

I N S I D E T H E M I N D S

International IP Issues and Strategies

*Leading Lawyers on Managing Intellectual Property
Protection and Enforcement Efforts across
Multiple Jurisdictions*



ASPATORE

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Understanding the Challenges of Protecting and Enforcing IP in a Global Marketplace

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Introduction

I have been involved in intellectual property (IP) issues around the world for nearly twenty-five years, including developing and licensing IP assets, and enforcing those assets in the courts. I have been particularly active in multi-jurisdictional, international litigations. My practice secures global IP protection for clients through our own international offices and through our network of associates at other firms. In recent years, I have been involved with disputes and/or parties in the United States, Italy, South Korea, China, Taiwan, Japan, and Switzerland.

In the past, IP lawyers in the United States could be reasonably effective focusing primarily, and even exclusively, on the U.S. laws and court system. However, as more countries are becoming important in both the manufacturing and consumption of important products and services, clients are best served by attorneys who can effectively use not just the U.S. system, but also various other IP systems around the world. Understanding how these systems work, and the advantages and disadvantages of each, is a critical first step in being able to properly advise clients in the current global marketplace.

Understanding the International IP Case

Legal Frameworks

There is no single legal framework for the case in the international IP community. Practicing IP law on a global basis instead requires an understanding and application of diverse and often markedly different laws, customs, and procedures in dozens of jurisdictions around the world. There are substantial differences between these various jurisdictions, and those differences inform the choice of jurisdiction. For example, the U.S. courts allow extensive discovery, enabling a patent owner to obtain evidence of infringement and evidence necessary to prove the extent of the damages caused by the infringement. While this process allows the development of useful evidence, it can be time-consuming and expensive. Other jurisdictions, on the other hand, can be less expensive and faster, but do not provide the same ability to obtain evidence. China is an example of a jurisdiction with no comparable discovery, often leaving defendants unable

to prove the profits that have been realized by the infringement, which can severely limit any recovery. Thus, whether litigation is pursued in the United States, in China, or both, depends on the needs of the particular case and the available evidence.

The organizations and agencies involved in IP disputes are numerous. In the United States, for example, the International Trade Commission (ITC), a government agency, provides a commonly used jurisdiction for patent infringement disputes. The commission has a unique set of rules and practices, including the rule that damages are not an available remedy for IP infringement cases. Instead, plaintiffs (known as “complainants”) seek “exclusion orders” against the accused goods of the “respondents.” An exclusion order can halt the importation of infringing goods at the border, which may serve as an effective weapon against importers of infringing products. Another remedy available in the ITC is a cease-and-desist order, which can order the importer to halt the importation of infringing goods. ITC practice is such a specialized field that some lawyers focus their entire practices on dealings with this agency.

The U.S. Patent and Trademark Office is often asked to reexamine patents that are asserted in licensing negotiations or in litigation. Any party may file such a request with the office, but it must prove a “substantial new question of patentability” for the issued patent. The requisite proof is typically provided by demonstrating that some relevant information was not in the possession of the patent examiner who issued the patent in the first place. Two different types of reexamination are available: “inter-partes” and “ex-parte.” An inter-partes reexamination allows the requester to more fully participate in the re-examination process, and an ex-parte re-examination does not allow significant participation beyond the initial request.

If the Patent and Trademark Office grants a request for re-examination, it will consider whether the patent should be confirmed or rejected in view of the (alleged) new issues. This process can stretch over months or years, and often resembles an initial patent examination process, often featuring rejections from the Patent and Trademark Office followed by amendments and/or arguments submitted by the patent owner. An issued patent can be effectively revoked by the office in such a proceeding, but patents also often emerge from the re-examination proceeding stronger than they were

before due to the enhanced deference courts and juries give to patents that have successfully passed the rigorous re-examination process. Specifically, a court or jury is less likely to find a patent invalid that has been twice-considered by the Patent and Trademark Office and found to be valid. Further, since all of the relevant prior art will usually be considered as part of the reexamination process, the accused infringer is then left with trying to attack the patent in court with the same prior art considered by the Patent and Trademark Office, a difficult task at best.

The procedures available for attacking a patent can differ substantially depending on the jurisdiction involved. In Japan, a party may file a “trial for invalidation” in the Japanese Patent Office. The trial is similar to the inter-parties reexamination process in the United States, in that the requester and the patent owner both actively participate. In Europe, issued patents can be disputed through an opposition procedure in the European Patent Office. After patent issuance, there is a nine-month opposition period during which the patent can be challenged. Once the opposition period expires, however, a party wishing to challenge a European patent must do so on a country-by-country basis. See www.epo.org for information and links to applicable regulations.

The European Patent Office simplifies obtaining patent protection in Europe by allowing a single filing that can result in protection in each of up to thirty-eight member countries. Once a patent is obtained, however, enforcement proceedings are subject to the laws and legal systems of the individual member countries. Thus, enforcement of European patent rights throughout Europe can be expensive and complicated, requiring multiple legal teams to bring multiple legal actions. Nevertheless, Europe can be a good choice if one of the countries plays an important role in the infringement. For example, if a target infringer has a manufacturing plant in a European country, litigation against the target in that country could be effective.

Resources for the Global IP Practitioner

The World Intellectual Property Organization is a specialized agency of the United Nations dedicated to international IP issues. More than 90 percent of the world’s countries participate—it is truly a global organization.

Members determine strategic goals and work toward achieving those goals. According to the organization's home page, its mandate is "to promote the protection of IP throughout the world through cooperation among states and in collaboration with other international organizations." See www.wipo.int/about-wipo/en/what. The organization strives to help its members understand and benefit from IP.

The primary U.S.-based IP organizations are the American Intellectual Property Law Association and the International Trademark Association. The American Intellectual Property Law Association, in particular, has many committees focused on international issues, including IP practice in Europe, IP practice in the Far East (primarily South East Asia), IP practice in Japan, IP practice in Latin America, trademark treaties and international law, and international and foreign law. See www.aipla.org. The International Trademark Association similarly is an international organization of trademark owners and practitioners that focuses on international trademark issues through committees such as its international amicus committee. See www.inta.org.

Another important organization is the Intellectual Property Owners, which supports owners of IP in all technical disciplines. In recent years, Intellectual Property Owners has been particularly focused on patent reform legislation in the United States. See www.ipo.org.

There are dozens of significant organizations based outside the United States that are involved in global IP issues, such as the Association Internationale pour la Protection de la Propriete Intellectuelle, the Asian Patent Attorneys Association, the Chartered Patent Attorneys Association, the Federation Internationale des Conseils en Propriete Industrielle, the Japan Patent Attorneys Association, the Japanese Intellectual Property Association, and the Korean Patent Attorneys Association. These organizations are instrumental in advancing IP issues in their respective countries.

The various international IP organizations monitor international trends and address those trends at meetings. Actions may be decided upon by members and undertaken, including contacting relevant government

agencies to advocate for certain positions and filing amicus briefs in important cases.

The Role of the Attorney

As you can see from the above, the international IP community is a diverse and complex collection of courts, organizations, laws, and procedures. Companies need to retain skilled attorneys to manage and direct their global disputes. In the past, international parties appealed to the U.S. legal system to protect and enforce IP. The United States was, in most cases, the greatest single market for the relevant goods. An effective U.S. IP enforcement plan could bring about the desired results without the need to address international issues. In recent years, however, a number of changes have rendered a reliance on the “U.S.-only” strategy impractical. First, emerging markets are buying an increasing volume of goods, and the economic importance of these markets cannot be ignored. Second, many countries have revised and improved their IP systems, making them more attractive for dispute resolution. Japan, for example, was once considered a slow jurisdiction for resolving IP disputes, and Japanese courts were reluctant to award substantial damages. In recent years, however, Japanese courts have become faster, more generous in damages awards, and now offer injunctive relief, allowing a successful plaintiff to cut off access to one of the world’s largest markets.

As IP dispute resolution has evolved from a U.S.-focused strategy to a more global undertaking, the role of counsel has similarly evolved. Global law firms with multiple international offices have an advantage in attracting high-profile clients, and lawyers skilled in managing multi-jurisdictional disputes are increasingly sought after. The acquisition of IP rights around the world illustrates the state of international IP today that the attorney must work with. The rules and procedures vary substantially from country to country, but what a party states to the Japanese Patent Office, for instance, may be used against that party during the attempted enforcement of a patent in the United States. Patent procurement and enforcement should therefore be coordinated, such that a position taken in litigation in Europe is consistent with positions being taken in related litigation in the United States—because one’s opponent will exploit any inconsistencies.

Parties cannot afford to delegate their international IP cases to various counsel, letting each process unfold independently in each country. Close coordination in international IP is vital and, ideally, one person should supervise the entire process across the globe. Increasingly, outside counsel must manage IP legal processes on a global basis to maximize the value of a party's IP and avoid the missteps that might undermine the patent owner's business goals.

Challenges in International IP Law

Jurisdiction

The determination of *where* to resolve an IP dispute can be complex, and attorneys should play a role in forum selection. The first step typically involves developing a list of the IP (e.g., patents) that are believed infringed by the opponent. Once the list is developed, each potential jurisdiction should be considered, focusing on at least the following factors: (1) pendency times in the jurisdiction, (2) remedies available, (3) costs involved, and (4) likelihood of success.

Different jurisdictions feature markedly different pendency times. The ITC in the United States will progress from filing to trial in less than one year, and this pace can put enormous pressure on the defendant. In particular, a patent owner will usually spend many months getting ready for an ITC dispute, lining up experts and “reverse engineering” the accused devices. Thus, on the day the complaint is filed in the ITC, the patent owner's case is well advanced. The defendant in the ITC, on the other hand, usually has done little if anything to prepare for the dispute in advance, since it likely did not know about the planned action before filing. Thus the defendant is playing “catch up” from the start of an ITC case, trying to develop defenses to the patent and otherwise get ready for a trial that is typically a mere eight months after the case is filed.

While the ITC's fast pace usually favors the patent owner, litigation costs are typically substantial in the first year of a dispute in this jurisdiction. Other jurisdictions, both in the United States and abroad, are slower, sometimes requiring many years to carry a dispute to trial. A slow pace may

be preferable where the patent owner wishes to apply some pressure to the infringer but also wishes to minimize costs in the short term.

Remedies are also a factor in forum selection. The ITC provides an exclusion order only, and so it may not be the best venue in a case where the patent will expire soon and the more important remedy is past damages. On the other hand, if an injunction is critical, the ability to collect damages may be less important and the ITC may be a good choice. Further, since the ITC has jurisdiction only over importation, this jurisdiction is of no value against infringers that manufacture the accused devices in the United States.

Foreign jurisdictions similarly pose advantages and disadvantages. Litigation in China is gaining in popularity as the Chinese government continues to improve the environment for IP protection. However, China offers no discovery process, making it difficult to collect evidence and prove damages. Consequently, awards in China for infringement continue to be low, but injunctive relief is available. Japan similarly offers injunctive relief, with damages awards steadily increasing in recent years.

While timing, remedies, and costs are all important, the likelihood of success factor often drives legal forum decision-making. Determining the likelihood of success is a complex process and can itself involve the analysis of many issues, including historical success rates for similarly situated plaintiffs, historical biases for or against similar plaintiffs and defendants, relevant recent trends such as a pro-patent or anti-patent sentiment, and the ability of the decision-makers to understand complex issues.

Even within the United States, the odds of success can vary dramatically in different forums. The Eastern District of Texas, for example, has earned a reputation for its pro-patent stance and for favoring U.S. companies over foreign entities. Other jurisdictions, such as Northern California, are known for savvy jurists and more international jury pools. The “batting average” for patent plaintiffs varies dramatically in different jurisdictions inside the United States, and careful research should inform this important decision.

Outside the United States, certain jurisdictions are considered difficult for enforcement purposes and/or have a history of favoring local parties over foreign entities. While it is important to understand these historical trends,

it is perhaps more important to understand emerging trends, as many jurisdictions are anxious to improve IP enforcement and thus may be receptive to resolving your dispute.

It is increasingly desirable to consider a multi-jurisdictional approach (i.e., bringing parallel suits in two or more countries). Such a strategy should be considered in the context of the ultimate goal of the litigation. If the goal is to protect a particular market, then a single-jurisdiction approach may be better. Focus on the key market and push that case forward. However, the goal of most IP litigations is to settle the case as soon as possible with a favorable license that generates good revenue for the company. In this context, the multi-jurisdictional approach is often the best strategy and has several advantages.

First, one can never fully predict how litigation will proceed in any jurisdiction. Having multiple litigations proceeding in parallel provides multiple opportunities for success. Second, the ability to bring about a favorable settlement often requires some judicial resolution of a point of disagreement between the parties. For example, the patent owner believes a certain patent is important and valid and the accused infringer thinks it is invalid. Settlement may be impossible until at least one jurisdiction weighs in on the merits of this invention. Since virtually any litigation anywhere can get bogged down with delays (the ITC is an exception, as noted above), having multiple litigations going in different jurisdictions increases the odds of getting a substantive judgment out of one of them reasonably soon, and that judgment may precipitate a settlement of the whole dispute.

The potential pitfalls of multi-jurisdictional litigations are substantial. For example, a strategy that makes sense in one jurisdiction can wreak havoc in another. Counsel must truly understand the implications in all jurisdictions of the decisions made in any one of them. With careful planning and centralized management of the various cases, this approach can yield good results.

The Increasing Problem of Doing More with Less

A great challenge faced by in-house counsel today is the need to implement a global IP strategy on a cost-effective basis. Even with unlimited resources, it is difficult to develop a worldwide portfolio of IP rights and to enforce

that portfolio. Given the increasingly tight budgets for IP (and other) asset development experienced by many companies, in-house counsel are faced with difficult choices about which inventions to pursue and in which countries. Enforcement must also be approached with great caution and planning. Litigations can spiral out of control and soak up resources that might be better used elsewhere. Careful cost control for IP procurement and enforcement is critical.

The best strategy for IP procurement will vary on an invention-by-invention basis. Some inventions, for example, are widely considered to have a shorter useful “life” than others are. If an invention is expected to yield only a short-term commercial benefit, it may not make sense to pursue patent protection at all, as it may take many years to obtain the patent, and precious resources might be wasted on a patent which—if secured—would be issued at a time when the underlying invention is already commercially obsolete.

Another factor to consider is the global “footprint” of the invention. For an invention that will be manufactured, sold, and used only in the United States, there is little need to pursue patents elsewhere. Typically, of course, inventions have many markets outside the United States. To decide which countries are important in terms of developing IP rights, one must identify the important manufacturing centers and commercial markets for the invention. If a key competitor is building a major manufacturing facility in Europe, a patent application in the European Patent Office may be critical.

The same issues may apply to decisions regarding trademark registration. If the mark is for use in a short advertising campaign in the United States only, the process of formal global registration may not be advisable.

Litigation must be approached with an eye toward cost control. Luckily for the international IP client, there are many ways to control litigation costs. Litigation costs can spiral when the defendant brings counterclaims—asserting his or her own patents, for example. Before a jurisdiction is chosen, therefore, a potential plaintiff should look carefully at the IP portfolio of the target company to understand what claims may be brought in reaction to the contemplated suit. It will advantage the plaintiff to choose

a jurisdiction where the defendant will have fewer options in terms of arguing counterclaims.

Another litigation cost control tactic is the elimination of weak claims and defenses. Many attorneys feel that they must pursue every viable claim and defense in litigation—and, indeed, that is sometimes the best strategy. Often, however, the client is willing to accept some increased risk for a substantial savings in cost. If a claim or defense has only a very small chance of success, but will cost a great deal to develop, the well-informed client may choose to forego that claim or defense to save costs. This decision will, of course, be affected by the relative importance of the litigation and the potential risks involved, and it is the attorney's place to explicitly detail any and all options for clients, even at the expense of increased risk.

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Mr. Murray began his career in intellectual property in 1984 as a patent examiner in the U.S. Patent and Trademark Office. He is a member of the bars of New York and Massachusetts and is a registered patent attorney. He is also a member of the American Bar Association, the American Intellectual Property Law Association, the Intellectual Property Owners Association, and the Institute of Electrical and Electronics Engineers. He is a frequent author and speaker on intellectual property topics. He received his undergraduate degree in electrical engineering, with a minor in physics, from Manhattan College and his J.D. from Georgetown University Law Center.