The Western District of Texas is overwhelmingly the most popular jurisdiction in the country for filing patent cases, with 20-25% of all patent cases filed there. Judge Albright of the Western District of Texas, who was assigned 800 cases in 2020, identifies as “a trial lawyer’s judge,” rarely granting motions for summary judgment. Judge Albright also seldom grants venue transfer motions, leading to cases where the Federal Circuit is using mandamus to force transfers. In one case the plaintiff is seeking Supreme Court review of the forced transfer, which may lead to greater clarity around venue.

The PTAB’s discretion in determining whether to initiate patent reviews has been upheld, but stakeholders are pushing back.

The Patent Trial and Appeal Board, which is part of the Patent Office, is staffed by administrative law judges who preside over *inter partes* review (IPR) proceedings, which were created by statute in 2013. IPRs allow a petitioner to bring challenges to a patent’s validity. The PTAB has discretion, confirmed by both the Federal Circuit and the Supreme Court, to decide which IPR proceedings to hear.

In practice, the PTAB considers parallel district court proceedings in exercising its discretion to institute IPRs and formally laid out six factors (in the *Apple v. Fintiv* case) for consideration in deciding whether to institute a proceeding:

1. Whether the district court has granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. Proximity of the court’s trial date to the PTAB’s projected statutory deadline for a formal written decision;
3. Investment in the parallel proceeding by the court and the parties;
4. Overlap between issues raised in the petition and the parallel proceeding;
5. Whether the petitioner and the defendant in the parallel proceeding are the same party; and
6. Other circumstances that impact the PTAB’s exercise of discretion, including the merits.

As these factors have been applied, the implications have become clearer. Parties must file their IPR petition quickly to try to get in front of district court proceedings, notwithstanding the one-year statutory time frame for filing an IPR after being served with a complaint for patent infringement. Petitioners may improve the chances of having their petitions instituted by stipulating that the invalidity arguments made at the PTAB will not be used in district court, limiting the overlap of issues.

“There’s no inherent right to a PTAB proceeding. If you want to get your petition reviewed, you need to move a little bit quicker.”

— Lewis Hudnell III, Hudnell Law Group P.C.

The PTAB’s application of the *Fintiv* factors has led to a significant drop in institution rates, from 87% when IPRs were established to 55% in FY20. The vast majority of denials are based on the *Fintiv* factors.

Some large technology companies have challenged these factors in court, arguing that the PTAB exceeded its authority and violated the Administrative Procedure Act in establishing the *Fintiv* factors. In response, some inventor groups filed a separate case seeking to enshrine the *Fintiv* factors as a rule.

“If you’re seeking to challenge patents through the *inter partes* review proceedings, now your chances basically come down to a coin flip.”

— Lewis Hudnell III, Hudnell Law Group P.C.



Congress is considering legislation to address ongoing issues in the patent system.

Congress is weighing significant changes to the patent system. The bills being considered are bipartisan because political party is not the dividing line; rather alignment with different sides of the patent equation is.

“When it comes to the intellectual property system debate, it’s not a Democrat-Republican debate. The debate is largely between companies for whom intellectual property is important to their ability to achieve their business goals and companies who are able to achieve their business goals without relying on the enforcement of intellectual property.”

— *Ellisen Turner, Kirkland & Ellis LLP*

Legislative proposals include:

- **A bill to immediately impact litigation.** In the *Restoring the America Invents Act (S. 2891)*, Congress revisits its intent in creating IPR proceedings. The bill limits the discretion of the PTO to deny institution and shifts the burden so the default is to institute an IPR. The bill further sets forth factors that courts must apply to determine whether to stay litigation pending an IPR and allow for immediate appeal of the stay decision.
- **Proposals with longer-term impact on patentees.** In these bills, Congress looks to shape future patent stakeholders.
 - *Pride in Patent Ownership Act (S. 2774).* This bill is focused on increasing transparency around the ownership of patents, especially for foreign governments funding patent applications by their citizens.
 - *Unleashing American Innovators (S. 2773).* This bill’s goal is to expand access to the patent system demographically and geographically through satellite offices and by reaching out to historically underrepresented populations to affect who holds patents in the future.
- **Focus on prescription drug pricing.** Congress has a bipartisan interest in tackling the prices of prescription drugs.
 - *Preserve Access to Affordable Generics and Biosimilars Act (S. 64, HR 2375).* Would make certain “reverse-payment” aka “pay-for-delay” settlements between branded and generic drug companies presumptively illegal.
 - *Affordable Prescriptions for Patients through Promoting Competition Act (H.R. 2873).* Would prohibit so-called “hard” and “soft” switch product hopping by branded companies gaming the system to maximize patent protection.
 - *Affordable Prescriptions for Patients through Improvements to Patent Litigation Act (H.R. 2884).* Would limit the number of patents brand biologic drug makers can assert in an infringement action against a biosimilar.
- **Damages.** The increasing frequency of headline awards raises the possibility of congressional scrutiny.



BIOGRAPHIES



MODERATOR

Lisa Knight

Associate GC, AIG

Lisa Knight is the Chief Intellectual Property Counsel and Associate General Counsel for the American International Group, Inc. (“AIG”). Ms. Knight joined AIG, as its first Chief Intellectual Property Counsel in 2018. In this role, she is responsible for developing global strategies that mitigate intellectual property related risks, managing AIG’s global patent and trademark portfolios, protecting AIG’s innovation and brand. Ms. Knight has experience counseling global corporations on all aspects of intellectual property and is a registered patent attorney. Prior to her position at AIG, Ms. Knight held leadership roles at American Express as Vice President, Global Intellectual Property Strategy and Vice President and Senior Intellectual Property Counsel. Prior to law school, she was an electrical engineer for a defense contractor. As an engineer, Ms. Knight designed electronics for several classified missile system programs. In addition to the Juris Doctor that she earned from the University of California, Los Angeles School of Law, Ms. Knight also has a Master of Science degree in Electrical Engineering and a Master of Science degree in Engineering Management both from the California State University at Northridge as well as a Bachelor of Science degree in Electrical Engineering from the New York Institute of Technology.



Marla Butler

Partner, Thompson Hine LLP

Marla is a Partner in the Business Litigation and Intellectual Property practice groups at Thompson Hine LLP. She represents clients in the medical, semiconductor, power, networking and other high-tech industries in high-stakes commercial litigations, arbitrations and trials. She helps clients proactively take on commercial threats, monetize their patent assets and/or defend against lawsuits that threaten their businesses. She conducts critical early case evaluations to help clients quickly assess risk, which helps them predict important outcomes and see a fuller range of strategic options. Marla has developed a deep understanding of technology and is skilled at building and leading diverse teams of lawyers, scientists and economists, which enhances her ability to devise and implement successful litigation and trial strategies and to simplify complex technology concepts for judges, juries and arbitrators. Marla is also Firm Chair of the Diversity, Equity and Inclusion Committee and is deeply committed to help ensure that Thompson Hine recruits diverse lawyers and to ensure that the Firm retains and advances diverse lawyers as well. Marla has been listed as a Litigation Star by Benchmark Litigation, selected by Super Lawyers and also has been selected for inclusion in Lawyers of Color’s Nation’s Best.

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Lewis Hudnell III is an intellectual property attorney specializing in patent litigation. He is committed to providing outstanding client service and to helping clients achieve favorable results in complex patent disputes. Mr. Hudnell's clients range from individual inventors to major technology companies in the electronics, semiconductor, networking, computer software, and financial services industries. Mr. Hudnell has served as lead counsel on numerous patent lawsuits in federal court. Mr. Hudnell has successfully represented clients at trial and obtained numerous settlements in his clients' favor. He has also successfully represented clients in post-issuance proceedings before the Patent Trial & Appeal Board. Mr. Hudnell is a frequent speaker and author in the areas of patent litigation, the IP marketplace, and innovations in the practice of law. Mr. Hudnell was selected to the 2015-2020 Northern California Super Lawyers list and is rated AV® Preeminent by Martindale-Hubbell® in the practice areas of Patents and Patent Litigation. Mr. Hudnell earned a B.S. in Operations Research and Industrial Engineering from Cornell University, and a J.D., from the University of Pennsylvania Law School. He is registered to practice before the United States Patent and Trademark Office and is admitted to the bar in California and New York.

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Ellisen Turner is an Intellectual Property partner at Kirkland & Ellis LLP. A well-known IP strategist and litigator, he combines business acumen with a deep knowledge of IP law to support his clients' business goals and maximize the value of their technology. With a background in computer engineering, computer science and biomedical engineering, he is known for his sophisticated understanding of the high-tech sector. He has led clients to victory in patent and trade secret litigation, and has successfully defended matters, with billions in revenue at stake. A seasoned negotiator, he completed more than \$600 million in licenses and technology transactions in the past year alone. One of the few African-Americans to have led an Am Law 200 firm, Ellisen is the former Managing Partner of Irell & Manella LLP. As the former Chair of the IP Section of the National Bar Association (NBA), he founded the NBA's Diversity in Tech Awards, which recognize leaders for fostering diversity and inclusion in the STEM and IP fields. Chambers rated in IP and recognized among The Best Lawyers in America, Ellisen's successes have garnered him numerous accolades, including being named one of the 40 "Most Influential Minority Attorneys."

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