

THE SEDONA CONFERENCE WORKING GROUP SERIES

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# THE SEDONA CONFERENCE

## *Commentary on Patent Litigation Best Practices: Framework for Analysis for Strategic and Tactical Considerations in Selecting Venues for Global Patent Litigation*

A Project of The Sedona Conference  
Working Group on Patent Litigation  
Best Practices (WG10)

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# *Global Patent Venue Selection Principles “At a Glance”*

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Overarching Principle No. 1 – WG10 is developing Principles and Guidelines to permit litigants to identify the venues best suited for resolution of their global patent portfolio disputes and to litigate them in a more fair and efficient manner for the benefit of all stakeholders in patent litigation, both bench and bar. .... 1

# *I. Introduction*

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The overarching Principle No. 1 for all of The Sedona Conferences current and forthcoming consensus, non-partisan Commentary drafting team efforts in the global patent litigation space is as follows:

**Principle No. 1 – WG10 is developing Principles and Guidelines to permit litigants to identify the venues best suited for resolution of their global patent portfolio disputes and to litigate them in a more fair and efficient manner for the benefit of all stakeholders in patent litigation, both bench and bar.**

This Sedona Conference WG10 Framework for Analysis for Strategic and Tactical Considerations in Selecting Venues for Global Patent Litigation provides patent practitioners and patent litigants with insight as to the factors that drive patent litigation towards the principal venues for such litigation, in the hope that such information will permit litigants to identify the venues best suited for resolution of their controversy. With this *Framework*, WG10 further attempts to provide patent policy makers with insight as to how this variety of adjudicatory regimes influences the behavior of litigants in innovation driven industries when they face disputes that are not resolvable without resort to litigation.

To this end, this *Framework* summarizes and compares the procedures and relief available in the principal international patent venues and consider the strategic and tactical factors informing the choice of various venues. These issues will be addressed from the perspective of the different types of plaintiffs and defendants likely to engage in international patent litigation, including parties engaged in competitor litigation, parties engaged in litigation brought by practicing entities seeking to maximize the value of their patent estates, and parties engaged in litigation brought by nonpracticing entities (NPEs) seeking to maximize their return on their patent investments. Current trends in venue selection will also be addressed.

The principal venues that will be considered are the United States, Brazil, United Kingdom, Germany, The Netherlands, France, and China.

Section II. of this *Framework* presents of the seven key drivers for global venue selection. The *Framework* first identifies the procedural and substantive patent law and the economic considerations driving the venue selection of patent holders seeking to enforce their global patent portfolios.

In Section III, the factors that a prospective patent infringement suit defendant contemplating whether or not to initiate patent litigation with respect to a global patent portfolio should take into consideration—some overlapping with those of the patent plaintiffs and some unique to the patent defendant—will be presented.

In Section IV, this *Framework* presents a survey of some key patent litigation venues with respect to practices, procedures, and substantive and remedial rules that are relevant to venue selection and with respect to the current trends and advantages and disadvantages of litigation in that venue.

## ***II. Key Drivers for Global Patent Venue Selection***

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With the globalization of markets and supply chains, patent disputes are increasingly likely to play out in multiple jurisdictions around the world. While patents are filed in a wide range of jurisdictions, patent owners, and prospective defendants often pursue lawsuits in parallel only in a few strategically selected venues. So, what are the key drivers for such international venue selection?

In this Section, the *Framework* examines seven factors that patent owners (and potential defendants, see Section III below) may consider when they evaluate and select venues for the litigation of global patent disputes:

1. The market
2. Quality of adjudication
3. Time to trial and final relief
4. Likelihood of prevailing on the merits
5. Availability of meaningful relief
6. Cost of litigation, and
7. Recovery of fees

With respect to each of these topics, consideration will need to be given to the reality that different factors may be more or less significant for different types of litigants embroiled in different types of controversies.

### **A. THE MARKET**

The relevance of the market—whether it’s the place where accused products are manufactured or sold, or where the defendant is located—is one of the first factors in evaluating and selecting venues for patent infringement cases. America, Europe, and Asia (particularly China) have been important manufacturing regions and sales markets for multinational firms and are increasingly considered as top venues for patent disputes.

The accused infringement needs to be established in the relevant market, otherwise the patent case may be dismissed for lack of jurisdiction. More importantly, the presence of the defendant or its affiliates or partners in the relevant market will also affect the level of pressure that can be generated against the defendant. An early settlement is more likely if a locally granted injunction can be enforced against the local defendant and result in the shutdown of factories that make and supply the infringing products.

The size of the market also matters. A larger market leads to more significant damages levels and leverage in patent cases relating to the sale of products. Relatedly, another important consideration for patent litigation is the extent of imports. An exclusion order from the U.S. International Trade Commission (USITC) can effectively prevent the infringing products from entering into the entire U.S. market. The extent of exports is also a significant factor. In particular, the Chinese courts will enjoin the export of infringing products made in China, which in many cases can result in a global impact for industries or firms that have their manufacturing or assembly base in China.

## **B. QUALITY OF ADJUDICATION**

Quality of adjudication is another important factor in evaluating and selecting venues for patent litigation.

The track record and predictability of a venue are important considerations. Bringing proceedings in Courts in venues with a substantial track record for patent litigation sends a stronger signal than courts not known for their patent expertise. Moreover, filing patent cases before a court with extensive experience can minimize the uncertainty for both sides. This is particularly true for cases involving certain issues or subject matter, such as standard essential patents or biotechnology.

Overall reputation and general attitude toward patents in the venue are also important. In practice, litigants have preferred venues that they would generally choose to litigate in when practically possible or commercially sensible. For example, in the U.S., Delaware and the Eastern District of Texas have been the favorites among licensing companies or NPEs, while the Northern District of California is preferred by defendants. In Europe, Germany (Düsseldorf and Mannheim), the U.K., France, and the Netherlands are preferred. In Asia, China's IP system has also gained popularity among patent owners since the rollout of specialized IP courts in Beijing, Shanghai, and Guangzhou in 2014 (and most recently the establishment of a single, national appellate court for patent cases in 2019). Japan and Korea are also common venues.

Finally, the presence of experienced outside counsel and technical advisors in assisting with the adjudication is another important factor. It is critical to find and manage outside counsel on the ground that can effectively present the cases to the local judiciary and also seamlessly coordinate with firms and advisors in different venues. It is also important to identify and confirm if technical advisors (in some places referred to as expert witnesses, technical investigators, or appraisal institutes) with the necessary technology depth on certain technology are available in the chosen venues (such as China and some other Asian jurisdictions where local experts are preferred).

## **C. TIME TO TRIAL AND FINAL RELIEF**

The time to “relief”—whether that relief is a preliminary injunction, a trial, or final decision and damages award from a first-instance court, a permanent injunction issued from a first-instance court, or a final appellate decision—is a critical factor in evaluating and selecting venues for patent infringement case. Likewise, for a prospective defendant, the time to invalidation of the patent or grant of a declaration of noninfringement is important. Which one (or more) of these relief milestones is most important in a particular instance will, of course, depend on the nature of the litigant and its legal and business objectives. But to be attractive, a venue must be one where the litigant can reach the relief milestones that are most important to it in a reasonable (and reasonably predictable) timeframe. Below are some matters to consider in evaluating a venue's attractiveness from a timing perspective.

The first potential relief milestone in a patent infringement case is a preliminary injunction. Preliminary injunctions are discussed substantively in more detail in [Section II.E.3.](#) below. With respect to timing, if a venue has a procedure for a patent owner to obtain a preliminary injunction and such injunctions are available as a practical matter, a preliminary injunction can be a very powerful form of relief. But, in most jurisdictions, a patent owner will have to present a very strong case on the merits or show irreparable harm to obtain a preliminary injunction. In some venues, these requirements and others rule out preliminary injunctions in most cases. But, in jurisdictions where the time from the filing of the complaint to a final decision in the first-

instance court is typically many years, seeking and obtaining an early preliminary injunction may be the only meaningful relief available.

The time to a first-instance final decision is the milestone by which most patent owners will evaluate the efficacy of a venue because it is the milestone that can provide the patent owner with a “win” and potentially a significant damages award and permanent injunction. The time to this milestone varies dramatically, however, from venue to venue. In the United States, the median “time to trial” in patent cases is 30 months, but the time to this milestone can be upward of three to four years in some jurisdictions, and as little as 9 to 12 months in others. If a patent owner can satisfy the requirements for filing a case in the U.S. International Trade Commission (ITC), the case can go from start to finish in less than eighteen months. Most other major patent venues (e.g., Germany, China, and the United Kingdom) are much faster than the U.S.— particular civil law jurisdictions where there are specialized patent courts and little or no discovery. But, as discussed elsewhere in this paper, the lack of discovery in civil law jurisdictions and the low level of damages awards (as compared to the U.S.) may make some of these jurisdictions less attractive, or at least require a patent owner to consider a multijurisdictional approach.

An important, and sometimes overlooked, factor in evaluating the time to a final first-instance decision is whether the case, as a matter of law, can be stayed pending completion of separate patent office or patent court invalidity or nullity proceedings filed by the defendant, and, if the case can be stayed, what the likelihood is the case will actually be stayed. Laws and practices regarding stays vary significantly across venues. For example, in the United States, since the advent of the *inter partes* review (IPR) process in 2012, it has become the norm for patent defendants to file IPR petitions as quickly as possible after being sued and then (if the Patent Office agrees to hear the IPR; which happens a little less than 40% of the time) to request that the court stay the infringement case pending the completion of the IPR process, which typically takes eighteen months. About half of such stay motions are successful. If the case is stayed, particularly if it is stayed when the case is at an early stage, the practical effect of an IPR-based stay is that, if the IPR is unsuccessful, the case does not start for two-plus years after it is filed. Having a case stayed for two-plus years is normally very disadvantageous for a patent owner. However, invalidation of a patent in an IPR procedure is not a foregone conclusion, and a patent which survives IPR review will be materially less vulnerable to invalidation in a district court proceeding. Overall, the likelihood that both (1) an IPR will be instituted and (2) all claims of the patent in question will be invalidated is a little less than 40%.<sup>1</sup> In contrast to the U.S., in Germany’s bifurcated system, the infringement court generally will not stay an infringement case pending the outcome of a nullity proceeding before the German Patent Court (or EPO opposition proceedings). However, in rare cases, if there is a very strong piece of prior art that is likely novelty-destroying and that has not been cited in prosecution, the infringement court will stay the proceedings and not grant the otherwise automatic injunction. There has been a slight trend in Germany toward granting more stays, particularly where the patent owner is a nonpracticing entity (NPE). In China, typically the court proceedings won’t be stayed pending the completion of a nullity proceedings before the Patent Review Board (unless the asserted patents are utility model patents or design patents that were granted in China without substantive examination). In any case, the legal and practical availability of a stay is something that every patent owner takes into account in selecting venues.

Even if it is possible to obtain a prompt final trial or first-instance court decision in a particular jurisdiction, a patent owner must also consider what the immediate legal and practical value of a

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<sup>1</sup> [J. Ko 7/5 note: need to either add a cite to support or rephrase.]

favorable trial or first-instance infringement judgment (and, if applicable, a permanent injunction) will be. For instance, in some jurisdictions (e.g., China), damages awards and permanent injunctions are generally stayed pending the outcome of an appeal. In other venues (e.g., Germany), where injunctions are automatic, if the patent owner wants the injunction to come into effect immediately and be in effect during the pendency of any appeal by the defendant, it must post a bond. Depending on the turnover of the defendant in that venue, the bond amount could be substantial and, for some patent owners, the amount of the bond could prevent them from being able to have the injunction come into force while the appeal is pending.

Furthermore, in many jurisdictions, the assessment of damages is bifurcated from the assessment of liability. Accordingly, damages are not awarded until a considerable period of time after the court has established liability. If an injunction is granted immediately, the patent owner may be able to leverage that in order to secure a resolution involving payment of damages. However, if not, the patent owner will need to wait until the outcome of the damages phase of the proceedings before any damages are awarded.

Moreover, in most jurisdictions, an adjudicated infringer's obligation to pay to the patent owner the damages awarded by the first-instance court will be stayed pending appeal if the defendant posts a bond to secure the damages amount. Thus, for a patent owner whose primary goal in a litigation is to collect money, the patent owner will not be able to get that money unless and until the infringement judgment and damages award are affirmed on appeal. Thus, the patent owner will not be able to receive the damages award until all possible appeals are concluded.

Finally, in evaluating the time to relief (particularly in venues where permanent injunctions are difficult to obtain or generally stayed pending appeal), a patent owner must consider the length of the appeal process in the venue. Even in the fastest jurisdictions, the time from the filing of an appeal to an appellate decision is twelve to eighteen months and, in many jurisdictions, the period is much longer. A process that takes four to five or more years from filing of the complaint to the final appellate decision may simply not provide practical relief for a patent owner. Accordingly, patent owners must evaluate carefully whether a venue can provide it with timely relief based on its legal and business objectives.

#### **D. LIKELIHOOD OF PREVAILING ON THE MERITS**

Even if a venue is favorable for litigants from a timing perspective, it may nevertheless not be an attractive venue if it is not one where a litigant has a reasonable chance of prevailing on the merits of its case. Obviously, a significant factor in whether a litigant can win is the intrinsic quality of the patent (novelty, quality of specification, quality of claims, etc.) that is in issue. Without these attributes, a patent owner should and usually does lose regardless of the venue. But assuming that the litigant has a strong case on the merits, there are a number of other factors that must be considered in evaluating venues for patent litigation. First, among these is whether the venue provides a fair and impartial forum for adjudication of patent disputes. Questions to consider here include whether the judiciary is independent and decisions are made on the merits and not based on "extrajudicial" factors such as political influence or corruption. A litigant that is not based in a country in which it is considering litigation must also evaluate whether its case will be decided fairly and on the merits, particularly where the opposing party is a domestic company. For example, will the court be willing to enter an injunction against a large domestic company? Will the court find the patent not to be infringed if the patent holder is local and the defendant is not?

Secondly, litigants must consider the quality of the patent judiciary in the venue as discussed in Section II.B. above. Questions here include: Are there specialized IP courts, such as in China, Germany, U.K., France, and the Netherlands? And, if there is not a specialized patent judiciary (such as in the United States), are there other factors that enable the litigant to have confidence that the court will be able to understand and competently decide infringement (and, if applicable, validity)?

Thirdly, for jurisdictions in which there is little or no discovery, a patent owner must ask whether it can prove infringement (such as with evidence preservation orders). For process-patent cases in particular, this can be quite difficult.

Finally, a patent owner must consider whether a venue provides protection for the technology at issue. For example, some jurisdictions do not permit patents to be issued on software or medical diagnostic techniques. Of course, if the country does not allow patents on a certain technology, then the patent owner presumably will not have patents in that country on that technology. But, even if the country allows for patent protection on a technology, the patent owner must evaluate whether the courts in that country are likely to enforce patents covering that technology and issue an injunction if infringement is found. For example, most countries allow patents to be obtained on pharmaceuticals, but some countries (particularly newly developing countries) have shown a reluctance to enforce and, in particular, grant injunctions against infringement of pharmaceutical patents.

In sum, in addition to the patent merits, there are a host of other factors a litigant must consider in evaluating venues for patent litigation.

## **E. AVAILABILITY OF MEANINGFUL RELIEF**

The availability of meaningful relief is a key driver of patent litigation.

### **1. Availability of Injunctive Relief**

The availability of injunctive relief is often key for choosing a specific patent litigation venue as an injunction can have an enormous impact on a defendant's business. An injunction may be used to put a defendant out of the infringing business, increase the patent owner's own market share or serve as a strong settlement lever. In extreme cases, an injunction can even lead to an entire elimination of a competitor in the relevant market sector. In most, if not all, venues outside of the United States, an injunction will generally follow a finding of infringement. In the United States, the availability of injunctive or injunction-like relief will often depend on the competitive posture of the litigants (competitors, for example, are relatively likely to secure injunctive relief, particularly in competitor v. competitor disputes) and the jurisdiction that is hearing the dispute (the U.S. International Trade Commission, for example, almost universally grants injunction-like importation bans on infringing products).

### **2. Availability of Substantial Damages**

The availability of damages, compared to an injunction threat, generally plays a secondary role in the decision where to start patent litigation proceedings. That is particularly so in venues with compensatory damages systems, where damages are usually not key drivers but more a positive side effect of a successful patent litigation. In the United States, however, the level of damages awards, that are typically higher than elsewhere, are obviously a key driver for bringing proceedings there. Damages can be very effective in high stake cases, particularly where

enhanced damages are available (such as punitive damages and treble damages for willful infringement).

### **3. Availability of Preliminary Relief (e.g., Preliminary Injunctions and Seizures)**

The availability of preliminary relief can, in particular cases, be a key driver to choose a specific venue. However, usually it is a useful tool and a positive side effect of an already chosen venue. A preliminary injunction primarily makes it possible to obtain and enforce the injunction quickly. Also, it sometimes allows the plaintiff to obtain information about the origin of the infringing product and its distribution channels. This is particularly useful if there is a risk of injury for which there is no compensation obtainable and hence there is a need to stop the infringement immediately. This is typically the case in the runup to or during important trade fairs, or in case of a competitor launching a new infringing product. Vis-à-vis trade shows and pharma cases, preliminary injunctions are frequently used in certain jurisdictions and very effective. They are particularly effective to prevent a competitor from market entry, e.g., launch of a specific drug or other pharmaceutical product.

Similar considerations apply for preliminary seizures. Besides initiating court proceedings for patent infringement, in some jurisdictions, it is also possible to prevent the import and export of infringing goods at the external borders of, e.g., the EU and China by means of so-called customs seizure proceedings requesting the customs authorities to seize and eventually destruct infringing goods. It can be said from a practical perspective that the customs seizure proceedings that are available may be an interesting add-on to put pressure on a patent infringer in parallel to court litigation. As a stand-alone measure, customs seizure proceedings are usually not very effective. A notable exception is U.S. International Trade Commission proceedings, which typically result in import bans and customs seizures that are a highly effective, nonpreliminary option.

## **F. COST OF LITIGATION**

The costs of litigation vary widely between venues around the world. The common perception is that common law jurisdictions cost significantly more than civil law jurisdictions. To an extent, some of the difference may be exaggerated; however, there is no doubt that, for example, U.S. proceedings with extensive documentary discovery and oral depositions are more costly than litigation in, for example, France, Germany, and China, that have limited or no discovery.

However, while the cost of litigation is a significant factor as to whether small or medium-sized cases should be initiated or defended, it is not a significant factor for venue determination in most multijurisdictional disputes. Such disputes, which tend to be global or at least highly international in scope, are of such a scale that the cost of the litigation itself will not determine the venue over the other considerations discussed here.

This is readily tested by the following example: most multijurisdictional litigation is brought in the United States, as well as in other jurisdictions. The United States is a significant venue, because of the size and quality of its market (leading to sizeable damages awards), as well as the quality of adjudication. However, it is without doubt the jurisdiction with the highest costs. Were cost to be a determining factor in venue selection, the U.S. would not be such a popular venue.

## **G. RECOVERY OF FEES**

Recovery of fees, i.e., recovery of attorney and patent attorney fees, court fees and litigation expenses, is usually not a key driver for selecting a patent litigation venue in multijurisdictional litigation for the same reasons that the cost of litigation is not. However, for smaller or midsized companies the level of recovery of fees in larger scale cases might be prohibitive.

### *III. Opportunity for Defendant-Initiated Litigation*

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Much litigation is commenced by prospective defendants, in advance of litigation being commenced by the patent holder. It may be initiated by declared standard essential patent implementers, or generic pharmaceutical companies, or any other potential defendant to patent litigation.

Traditionally, the approach taken by potential defendants has been to lie low, and not take the initiative in commencing proceedings. After all, proceedings may not actually be brought by the patent holder. That is particularly so if there are a large number of potential defendants. Historically, the general view was taken that the potential benefits of initiating litigation were outweighed by the disadvantages of provoking it.

That approach likely still prevails in most cases; nonetheless, there may be strategic or tactical advantages for a prospective defendant to initiate litigation in some cases. The reasons for a defendant initiating patent litigation include:

- seeking to select the jurisdiction in which the proceedings are brought
- delaying/blocking proceedings
- obtaining a positive result and improve the defendant's negotiating position
- obtaining a positive result and influence the courts of other jurisdictions
- bringing a counterattack to increase the pressure on the patent holder and avoid or settle the dispute; and
- to "clear the way" in advance of launch in jurisdictions where failure to do so is likely to lead to a preliminary injunction being granted upon launch.

Each of the various factors discussed above relevant to venue selection by patent holders will apply to potential defendant-initiated litigation. Clearly, the size and nature of the market will be just as relevant to such litigation; generally, there is little point in initiating litigation where the market is of no significance (although, see Section III.B. below, as regards the "torpedo"). The quality of adjudication is as important as in any litigation. The time to trial is also a crucial factor. In some cases, it may suit a defendant for the time to trial to be as quick as possible (for example where it is hoped to influence the courts of other jurisdictions); however, in the case of the torpedo, the purpose was to delay. The likelihood of prevailing on the merits is, necessarily, crucial—there is usually little point in bringing any litigation where the merits are weak. A further key factor is the availability of the various procedures that may be deployed by a potential defendant. Jurisdictions around the world do differ considerably as to what a potential defendant may initiate, and the circumstances in which they may do so.

The various forms of action that may be brought by a defendant are addressed below, according to the strategic or tactical reason for doing so. Additionally, EPO oppositions are detailed briefly.

#### **A. SELECTING THE JURISDICTION**

Just as a patent holder will wish to select a venue based on the various factors discussed above, so may a potential defendant. One way in which this has been done is by means of seeking declaratory relief, such as a declaration of noninfringement. Within the EU, under the *lis pendens* rules in the Brussels Regulation, that can lead to the court of the Member State in which the

declaration has been brought seizing jurisdiction, and thereby blocking any other EU jurisdiction from determining the matter. Accordingly, a defendant confident of its noninfringement position may also be able to seek a pan-European declaration of noninfringement. Other related forms of declaratory relief may also be available in certain jurisdictions, such as declarations of “non-essentiality” (in relation to declared Standard Essential Patents in the technology field). Whether such alternative declaratory relief is available will depend on a jurisdiction’s approach to (a) the form of declaratory relief sought; and (b) who is entitled to claim it.

Outside of pure patent infringement disputes, in the context of patent license disputes, it may be possible, once a declaratory judgment as to the effect of a license agreement has been obtained, to prevent the courts of other jurisdictions from considering the matter, through estoppel doctrines.

As well as seeking to select a jurisdiction via the declaratory action route discussed, another well-established approach to controlling jurisdiction has been for parties to obtain “anti-suit injunctions”—injunctions preventing a party from pursuing litigation in a foreign jurisdiction. These are relatively rare in the patent litigation sphere, which has traditionally taken a territorial approach. However, there have been some examples recently in the FRAND-related standard essential patent field. For example, anti-suit injunctions were granted in the U.S. courts relating to foreign infringement claims in *Microsoft Corp. v Motorola Inc.*<sup>2</sup> and in *TCL Commc’n Tech. Holdings Ltd v Telefonaktiebolaget LM Ericsson*.<sup>3</sup> Recently, the Munich district court ordered an “anti-anti-suit” injunction preventing Continental from pursuing an anti-suit injunction in the U.S., aimed at preventing proceedings brought by Nokia in Germany.<sup>4</sup>

## B. DELAYING PROCEEDINGS

Ordinarily, initiating litigation will not delay the dispute; quite the contrary, it will precipitate it. However, one approach that was taken by prospective defendants in the past in Europe was the so-called “torpedo” action (often referred to as the “Italian” or “Belgian” torpedo, after the countries where they were most often initiated).

The torpedo was an action brought in an EU Member State for a pan-European declaration of noninfringement, again relying on the effect of the *lis pendens* rules in the Brussels Regulation, to seize jurisdiction Europe-wide. Under these rules, once an EU Member State court has been seized of a matter, it is not possible for another EU Member State to take jurisdiction, until the first court has decided that it does not have jurisdiction.

Accordingly, a practice developed whereby pan-European declarations of noninfringement proceedings were brought in courts that had notoriously slow procedures (such as those in Italy or Belgium), taking years to determine whether they properly had jurisdiction. The purpose of this was not to have the Italian or Belgian courts determine the issue, but rather to delay other EU courts from doing so. Torpedoes were brought in such courts irrespective of whether there were good grounds for those courts having jurisdiction over the dispute. In the meantime, because the infringement issue was being considered by the first court, other courts were blocked from considering it. In fact, the practical effect of the torpedo may not have been all

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<sup>2</sup> 871 F. Supp. 2d 1089.

<sup>3</sup> No. CV 14-0341 JVS (ANx) ADD CITE and appropriate parentheticals here. Including that TCL was reversed on 7<sup>th</sup> Amendment grounds.

<sup>4</sup> ADD CITE

that significant. Other Member States' courts did find ways of progressing infringement actions in the meantime.

### **C. OBTAIN A POSITIVE RESULT TO IMPROVE NEGOTIATING POSITION**

In cases where a defendant has considerable confidence in its position, it may choose to bring proceedings itself in a favourable jurisdiction to obtain a credible early judgment in its favour, with a view to settling the dispute worldwide on favourable terms. To an extent, all litigation that is brought in a global scenario relies on developing a strong position to lead to settlement. After all, it is hardly possible to bring proceedings in every jurisdiction around the world. Sooner or later, the parties will resolve the dispute based on the results in key jurisdictions.

The various factors discussed above in relation to patent holder-initiated litigation will apply in the selection. Because proceedings are likely to be brought by the defendant in a single jurisdiction (rather than in several), the choice will be heavily affected by the jurisdiction perceived to give the best chance of obtaining a favourable judgment that may set an example.

Another key factor will be the availability of the relief sought by the defendant in various jurisdictions. The types of relief that a defendant may seek are mainly declarations of noninfringement—where there is confidence in the noninfringement case, and nullity/revocation actions—where the defendant is confident in the invalidity case. In some jurisdictions, both can be brought together. The requirements for bringing a declaratory action for noninfringement or a nullity action differ across jurisdictions. For example, in the U.K., no locus is required to bring a nullity action, while in the U.S. locus is required.

In addition, some jurisdictions such as the U.K., are particularly flexible with respect to the types of declaratory relief that can be ordered. In that jurisdiction, there are no formal limits on what can be ordered, although a declaration does need to relate to contested legal rights and must have a practical purpose. For example, the U.K. will consider granting declarations of “non-essentiality” (that is to say that a patent is not essential to a standard), and so-called “*Arrow*” declarations (declarations that a particular product is obvious over the prior art as at a certain date, so that any patent that is granted in the future that covers that product, must lack inventive step).<sup>5</sup> Accordingly, the availability of special forms of declaration may also be a determining factor in venue selection.

### **D. OBTAIN A POSITIVE RESULT TO INFLUENCE OTHER JURISDICTIONS**

The factors discussed above in (iii) also apply to obtaining a result to influence other jurisdictions. Just as resolution of worldwide disputes depends on parties settling based on a limited set of litigation results, there is also reliance on the fact that some jurisdictions will be influenced by others. Certain jurisdictions are more influential than others, particularly those with respected patent courts, such as the U.S., and Germany, U.K., and The Netherlands. Accordingly, the quality of adjudication is a particularly significant factor in this regard.

The key European jurisdictions are particularly influential on each other. One significant scenario in which proceedings are brought to influence those in another, is where invalidity proceedings are brought in one European jurisdiction (such as the U.K. or The Netherlands) to affect the outcome in Germany.

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<sup>5</sup> *Arrow* declarations are named after the case which first confirmed the court's jurisdiction to grant such relief. See *infra* Sect. IV.B.2. (United Kingdom—Opportunity for Defendant-Initiated Litigation).

In Germany, patent proceedings are bifurcated. Infringement proceedings are brought in separate courts (the Landesgerichte district courts) from the validity court (the Bundespatentgericht, German Federal Patent Court). Typically, infringement proceedings will be heard significantly before the validity proceedings (for example, a year before). If infringement is found, generally, the district court will order an injunction, despite no determination of validity having yet been made by the Federal Patent Court. An exception to that is that the injunction may be stayed if it can be shown that there is a high likelihood that the patent is invalid. That usually means demonstrating that there is a new piece of prior art (not previously cited in prosecution) that is likely to be found to be novelty destroying. Another way to persuade the district court to stay the injunction is to demonstrate that a counterpart European patent has been found to be invalid by the courts of another European jurisdiction. German courts are required to have regard to such decisions from other European national courts.

Accordingly, a practice has developed whereby potential defendants in Germany bring invalidity proceedings in other influential European jurisdictions (typically the U.K. or The Netherlands), with a view to obtaining a rapid determination of invalidity that can be relied upon before the German district court, if infringement has been established there. Naturally, invalidity proceedings in the other European jurisdiction must progress very rapidly to achieve this—i.e., a judgment needs to be issued in less than a year.

## **E. BRINGING A COUNTERATTACK TO INCREASE THE PRESSURE ON THE PATENT HOLDER**

A potential defendant may not necessarily initiate litigation that is directly relevant to the patent that is being asserted against it. Another common strategy in applicable cases is for a potential defendant to bring proceedings under its own patents (or other rights). The factors discussed above, in relation to patent holder-initiated litigation, will apply equally when selecting the venue. To the extent that the prospective defendant can secure a strong position, it can seek to leverage this in its favour with a view to resolving the wider dispute on favourable terms.

## **F. “CLEARING THE WAY”**

This is a limited instance, that relates to generic pharmaceutical litigation in the U.K. In *SmithKline Beecham v Apotex Europe Ltd*, the English Patents Court held that if a generic pharmaceutical company (that will typically know its intended launch of a product several years ahead), fails to “clear the way” by either obtaining a declaration of noninfringement or revocation of a relevant patent in advance of launch, it will likely be subject to a preliminary injunction upon launch.<sup>6</sup>

In the U.K., it is not straightforward to obtain preliminary injunctions in patent litigation. However, this is one exception. Accordingly, it is quite normal for generic pharmaceutical companies to bring actions for declarations of noninfringement or revocation actions a year or two before launch.

Somewhat analogously, the Hatch-Waxman statutory scheme in the U.S. provides a technique for generics manufacturers to secure a determination of whether their version of a small-molecule pharmaceutical will infringe the patents protecting the branded version of the drug

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<sup>6</sup> [2003] EWHC 2556 (Pat).

before actually launching the generic product. More recently, the U.S. implemented a somewhat similar scheme relating to large-molecule drugs or “biologics.”<sup>7</sup>

## G. EUROPEAN PATENT OFFICE OPPOSITIONS

A further possible approach that prospective European defendants may take is to bring an EPO opposition against a patent that is being, or may be, asserted against it. Oppositions may be brought within nine months of the date of grant. After that period, parties may intervene in opposition proceedings if the patent is being asserted against them, provided that an opposition is still pending when intervention is requested.

If successful, they have the effect of invalidating all national designations of the European patent. They are, however, relatively slow (in comparison with some national nullity proceedings) and can take several years, including the appeal to the Technical Board of Appeal. Note that it is not possible to bring nullity proceedings in the German Federal Patent Court if an EPO opposition is pending (contrary to some other European countries like the Netherlands or France), so this can be a factor for a defendant faced with an injunction in Germany when formulating its strategy.

The analogous U.S. procedure is to seek *inter partes* review in the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office. This remedy was created as part of the 2012 revisions to the U.S. patent statute, known as the America Invents Act. An IPR procedure enables a litigant in a district court action to seek review of the validity of the patents in suit. Under appropriate circumstances, the district court action may be stayed while the IPR process plays itself out. The effect of an IPR on pending infringement litigation can vary considerably. Depending on how the IPR proceeds that proceeding may end the litigation by invalidating the patent, narrow the litigation by invalidating certain claims or by precluding reliance on certain prior art or certain validity defenses, delay the litigation while validity is reviewed, or leave the district court litigation wholly unaffected.

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<sup>7</sup> For an overview of biopharma litigation in the U.S., see The Sedona Conference, *Commentary on Patent Litigation Best Practices: Unique Aspects of Biopharma Litigation Chapter* (Oct. 2021 public comment ver.), available at [https://thesedonaconference.org/publication/Patent\\_Litigation\\_Best\\_Practices\\_Biopharma\\_Litigation](https://thesedonaconference.org/publication/Patent_Litigation_Best_Practices_Biopharma_Litigation).

## *IV. Survey of Key Jurisdictions*

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This *Framework* does not strive to offer a comprehensive discussion of the substantive and procedural rules applicable in each venue. Instead, this *Framework* focuses on the aspects of each venue that affect its suitability for a particular controversy, applying the same factors presented in Sections II (Key Drivers for Global Patent Venue Selection) and III (Opportunity for Defendant-Initiated Litigation) above.

### **A. THE AMERICAS**

#### **1. The United States**

The United States is a forerunner for patent enforcement. Patent owners have a variety of options in considering where to enforce their patents, including 94 federal district courts, which have a variety of factors that will impact where to bring a case such as venue, jurisdiction, and place of incorporation. However, a high concentration of patent lawsuits are brought in only a few of these district courts: the Western District of Texas, the Eastern District of Texas, and the District of Delaware, which provide patent owners with either expedited schedules (trial by jury in perhaps as little of 12 months), predictable rules applicable to patent cases, as well as the opportunity for significant damages awards, enhancement of those damages, or injunctive remedies. In addition, a patent owner can bring a case before the International Trade Commission which may issue broad exclusion orders to stop the import of products into one of the world's largest markets.

##### **a. Global Venue Selection Factors**

###### ***i. Factor 1 – The Market***

The United States has a GDP of \$22 trillion and a population of approximately 320 million.<sup>8</sup> It is the largest consumer market in the world, and it is one of the most dominant markets for many of the technologies that are most often implicated in patent litigation matters. The U.S. represents, for example, on the order of 40% of the global markets in medical devices, pharmaceuticals, and software and information technology.<sup>9</sup> It represents about one-quarter of the market for global telecommunications services.<sup>10</sup> It is the second largest market for automotive vehicle sales, representing about 22% of the worldwide total, and the second-largest car manufacturer in 2021 with a 12% global market share.<sup>11</sup>

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<sup>8</sup> See The World Bank, *United States*, <https://data.worldbank.org/country/united-states> (last visited Dec. 21, 2021).

<sup>9</sup> See SelectUSA, *Software and Information Technology Spotlight*, <https://www.selectusa.gov/software-and-information-technology-services-industry-united-states> (last visited Dec. 21, 2021) (“Software and Information Technology” includes software publishers, suppliers of custom computer programming services, computer systems design firms, and facilities management companies); see also Pharmaceutical Commerce, *Global Pharma Spending Will Hit \$1.5 Trillion in 2023, says IQVIA* (Jan. 29, 2019), <https://www.pharmaceuticalcommerce.com/view/global-pharma-spending-will-hit-1-5-trillion-in-2023-says-iquia>.

<sup>10</sup> See Statista, *Global Telecommunications Services Market Value from 2012 to 2019, by Region*, <https://www.statista.com/statistics/268636/telecommunications-services-revenue-since-2005-by-region/> (last visited Dec. 21, 2021).

<sup>11</sup> See New York Times, *Toyota Topped G.M. in U.S. Car Sales in 2021, a First for a Foreign Automaker* (Jan. 4., 2022), <https://www.nytimes.com/2022/01/04/business/toyota-car-sales-2021.html> (estimating \$15 million automobiles sold in the United States during 2021) and Statista, *Number of Cars Sold Worldwide Between 2010 and 2021*, <https://www.statista.com/statistics/200002/international-car-sales-since-1990> (estimating worldwide sales

Because U.S. patent law is subject to exclusive jurisdiction in the federal courts, each U.S. federal district court of first instance can have jurisdiction over the manufacture or sale of patented items anywhere in the country, provided that personal jurisdiction and venue are met, and may address patent law issues such as enforceability, validity, damages, injunctive relief, and infringement. Likewise, specialized patent courts in the U.S., such as the Patent Trial and Appeal Board, which only considers the validity of issued patents, as well as the U.S. International Trade Commission, which may also look into patent law issues such as validity, infringement, and in the alleged unfair acts of competition under its controlling U.S. statute to potentially exclude infringing goods on a marketwide basis.

## *ii. Factor 2 – The Quality of Adjudication*

As one of the longstanding, predominant venues for patent litigation, the U.S. has a well-articulated and well-understood system for adjudicating patent disputes. U.S. laws relating to the public's access to the courts assure an unusually high degree of transparency in U.S. patent proceedings, and the sophistication of the systems for capturing, retaining, and retrieving U.S. court records has made it possible for those interested in patent litigation to access most of the court filings online, including databases that are capable of generating an extraordinarily comprehensive range of statistical information about the performance of and outcomes in most U.S. federal courts.

The Federal Circuit Court of Appeals was created in 1982 as the sole national court of review for patent issues to develop a uniform nationwide body of law for patent matters and foster the development of a body of appellate judges with deep expertise in patent matters.

By comparison, most U.S. federal district courts of first instance, which handle patent matters, are not similarly specialized as they are also courts of general jurisdiction that hear all other matters that come before the federal courts. However, a variety of factors, including U.S. venue rules, the development of specialized patent procedures, the incorporation of many companies in Delaware, and the strategic market locations for tech companies, have resulted in a very high concentration of patent lawsuits in a very small number of jurisdictions and judges. More than 55% of all patent cases are filed in four jurisdictions—the District of Delaware (24%), the Eastern District of Texas (14%), the Northern District of California (9%), and the Central District of California (9%).<sup>12</sup> This has resulted in a small number of judges handling the majority of U.S. patent litigation: Judge Alan D. Albright from the Western District of Texas (19%), Judge Rodney Gilstrap from the Eastern District of Texas (6%), and Judge Maryellen Noreika (5%), Judge Richard G. Andrews (4%), Judge Colm F. Connolly (4%), and Judge Leonard P. Stark (4%) from the District of Delaware.<sup>13</sup> Notably, the Western District of Texas saw 972 patent cases in 2021 as compared to the 92 cases in 2018.<sup>14</sup>

As a result of this concentration, these federal districts courts, and in particular, these judges, have a great deal of sophistication in patent law, understand the core patent litigation technologies, and have experience in the difficult art of managing patent cases.

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of \$66 million) (last visited Jan. 5, 2021); Investopedia, *6 Countries That Produce The Most Cars* (Dec. 8, 2021) <https://www.investopedia.com/articles/markets-economy/090616/6-countries-produce-most-cars.asp#toc-2-united-states-of-america>.

<sup>12</sup> See DocketNavigator, *Omnibus Report* (last visited Jan. 5, 2022).

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

### ***iii. Factor 3 – Time to Trial and Final Relief***

Time to trial varies substantially based on the forum where the lawsuit is brought. A study on the average time to claim construction and trial highlights the discrepancies between judges and forum, and how this factor may strategically weigh in favor of a particular forum. Of the four most popular courts, in 2021, a Western District of Texas court's average time to claim construction was approximately 12 months, followed by a Northern District of Texas court's at 16 months, and two District of Delaware courts at 25 months and 30 months respectively.<sup>15</sup> In regard to the average time for trial in 2021, the Western District of Texas court averaged 23 months, the Northern District of Texas court averaged 31 months, and two District of Delaware courts both averaged 35 months.<sup>16</sup> The Eastern and Western Districts of Texas still provided the fastest timeline for resolution. These jurisdictions are particularly useful when trying to understand the merits of the case early on so that the parties may settle ahead of the expensive and lengthy discovery period, and well before trial.

The median time to trial on patent infringement in all federal district courts for cases that reached trial in 2021, according to one source, was approximately 30 months.<sup>17</sup> Again, the Western District of Texas had the fastest average time to trial at 24 months.

Time to final relief in cases that proceed to trial is of course dependent upon time to trial itself (not so if cases are resolved before trial), but is also typically extended because of posttrial briefing, and because certain relief, such as injunctive relief, is awarded by the judge after the completion of a jury trial. Final relief can also be delayed pending appeal in certain cases.

Apart from the federal district courts, the other main venue for resolution of patent disputes is the United States International Trade Commission (the USITC). This is one of the fastest venues in the country, with a median time for a claim construction ruling at nine months and median time to obtain an initial determination after a hearing before an administrative law judge at fourteen months.<sup>18</sup> The median time to final determination on the merits as to a violation was 18 months.<sup>19</sup> Overall, the ITC provides relatively fast resolution, can lead to a stay of a parallel federal district court case at the defendant's option, and can greatly assist the parties toward timely concluding settlement negotiations to resolve patent related disputes.

### ***iv. Factor 4 – Likelihood of Prevailing on the Merits***

For cases resolved on the merits between 2018 and 2021 in the federal district courts, the average likelihood of the patent holder prevailing on a claim of infringement was about 6% whereas the defendant won about 3%, as the vast majority of cases ended in either settlement or as a result of some procedural resolution.<sup>20</sup> As is implied in the above figures, the likelihood of the patent holder prevailing in cases that go to a resolution on the merits has been roughly 60%

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<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> Lex Machina, *Time to Milestones Search, All U.S. District Courts, Cases with a Trial Date in 2021* (last visited Jan. 5, 2022).

<sup>18</sup> DocketNavigator, *Time to Milestones Search, USITC, Cases Filed in 2020* (last visited Jan. 5, 2022).

<sup>19</sup> United States International Trade Commission, *Section 337 Statistics: Average Length of Investigations* (Oct. 18, 2021), [https://www.usitc.gov/intellectual\\_property/337\\_statistics\\_average\\_length\\_investigations.htm](https://www.usitc.gov/intellectual_property/337_statistics_average_length_investigations.htm).

<sup>20</sup> Lex Machina, *Federal District Court, Cases terminated between 1/1/2018 and 12/21/2021*. [Citation format? Website/link?]

in recent years,<sup>21</sup> a success rate which varies significantly depending on the district court in which the action is brought.<sup>22</sup> Most recent statistics from 2021 report that the Western and Eastern Districts of Texas have the highest validity holdings at approximately 78%, with the Central District of California and District of Delaware trailing closely behind at 65%.<sup>23</sup> By comparison, the Northern District of California has found patents invalid 54% of the time.<sup>24</sup>

At the ITC, the likelihood of the patent holder (i.e., the Complainant) prevailing on the merits in a Section 337 investigation is about 49%, averaged between October 2016 to the end of 2020.<sup>25</sup> This percentage should be understood in the context of a “non-merits dismissal” rate of just under 35%, leaving just shy of 16% for wins by the patent challenger.<sup>26</sup> In 2021, the ITC likewise found a Section 337 violation 50% of the time.<sup>27</sup>

#### v. **Factor 5 – Availability of Meaningful Relief**

*Availability of Injunctive Relief.* In the U.S., a patent owner has the right to seek permanent injunctive relief barring the sale or manufacture of a product or service following a trial court judgment that the patent is valid and infringed. 35 U.S.C. § 283. The party seeking injunctive relief must show (1) it has suffered irreparable injury, (2) monetary damages are inadequate, (3) that considering the balance of hardships, an injunction is warranted, and (4) the public interest would not be disserved by a permanent injunction.<sup>28</sup> A number of studies have concluded that prevailing patent owners, after a full trial and judgment on the merits, secure injunctive relief between 70% and 80% of the time.<sup>29</sup> It should be noted that the competitive posture of the party seeking injunctive relief has a dramatic impact on its availability. One study estimates that injunctive relief is successfully procured only 16% of the time where the patent owner is a “patent assertion entity,” but 80% of the time for all other plaintiffs, and 84% of the time in competitor v. competitor lawsuits.<sup>30</sup>

<sup>21</sup> DocketNavigator, *2018 Year in Review: Patent Litigation Special Report*, <https://brochure.docketnavigator.com/2018-year-in-review/> at 20. But compare Allison and Lemley, *Understanding the Realities of Modern Patent Litigation*, Texas Law Review, Vol. 92 (2014) at 32 (reporting 26% overall patentee win rate in cases with dispositive rulings for all patent cases filed in 2008-09).

<sup>22</sup> DocketNavigator, *supra* note 27, at 13; DocketNavigator, *supra* note 22, at 16.

<sup>23</sup> DocketNavigator, *2020 Year in Review: Patent Litigation Special Report*, <https://brochure.docketnavigator.com/2020-yir/> at 23. Likewise, these jurisdictions have found infringement more than 50% of the time, with the exception of the Western District of Texas finding no infringement in 66% of the six cases that reached resolution on the merits in 2020. *Id.*

<sup>24</sup> DocketNavigator, *supra* note 12.

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> United States International Trade Commission, *Section 337 Statistics: Number Cases in Which Violation is Found/YR* (Oct 18, 2021), [https://www.usitc.gov/intellectual\\_property/337\\_statistics\\_number\\_cases\\_which\\_violation.htm](https://www.usitc.gov/intellectual_property/337_statistics_number_cases_which_violation.htm).

<sup>28</sup> *eBay v. MercExchange*, 547 U.S. 388, 391 (2006).

<sup>29</sup> Seaman, *Permanent Injunctions in Patent Litigation After eBay: An Empirical Study*, 101 Iowa Law Review 1949, 1969 (2016) (collecting data from published sources); see also, *id.* at 1983 (finding that the permanent injunction grant rate for the period from May 2006 to December 2013 was 72.5%). LexMachina.com, *Federal Courts database, Remedies* (last visited Dec. 23, 2021) (finding an average of 84% for the period 2009-21).

<sup>30</sup> Seaman, *supra* note 34, at 1988, 1990.

An alternative source of injunctive-type relief is the United States International Trade Commission. The ITC has the ability to bar importation of goods into the United States where the imports are shown to be anticompetitive for a variety of reasons. One basis for barring imports is a determination that the imported goods infringe a valid United States Patent, where it is shown that the importation of the infringing goods would injure a domestic U.S. industry which lawfully practices the patent. The ITC does not have the authority to award monetary relief, but orders barring importation are routinely awarded to prevailing plaintiffs and enforced at the border by the U.S. Customs Service.

Preliminary relief is often less granted in U.S. federal district courts. Of the 797 preliminary injunctions requested between 2009 and 2021 in U.S. federal district court patent matters, only 354 (44%) were granted.<sup>31</sup>

*Availability of Substantial Damages.* The U.S. Patent Act mandates that a prevailing patent owner “shall be awarded damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer.” 35 U.S.C. §284. In “exceptional cases” a court may “increase damages up to three times the amount found.”<sup>32</sup>

Between 2009 and 2021, damages were awarded in 617 patent cases in the aggregate amount of \$21.3 billion.<sup>33</sup> Damages were enhanced nearly 26% of the time.<sup>34</sup> The breakdown by type of award and the average award per case are summarized in the following table:<sup>35</sup>

	Number	Aggregate Amount	Mean Amount
All cases 2009-2021	617	\$21.3 billion	\$34.5 million
Reasonable Royalty	458	\$14.7 billion	\$32.2 million
Lost Profits	202	\$3.6 billion	\$17.6 million
Enhanced Damages	158	\$3 billion	\$18.9 million

Of the aggregate \$21.3 billion of damages awarded between 2009 and 2021, \$7.2 billion was awarded in 5 cases.<sup>36</sup> Thus, the mean awards in this table overstate the magnitude of damages that can be expected in a typical case.

*Types of Technology for which Protection is Available.* As noted in Section I above, the main fields of technology for patent litigation currently are telecommunications, pharmaceuticals (including biotechnology), medical devices and, increasingly, connected cars. Evolving technologies

<sup>31</sup> LexMachina.com, *supra* note 35.

<sup>32</sup> *Id.*

<sup>33</sup> LexMachina.com, *Federal Courts database, Damages* (last visited Dec. 23, 2021).

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

including artificial intelligence and the internet of things are notable candidates for future litigation. All of these technologies are patentable in the United States.

*vi. Factor 6 – Cost of Litigation*

The median cost of U.S. patent litigation is set forth in the chart below.<sup>37</sup>

Median Litigation Costs	2017	2018	2019	2020
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Less than \$1 million at risk

Discovery, motions, and claim construction	\$250,000	\$250,000	\$250,000	\$300,000
Pre- and post-trial and appeal when applicable	\$500,000	\$700,000	\$700,000	\$675,000

\$1-\$10 million at risk

Discovery, motions, and claim construction	\$550,000	\$600,000	\$600,000	\$650,000
Pre- and post-trial and appeal when applicable	\$1 million	\$1.5 million	\$1.5 million	\$1 million

\$10-\$25 million at risk

Discovery, motions, and claim construction	\$1 million	\$1.2 million	\$1.2 million	\$1 million
Pre- and post-trial and appeal when applicable	\$2 million	\$2.7 million	\$2.7 million	\$3 million

More than \$25 million at risk

Discovery, motions, and claim construction	\$1.7 million	\$2.4 million	\$2.4 million	\$2.1 million
Pre- and post-trial and appeal when applicable	\$3 million	\$4 million	\$4 million	\$4 million

As can be seen, typical litigation costs (including both legal fees and other expenses) through trial in the U.S. range from roughly \$1 million to more than \$6 million depending on the size of the case. In the most complex and highly contested matters, it is more common for the total costs to reach into, and sometimes well into, the tens of millions of dollars. It is also more common to see more expensive litigation costs in the ITC Section 337 cases given the rapid nature of

<sup>37</sup> AM. INTELLECTUAL PROP. L. ASS'N, 2021 AIPLA Report of the Economic Survey (2021).

proceedings.<sup>38</sup> Notably, costs usually double (or more) if a case proceeds all the way through trial. In a change from previous years, the costs of suits brought by NPEs are slightly higher.<sup>39</sup>

### *vii. Factor 7 – Recovery of Fees*

Generally, attorneys’ fees are not recoverable in patent suits unless the prevailing party can show an “exceptional case.”<sup>40</sup> A case is exceptional if it “stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.”<sup>41</sup> There “is no precise formula” for making this determination, but courts consider a number of factors, including “frivolousness, motivation, objective unreasonableness . . . and the need in particular circumstances to advance considerations of compensation and deterrence.”<sup>42</sup> The exceptional case determination is committed to the discretion of the district court and is evaluated on a case-by-case basis.<sup>43</sup> For detailed discussion, *see* The Sedona Conference, *Commentary on Patent Litigation Best Practices: Section on Exceptional Case Determinations* (Oct. 2016 public comment version).<sup>44</sup>

In 2020, attorneys’ fees were awarded in 71 cases.<sup>45</sup> The average amount of those awards was approximately \$551,000.<sup>46</sup>

### **b. Opportunity For Defendant-Initiated Litigation**

An accused infringer can bring a suit seeking a declaration of noninfringement and invalidity (or any other available defense). A declaratory judgment action requires the parties to have an “actual controversy.”<sup>47</sup> To determine whether there is an actual controversy, courts consider “whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”<sup>48</sup>

Conduct from which an intent to enforce a patent can be reasonably inferred can create declaratory judgment jurisdiction.<sup>49</sup> Although “a communication from a patent owner to another party, merely identifying its patent and the other party’s product line, without more” will not support a declaratory judgment suit, showing additional facts to support a declaratory judgment

<sup>38</sup> *Id.* at 62. For example, a case with \$1-\$10 million at risk averages \$2 million for discovery, motions, and claim construction, and around \$4 million for a case that goes through trial at the ITC.

<sup>39</sup> *Id.* at 61.

<sup>40</sup> 35 U.S.C. § 285.

<sup>41</sup> *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014).

<sup>42</sup> *Id.* at 554 & n.6 (quotations omitted).

<sup>43</sup> *See id.* at 554.

<sup>44</sup> Available at [https://thesedonaconference.org/publication/Commentary\\_on\\_Patent\\_Litigation\\_Best\\_Practices\\_Case\\_Management\\_Issues\\_from\\_the\\_Judicial\\_Perspective](https://thesedonaconference.org/publication/Commentary_on_Patent_Litigation_Best_Practices_Case_Management_Issues_from_the_Judicial_Perspective).

<sup>45</sup> LexMachina, *supra* note 20, at 20.

<sup>46</sup> *See id.*

<sup>47</sup> *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 126 (2007) (quotations omitted).

<sup>48</sup> *Id.* at 127 (quotations omitted).

<sup>49</sup> *See Hewlett-Packard Co. v. Acceleron LLC*, 587 F.3d 1358, 1363 (Fed. Cir. 2009).

is not difficult, especially when the patent owner is an NPE.<sup>50</sup> Accordingly, many patent owners (particularly NPEs) file suit before opening negotiations.

A declaratory judgment action does not change any of the substantive elements of an infringement case. Therefore, one of the primary purposes of a declaratory judgment suit is to select the forum for the litigation. But a demand letter, standing alone, is not sufficient to establish personal jurisdiction over a nonresident patent owner.<sup>51</sup> Nor is the presence in the forum of nonexclusive licensees of the patent owner.<sup>52</sup> In addition, a suit seeking a declaration of noninfringement or invalidity is governed by the general venue statute, not the patent venue statute.<sup>53</sup>

Another offensive option for accused U.S. infringers is to initiate an inter partes review (IPR) before the Patent Trial and Appeal Board (PTAB), and adjudicatory component of the U.S. Patent and Trademark Office. Under this procedure, the defendant in a federal district court patent infringement action can initiate an IPR to obtain a review by the PTAB of the validity of the patents in suit. The PTAB makes a threshold determination as to whether to “institute” the IPR by determining whether there is a “reasonable likelihood” that the petition will succeed in whole or in part. Depending on the scope of the relief sought in the IPR and whether it is instituted, a district court may stay the patent infringement case pending resolution of the IPR. This may take up to 18 months, and the stay may, in some instances, be extended while the appellate court reviews the PTAB decision up to an additional 12 months. If an IPR petition is not instituted, the case returns to the federal district court and is litigated in full. If the IPR is instituted, the validity determination will resolve the issue for the federal district court proceeding insofar as it relates to the types of invalidity determinations made by the PTAB; namely, (for the most part) validity determinations based on printed publications and patents. However, the PTAB will also look at other validity issues, including, for example, those based on prior art products or services insofar as they were made public in the marketplace, and validity issues arising under Sections 101 (patentable subject matter) and 112 of the Patent Act (enablement, written description, indefiniteness).

Between 2014 and 2018, the number of IPRs filed was relatively steady at between 1,600 and 1,800 petitions a year.<sup>54</sup> About 70% of these IPR petitions were instituted.<sup>55</sup> Of the instituted IPRs that proceeded to trial between 2016 and 2019, 60% to 70% resulted in the invalidation of all claims at issue; 15%-25% resulted in the affirmation of all claims at issue; and 10%-20%

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<sup>50</sup> *Id.* at 1362 (finding an implied threat of patent litigation by an NPE that stated that its patents “related” to HP’s products and refused to enter into a 120-day standstill agreement).

<sup>51</sup> *See Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360–61 (Fed. Cir. 1998). Additional conduct, such as physically visiting the forum for licensing negotiations or filing other infringement suits in the forum, may be sufficient, however, especially for foreign NPEs. *See Xilinx, Inc. v. Papst Licensing GmbH & Co. KG*, 848 F.3d 1346, 1357–58 (Fed. Cir. 2017).

<sup>52</sup> *See Red Wing*, 148 F.3d at 1361–62. But when a patent owner has an exclusive licensee or distributor in the forum, personal jurisdiction may be proper. *See Breckenridge Pharm., Inc. v. Metabolite Labs., Inc.*, 444 F.3d 1356, 1366–67 (Fed. Cir. 2006).

<sup>53</sup> *See VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 (Fed. Cir. 1990), *abrogated on other grounds by* *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017) (“It has long been held that a declaratory judgment action alleging that a patent is invalid and not infringed . . . is governed by the general venue statutes, not by § 1400(b).”).

<sup>54</sup> LexMachina, *Patent Litigation Report* (Feb. 2019), at 26.

<sup>55</sup> *Id.*, at 29.

resulted in mixed findings.<sup>56</sup> Since 2018, the number of IPR filings have dropped with just 1271 filings in 2019, 1443 filings in 2020, and approximately 1279 filings in 2021.<sup>57</sup>

### c. Current Developments in Patent Litigation in the U.S.

While many favored patent jurisdictions have become more congested over the last few years for a variety of reasons,<sup>58</sup> one Western District of Texas court is one of the fastest courts in the country. In this court's Standing Order Governing Proceedings for Patent Cases, issued October 8, 2021,<sup>59</sup> trials are scheduled to conclude within eighteen months. In some situations, the Western and Eastern Districts of Texas' procedural schedules can be as fast as twelve months.

An expedited procedural schedule is an important consideration for patent owners seeking a quick resolution as well as a defense mechanism against potential institution of IPR filings at the PTAB. In 2020, the PTAB denied 228 petitions on procedural grounds, roughly 20% of all institution decisions, relying on the *Fintiv* factors and the "trial date" framework for 51% of all 314(a) denials.<sup>60</sup> By September of 2021, 16% of all institution decisions were denied on procedural grounds, using the *Fintiv* factors to deny 73% of all 314(a) denials.<sup>61</sup> The *Fintiv* factors look at the following factors when copending litigation exists: whether the court will grant a stay, the proximity of the trial date, an overlap of issues between the district court and IPR, the investment in the district court proceedings, whether the parties are the same, and any other circumstance that would impact the PTAB's exercise of discretion. As a result, patent owners have increased patent litigation filings in forums, such as the Western and Eastern Districts of Texas and the International Trade Commission, that provide a fast trial schedule.

## 2. Brazil

Brazil may be an attractive venue for patent owners to file infringement actions and to obtain preliminary injunction, subject to a relatively expedited interlocutory appeal. A party would need to establish a likelihood of eventually prevailing on the merits and that the party will be harmed in the absence of such injunctive relief. This standard is easier for patent owners to obtain a preliminary injunction as compared to other countries. In addition, injunctive relief may be granted before any consideration of validity under the bifurcated court system in Brazil.

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<sup>56</sup> *Id.*, at 28.

<sup>57</sup> LexMachina, *Administrative Venues*, (last visited Dec. 23, 2021).

<sup>58</sup> United States Courts, *Federal Court Management Statistics—Comparison Within Circuit* (June 30, 2021), [https://www.uscourts.gov/sites/default/files/data\\_tables/fcms\\_na\\_distcomparison0630.2021.pdf](https://www.uscourts.gov/sites/default/files/data_tables/fcms_na_distcomparison0630.2021.pdf).

<sup>59</sup> Judge Alan D. Albright, *Standing Order Governing Proceedings-Patent Cases* (Oct. 8, 2021), <https://www.txwd.uscourts.gov/wp-content/uploads/Standing%20Orders/Waco/Albright/Standing%20Order%20Governing%20Proceedings%20-%20Patent%20Cases%20100821.pdf>.

<sup>60</sup> See UnifiedPatents, *PTAB Uses Discretion, Fintiv to Deny Petitions 38% in 2021 to Date*, <https://www.unifiedpatents.com/insights/2021/9/22/an-early-look-at-the-ptabs-use-of-fintiv-and-discretion-discretionary-denials-through-september-2021> (Sep. 22, 2021), <https://www.unifiedpatents.com/insights/2020-ptab-discretionary-denials-report>.

<sup>61</sup> *Id.*

## a. Global Venue Selection Factors

### i. *Factor 1 – The Market*

Brazil is the 9<sup>th</sup> largest economy in the world and the largest in Latin America,<sup>62</sup> with approximately 220 million people.<sup>63</sup> Prior to the global coronavirus pandemic, Brazil's economy was steadily reducing deficit and expanding its Investment Partnership Program (PPI), a program initiated by the government in 2016 to privatize some state entities and to partner with private enterprises on other public projects.<sup>64</sup> From 2016 to 2019, the PPI led 172 auctions among ports, railways, highways, and airports, collecting \$33.5 billion in auction bonuses and securing private investment commitments of \$171 billion.<sup>65</sup> During this time of growth, Brazil signed a significant trade agreement with the European Union after twenty years of negotiation.<sup>66</sup>

On the patent side, in July 2019, the Brazilian Ministry of Economy and the Brazilian Patent Office (BRPTO or INPI) announced a plan to tackle patent examination pendency.<sup>67</sup> By March 2022, according to BRPTO's official data, this plan resulted in a reduction of 79,57% of patent applications pending for decision.<sup>68</sup>

### ii. *Factor 2 – The Quality of Adjudication*

Brazil is a civil law country but implements a bifurcated court system that gives strong deference to court decisions. For instance, only patent infringement actions can be filed before the state courts. Some states, such as São Paulo and Rio de Janeiro, have district courts specialized in commercial disputes, including patent litigation matters. São Paulo has specialized chambers at both the first-instance and the appellate level. São Paulo and Rio de Janeiro are the largest venues with patent litigation in Brazil. Thus, knowledge of patent law by judges in São Paulo and Rio de Janeiro is improving fast.

Invalidity cases, however, must be filed before the federal courts although invalidity arguments may be raised in patent infringement actions as a matter of defense.<sup>69</sup> Federal courts in Rio de Janeiro have specialized district and appellate courts to hear IP validity cases. Notably, in a validity lawsuit, the BRPTO is a codefendant with the patent owner.

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<sup>62</sup> See U.S. Department of State, *2020 Investment Climate Statements: Brazil*, <https://www.state.gov/reports/2020-investment-climate-statements/brazil/> (last visited Dec. 23, 2021).

<sup>63</sup> See The World Bank, *Data for Brazil*, <https://data.worldbank.org/country/brazil> (last visited Dec. 23, 2021).

<sup>64</sup> *Id.* at Section 7.

<sup>65</sup> *Id.*

<sup>66</sup> See European Commission, *EU and Mercosur Reach Agreement on Trade* (June 28, 2019) <http://trade.ec.europa.eu/doclib/press/index.cfm?id=2039>; see also ClientEarth, *What's Going On with the EU-Mercosur Agreement?* (June 11, 2021), <https://www.clientearth.org/latest/latest-updates/news/whats-going-on-with-the-eu-mercotur-agreement/>.

<sup>67</sup> See Licks Attorneys, *Bye, Bye Backlog? Government Measures to Stimulate Business in Brazil* (July 10, 2019) <https://www.lickslegal.com/news/bye-bye-backlog-government-measures-to-stimulate-business-in-brazil>.

<sup>68</sup> See IPWatchdog, *Brazil's Patent System: Latest Statistics on Efforts to Reduce the Backlog and the Road Ahead* (July 1, 2021) <https://www.ipwatchdog.com/2021/07/01/brazils-patent-system-latest-statistics-efforts-reduce-backlog-road-ahead/id=135124/>.

<sup>69</sup> Article 56 of Law No. 9,279/96; see also IAM, *Brazil* (Oct. 28, 2021), <https://www.iam-media.com/index.php/global-guide/global-patent-prosecution/2022/article/patent-prosecution-brazil>.

In addition, there are no trials by jury and cases are therefore decided by a judge after concluding the “review of evidence” stage.

**iii. Factor 3 – Time to Trial and Final Relief**

Disputes usually last between two and four years at the trial court of first-instance, depending on the court’s productivity and the parties’ involvement. Infringement proceedings start when a patent owner files a lawsuit before a state court. Regarding the validity of a challenged patent, the challenger can file an invalidity lawsuit against the patent owner and the BRPTO before a federal district court at any time during the validity patent term. In addition, the Patent Statute provides the possibility of a post-grant opposition procedure.<sup>70</sup> The post-grant opposition can be filed by the BRPTO or by a third party until six months after the grant of the patent.

**iv. Factor 4 – Likelihood of Prevailing on the Merits**

Brazil has a relatively positive environment for patent enforcement. Preliminary injunctions on patent infringement cases are statutorily allowed.<sup>71</sup> It is also possible to obtain exclusion orders against the importation of infringing products. Additional remedies available include search and seizure of goods,<sup>72</sup> accounting documents, and a daily penalty against patent infringers. In view of the strong remedies available, there is a high rate of settlements before trial.

The Brazilian antitrust authority—the Administrative Council for Economic Defense (CADE). CADE has investigated (i) the enforcement of Standard Essential Patents, finding to date that they are enforceable, and where there is no proof that the patentee refused to license, the FRAND issue is strictly a private, contractual matter; and (ii) the enforcement of design rights in the automotive industry, finding to date there is no IP misuse for owners.<sup>73</sup>

In addition, the courts do not distinguish between nonpracticing entities and practicing entities.

**v. Factor 5 – Availability of Meaningful Relief**

Preliminary injunctions are available and often requested by plaintiffs in infringement lawsuits. The requirements for the granting of a preliminary injunction are (i) a strong evidence that convinces the judge of the likelihood of the plaintiff’s claims, and (ii) irreparable harm.<sup>74</sup>

Damages compensation can be sought in patent infringement proceedings. Compensation will be determined by the benefits that the injured party would have gained had the violation not occurred.<sup>75</sup> Loss of profits will be determined by the most favorable, to the injured party, of the

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<sup>70</sup> Article 51 of Law No. 9,279/96.

<sup>71</sup> Article 209 of Law No. 9,279/96.

<sup>72</sup> See JD Supra, *Enforcing Patents in Brazil: An Injunction Paradise?* (Nov. 22, 2017), <https://www.jdsupra.com/legalnews/enforcing-patents-in-brazil-an-99533/> (discussing Vringo v. ZTE).

<sup>73</sup> See IPTango, *Brazil: Cade Rejects Antitrust Investigation Against Ericsson* (Nov. 23, 2015), <https://iptango.blogspot.com/2015/11/brazil-cade-rejects-antitrust.html>; *Tauil Chequer, Brazil: CADE Rules for Auto Manufacturers in IP Dispute* (Mar. 19, 2018), <https://www.tauilchequer.com.br/en/perspectives-events/publications/2018/03/brazil-cade-rules-for-auto-manufacturers-in-ip-dis>.

<sup>74</sup> For more information on preliminary injunctions in Brazil available at *Enforcing pending patent applications in Brazil: a different approach to dealing with the backlog* (12, 2017, Oxford Journal of Intellectual Property Law & Practice).

<sup>75</sup> Art. 208 of the Patent Statute.

following criteria: (i) the benefits that would have been gained by the injured party if the violation had not occurred; (ii) the benefits gained by the author of the violation of the rights; or (iii) the remuneration that the author of the violation would have paid to the proprietor of the violated rights for a granted license which would have legally permitted him to exploit the subject of the rights.<sup>76</sup>

***vi. Factor 6 – Cost of Litigation***

There is no discovery in Brazil. In this sense, the cost of litigating patents in Brazil is less expensive as compared to other jurisdictions. The typical litigation costs (including both legal fees and other expenses) through trial in Brazil ranges from roughly \$200,000 to more than \$2 million depending on the size and complexity of the case. However, costs increase when the parties seek to obtain preliminary and permanent injunctions.

***vii. Factor 7 – Recovery of Fees***

Typically, the winner is entitled to receive court fees and other expenses incurred during the case, including the court-appointed expert's fees.<sup>77</sup> However, attorneys' fees are not reimbursed by the losing party.<sup>78</sup>

**b. Opportunity For Defendant-Initiated Litigation**

An accused infringer can file declaratory judgment (DJ) suits seeking a declaration of noninfringement and invalidity. The standing requirement for a DJ of noninfringement in Brazil is low because the plaintiff only needs to show simple evidence of the likelihood that the patent is going to be used against its own activities. For instance, evidence showing the behavior of the patent owner in similar circumstances can be enough evidence to support a noninfringement suit. One of the main purposes of a declaratory judgment suit is for a defendant's forum shopping strategy.

In addition, the Patent Statute regulates post-grant review proceedings; any third party with a legitimate interest or the BRPTO can challenge a patent within six months from the grant. If the challenge is successful, the patent is invalidated with retroactive effect to the date of filing.

Parties can always consider an invalidity lawsuit or a declaratory validity lawsuit. Brazilian federal courts will hear such cases even when post-grant review proceedings are pending before the BRPTO. The possibility of requesting a preliminary injunction to stay the post-grant review makes this strategy particularly useful.

**c. Current Developments in Patent Litigation in Brazil**

The most relevant development recently seen in Brazil was the unconstitutionality declaration by the Brazilian Supreme Court of the patent term rule provided for in article 40, sole paragraph of the Brazilian Patent Statute,<sup>79</sup> bringing the patent term in Brazil more in line with that of other IP

<sup>76</sup> Art. 210 of the Patent Statute.

<sup>77</sup> Chambers and Partners, *Patent Litigation 2021-Brazil* (Feb. 15, 2021), <https://practiceguides.chambers.com/practice-guides/patent-litigation-2021/brazil/trends-and-developments>.

<sup>78</sup> *Id.*

<sup>79</sup> [Roberto – please add in full cite to Supreme Court decision here, [Sept. 1, 2021]] The Unconstitutionality Challenge 5,529 (ADI #5,529), addressing Brazilian Patent Statute. Article 40, which read: “The patent for

regimes. The Supreme Court also ruled that the decision would have a retroactive effect for patents related to pharma products and methods, as well as medical equipment and supplies.<sup>80</sup> Patent owners and applicants with granted patents in the pharma and human health sectors will likely see an impact related to their license agreements and assets. The BRPTO has already issued the new patent terms for most of the affected patents.

## B. EUROPE

### 1. Germany

Key reasons to file a patent litigation suit enforcing a global patent portfolio in Germany include the availability of injunctive relief within roughly a year of litigation at moderate cost. In particular, in view of the bifurcated system according to which infringement and validity are determined in separate proceedings by separate courts, the so called “injunction gap” is considered attractive by plaintiffs. Also attractive to patent plaintiffs is the fact that Germany has highly-specialized patent courts and attorneys with a wealth of experience leading to significant predictability and high-quality decisions, i.e. decisions that are respected, and often followed, in the rest of Europe.

From the patent defendant’s perspective, potential infringers often file proactive invalidity actions in Germany.

#### d. Global Venue Selection Factors

##### i. *Factor 1 – The Market*

28 of the world’s 500 largest stock market listed companies are headquartered in Germany. Second, it has a relatively large number of small and medium enterprises (SMEs, known as the “Mittelstand”) which are often market leaders in their specific segment. Accordingly, significant portions of worldwide supply chains are often located within Germany.

Hence, evidence of infringement is usually available since the attacked embodiments are quite often manufactured, distributed, and sold within Germany.

Germany is the largest economy in Europe and 4<sup>th</sup> largest worldwide behind the U.S., China, and Japan (GDP is at approx. USD 4.177 trillion); Germany is the third largest exporter worldwide (approx. 46% of GDP); GDP per capita is at approx. USD 54,000; approx. 3% of GDP is spent on R&D.

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invention will remain in force for a term of 20 (twenty) years and the utility patent for a term of 15 (fifteen) years counted from the filing date.”

[Roberto – what is this “Sole paragraph” language here referring to? Please clean up.] Sole paragraph. The validity term shall not be less than 10 (ten) years for the patent for invention and 7 (seven) years for the utility patent, counted from the granting date, except in the event that the BRPTO is prevented from proceeding to the examination of merits of the application, due to proven judicial pending or reason of force majeure.

<sup>80</sup> SICE, *supra* note 102.

*ii. Factor 2 – The Quality of Adjudication*

Generally, Germany has a high quality of adjudication due to the following factors: high reputation (constitutional independence, specialist courts, judges and lawyers, significant experience from adjudicating the highest number of cases by far in Europe year by year), predictable judgments (usually patentee-friendly), and a significant influence on other jurisdictions (e.g., the U.K. Supreme Court’s strong convergence to Germany’s approach to equivalence<sup>81</sup>). The latter aspect is particularly noteworthy as German judgments often serve as pilot judgments for a European-wide or even global settlement.

The German courts’ so-called “injunction gap” significantly impact the quality of the adjudication, in favor of the plaintiffs and to the detriment of defendants. This “injunction gap” refers to the fact that injunctive relief can be imposed before any finding is made on patent validity in Germany, because:

- infringement and nullity (i.e. validity) are determined in separate proceedings by separate courts (;
- infringement proceedings are decided much quicker than validity proceedings;
- an injunction ordered by the infringement court of first-instance can be provisionally enforced even if an appeal is filed and even if there is not yet a validity decision

Regional Courts are competent to hear infringement actions whereas these courts do not have jurisdiction to determine the validity of the patent in suit. For this, the defendant has to lodge an opposition with the EPO or (after lapse of the opposition period or a final decision by the EPO) file a nullity action with the German Federal Patent Court. The infringement courts only assess validity on a prima facie basis in order to decide whether or not to stay the proceedings. The threshold for achieving a stay is rather high (however, the rate to stay infringement proceedings pending the parallel validity proceedings increased in recent years from approx. 10% to something like 20-30%). As a consequence, and because the infringement proceedings move more rapidly than nullity actions, there is often a “gap” between the time that an injunction is issued by the Regional Court and the time when the EPO finally determines the patent’s validity.

The best that a defendant can insofar achieve on the infringement side is a stay of the infringement proceedings in view of validity concerns. However, in practice, a stay does not happen very often as the threshold—a “high likelihood of invalidation”—is high.

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<sup>81</sup> Cf. [2017] U.K.SC 48 re *Actavis v. Eli Lilly*.

As regards discovery and inspection, these are available in Germany if the claimant can show a likelihood of infringement. However, the claimant has to specify exactly which documents have to be disclosed or, respectively, where and what needs to be inspected. Furthermore, the claimant also needs to state as to why the disclosure of certain documents or the inspection of certain premises is important for the case and why there is no other reasonably available means to obtain the information sought. German law, including its implementation of the EU Enforcement Directive 2004/48/EG,<sup>82</sup> thus provides litigants with several options to retrieve evidence which is in the domain of the opposing party (or an unrelated third party). Moreover, the amount of evidence required to succeed depends on the level of substantiation the defendant puts forward when contesting. As a result, if a plaintiff can make it sufficiently plausible that there likely is infringement, it will usually be able to gather the required evidence to prove its case.

Generally, German court proceedings are public and thus, there is principally no protection of confidential information. However, the parties can request the court to exclude (i) the public during the oral hearing or (ii) certain parts of the file from a third-party file inspection request, but these measures are at the discretion of the court. In view of the implementation of the EU Trade Secret Directive,<sup>83</sup> Germany has adopted various measures to protect confidential information in main proceedings. As a consequence of the recent German Patent Act reform,<sup>84</sup> these measures can now also be applied to patent infringement proceedings. For instance, the court may order the parties to not disclose certain protected information outside of the pending proceedings and limit the number of persons getting access to such information (i.e., “confidentiality club”). Therefore, the presentation of proprietary technical information or of comparable license agreements under FRAND aspects is now considerably easier and the protection of confidential information has been significantly improved.

German courts decide cases based on the legal briefs submitted by the parties, the exhibits filed, and the arguments made by the advocates during the court hearing, which usually only lasts a few hours. Cases are normally decided without live examination of experts or witnesses, but meaningful expert involvement is possible through written expert declarations and informal questioning by the court. Technical experts need not be local and foreign experts are regularly relied upon.

A special advantage of patent litigation in the German courts is the availability of utility models which are registered within only a couple of weeks. This is particularly attractive if there is urgent need for a readily enforceable protective right. For instance, a utility model can be branched off from a still pending patent application. Its claims can be tailored to the accused embodiment within the original disclosure of the parent patent application. In principle, utility models can be enforced in the same way as patents. However, the threshold for the defendant to achieve a stay is considerably lower since utility models are not substantively examined. Furthermore, unlike in patent infringement cases, an invalidity objection is available within the infringement proceedings. However, defendants typically prefer to attack the validity of the utility model in separate cancellation proceedings and request the infringement court to stay the infringement proceedings until a decision on validity is available.

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<sup>82</sup> [Add cite+description]

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### *iii. Factor 3 – Time to Trial and Final Relief*

Essentially, the time to trial depends on the chosen forum:

- Federal Patent Court *only for nullity actions*: ~2.5 – 3 yrs.
- Regional Court Dusseldorf: ~12 mts. to 1.5 yrs.
- Regional Court Mannheim: 8 to 12 mts.
- Regional Court Munich I: ~12 mts.
- Appellate Courts: ~1.5 – 2 yrs.

Final relief is available after the judgment has become legally binding (however, a first-instance judgment is preliminarily enforceable whereas *principally* the winning party has to deposit a security during the appeal period and the potentially lodged appeal). First-instance judgments are usually rendered a couple of weeks after the oral hearing. Second instance judgments are also preliminarily enforceable *principally* without having to provide security (unless the losing party also provides security).

### *iv. Factor 4 – Likelihood of Prevailing on the Merits*

German courts are usually perceived as patentee-friendly so that there is—in general—a solid chance to prevail on the merits. Due to the principle of submission and production of evidence (“Beibringungsgrundsatz”), the claimant does not even have to fully prove its case. It might be sufficient to base one’s case on substantiated and concrete indications if the defendant is not able to contest these with the same level of substantiation.

### *v. Factor 5 – Availability of Meaningful Relief*

*Availability of Injunctive Relief.* Under German patent law, an injunction is issued if infringement is found (i.e., German courts issue so-called quasi automatic injunctions). Since the reform of the German Patent Act in [insert year], the claim for an injunction can be excluded or tailored in view of any disproportionate hardship for the defendant. However, that change in law merely codified the leading and very restrictive case law of the Federal Court of Justice (Germany’s highest court) so that an exclusion of an or a tailored injunction should only occur in very exceptional and rare cases. Under an injunction the defendant is ordered to cease and desist from, inter alia, manufacturing, offering for sale, distributing, and using the attacked product or process.

*Other relief.* Other available relief includes recall and destruction of infringing products, public notification of the decision, the obligation to disclose details regarding suppliers and customers and the obligation to disclose details regarding numbers and profits.

*Availability of Substantive Damages.* A first-instance judgment stipulates the defendant’s obligation to pay damages in principle. The actual amount is subject to second consecutive proceedings. There, the claimant has three options to calculate its damages which he can freely choose: reasonable royalty, share of infringer’s profit, or own lost profits. Punitive damages are not available; only compensatory damage are available in Germany. Damages proceedings can be burdensome and time-consuming. Very high damages awards are rather the exception than the rule.

This is why, in the majority of cases, the parties settle after any initial infringement decision (from a German or any internationally renowned court) and come to a commercially meaningful solution.

*Availability of preliminary relief (i.e., preliminary injunctions and seizures.* Preliminary relief is available, with regards to preliminary injunctions as well as seizures.

Until recently, courts even issued ex parte injunctions but due to recent caselaw by the German Constitutional Court, either the claimant (by way of warning letters or the like) or the court has to ensure the defendant's right to be heard (ex parte injunctions are still possible but only in rare circumstances, e.g., in trade-fair matters).<sup>85</sup> The same applies to seizures as measures to protect the claims for recall and destruction which are themselves not enforceable by way of a preliminary injunction.

In the context of seizures (of samples, documents etc.) for infringement evidence purposes, preliminary measures (even ex parte) are quite common.

*Border detention measures.* The German customs authorities have become rather sophisticated (upon the request of IP proprietors) in detecting and detaining infringing products entering the European market via Germany. IP proprietors can request the cooperation of customs by filing a border detention request, listing the relevant IP rights, and providing sufficient details for recognizing the goods upon arrival. When customs authorities encounter products which conform to a border detention request, they will normally retain the products and inform the IP proprietor forthwith, who can then follow up with appropriate action (e.g., inspect, and, if appropriate initiate civil proceedings).

#### **vi. Factor 6 – Cost of Litigation**

German litigation cost is significantly lower than litigation cost in U.S. or U.K. proceedings. The main driver for costs are the party's own attorney fees (which are usually based on hourly rates). Depending on the complexity of the matter, such fees amount to approx. EUR 100,000 to 250,000 for first-instance proceedings (infringement as well as nullity proceedings). Apart from that, the claimant has to advance the statutory court fees. Court-appointed experts are very rare so that such costs are usually not incurred. However, in high-stakes cases, the fees can be higher and recovery of fees is a relevant factor to be considered for the cost risk analysis.

#### **vii. Factor 7 – Recovery of Fees**

Germany has adopted a limited “winner-takes-it-all”-principle. The winning party has a claim against the losing party for reimbursement of statutory attorney and court fees and other necessary expenses, such as, e.g., travel and translation costs. The attorney and court fees are in turn based on the value in dispute which depends on the patent holder's economic interest in winning the proceedings. For example, the reimbursable statutory fees for a value in dispute in the amount of EUR 500,000 in first-instance infringement proceedings amount to approx. EUR 16,000. Typical values in dispute range from EUR 500,000 to EUR 5,000,000. The statutory maximum value in litigation is EUR 30,000,000.

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<sup>85</sup> Docket nos. 1 BvR 1783/17 and 1 BvR 2421/17.

### e. Opportunity For Defendant-Initiated Litigation

The only accepted opportunity for defendants to initiate litigation in Germany (besides bringing a proactive invalidity attack) to date is a negative declaratory action aimed at a judicial determination that the acts committed by the claimant do not infringe the respective patent. For this, however, the claimant needs to show an own legal interest in this determination which is usually given if the patentee has alleged to have a claim for patent infringement against the claimant (“Berührung”). A similar action could also be initiated, e.g., by way of an Italian or Belgian *torpedo* in other jurisdictions (see below for details).

Declarations of obviousness of a product over the state of the art on a particular date (“*Arrow* declarations”), and declarations of “FRAND”-ness of license offers in a Standard Essential Patent dispute have not yet been decided by case law but are likely available in Germany like in other European countries.

In SEP/FRAND-cases, potential defendants may file a claim against the SEP-holder for making a FRAND-offer.<sup>86</sup> However, unlike in the U.K., this does not necessarily comprise a determination of the FRAND-conditions by the court. Rather, the court would only decide whether the offer made by the patentee is FRAND or not. In adjudicating FRAND issues, the German courts stick closely to the requirements set out by the CJEU in *Huawei v ZTE*.<sup>87</sup> Accordingly, the defendant can raise the so-called FRAND-defense against the asserted claims for injunction, recall, and destruction. The claims for information, rendering account, and damages are still enforceable even if the FRAND defense is successful wherein those may be limited to a FRAND royalty. The German SEP/FRAND case law is currently very much in flux and quite diverging comparing the practice of in particular the Mannheim, Munich, and Dusseldorf courts. So far, no German court has decided a specific FRAND royalty or range.

### f. Current Developments in Patent Litigation in Germany

The most recent development was a reform of the German Patent Act which took effect in August of 2021. The reform was lobbied for by the automotive and telecommunications industry and resulted in three important changes to the law. First, the claim for an injunction can be excluded or tailored in view of disproportionate hardship for the defendant. However, that change merely codified the leading and very restrictive case law of the Federal Court of Justice so that an exclusion of an injunction should only occur in very exceptional and rare cases. Second, and much more importantly, a deadline of six months to provide a qualified written opinion on validity early on was imposed on the Federal Patent Court in nullity proceedings in order to be used on the infringement side for stay requests there. It remains to be seen whether or not the Federal Patent Court will be able to meet that requirement in reliable quality and whether or not the infringement courts will then follow or not follow the qualified written opinion. Third, the protection of trade secrets in patent infringement proceedings by applying certain rules of the German Act on the Protection of Trade Secrets has been significantly improved. For instance, the court may order the parties to not disclose certain protected information outside of the pending proceedings and limit the number of persons getting access to such information (the

<sup>86</sup> Kühnen, GRUR 2019, 665. [Need full cite if include; but Ben – am I correct in recalling we decided not to cite this article during our SEP/FRAND global edition efforts? If so, I presume we should not cite to it or discuss this issue here either, correct?]

<sup>87</sup> [Add cite]

“confidentiality club”). Therefore, the presentation of proprietary technical information or of comparable license agreements under FRAND aspects is now considerably easier.

## **2. United Kingdom**

The United Kingdom is a common law jurisdiction with substantial discovery processes (albeit more limited than in the U.S.), oral evidence including cross-examination, and oral advocacy before a specialist patents judge. This leads to decisions that are respected, and often followed, in Europe. Historically, it has attracted much international pharmaceutical litigation. More recently there has been an influx of SEP-FRAND litigation owing to developments in the law.

### **a. Global Venue Selection Factors**

#### ***i. Factor 1 – The Market***

The United Kingdom has a population of approximately 67 million people and is presently the fifth largest economy in the world by GDP, and the largest economy in Europe that is independent from the European Union.<sup>88</sup>

As such, it is a major market for pharmaceutical and electronic products that form the focus of much international patent litigation. It also has a not insignificant manufacturing base, albeit diminished in contrast with the past. Given the size of the market and the U.K. courts’ liberal and compensatory approach to assessing damages, awards for damages are relatively high compared with most other jurisdictions around the world, other than the United States.

#### ***ii. Factor 2 – The Quality of Adjudication***

The United Kingdom comprises three civil jurisdictions: England and Wales, Scotland, and Northern Ireland (with the U.K. Supreme Court serving as the final court of appeal for all three jurisdictions). If an alleged infringing act takes place throughout the U.K., then a claimant has a choice of jurisdiction. The territory of U.K. patents and European patents is U.K.-wide and, accordingly, the courts of any of the three constituent jurisdictions will grant injunctions that are U.K.-wide in scope. Mostly, however, patent litigation in the U.K. takes place in the Patents Court in England and Wales. The remainder of this section describes the position in England and Wales.

The Patents Court of England and Wales is widely regarded as being of very high quality and has a strong track record. It is a specialist court, within the Chancery Division of the High Court. As such, it has a bespoke procedure for patent cases and specialist judges. It deals with the higher value or more technologically complex cases in the U.K., with lower value or simpler cases being heard by another specialist IP court (the Intellectual Property Enterprise Court, which has special procedures aimed at reducing fees and costs, and with limited fee-shifting, discussed further below). All cases in the Patents Court are assigned to nominated patent judges, and those that have been assessed as being more technically difficult (categories 4 and 5 on a scale of 1 to 5) are assigned to judges who are career patent lawyers. Historically, there have been two or three such career patent specialist judges. The Patent Judges are well respected by their peers in other jurisdictions and are influential in other jurisdictions that are members of the European Patent

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<sup>88</sup> See the Center for Economics and Business Research (CEBR) World Economic League Table 2022: [Our Services](#) | [Centre for Economics and Business Research \(cebr.com\)](#).

Convention, including Germany and the Netherlands. Judges in those jurisdictions will frequently follow U.K. judgments (and if they do not, will usually give reasons for differing).

English civil procedure allows for written disclosure or discovery (the degree of disclosure being tailored according to a flexible menu of options, but invariably less extensive than that in the United States), provision for conducting experiments, extended cross-examination of fact and expert witnesses, and oral proceedings before the judge.

### *iii. Factor 3 – Time to Trial and Final Relief*

In a statement dated 10 December 2015, the Patents Court stated that it endeavors to bring patent cases to a final liability trial where possible within 12 months of the claim being issued. In practice, the time to liability trial is often more than 12 months, generally taking between 12 and 18 months.

It is possible for proceedings to be stayed pending EPO opposition proceedings if they are afoot,<sup>89</sup> although this is not common and tends to happen only if the EPO opposition proceedings are well advanced.

Judgments will typically be handed down within a few weeks of trial, with the final order as to relief being made a month or so after that. In a case where a patent has been found valid and infringed, the order will set out the scope of any injunction ordered, and also allow the commencement of a damages inquiry or an account of the infringer's profits (following the provision of limited disclosure to allow the successful patent holder to make an informed election between the two types of relief proceedings).

Permission to appeal a judgment is required. Such permission will not necessarily be granted, particularly if the judgment relates to questions of fact, or mixed questions of fact and law, such as obviousness or inventive step. If permission to appeal is granted, the appeal hearing will generally take place within about a year, currently less. The court will often stay any injunction pending appeal, balancing the interests of the parties if the judgment is overturned on appeal.<sup>90</sup> Usually, a cross-undertaking to the court will be required to be given by the patent holder to reimburse the defendant for its losses should the injunction be lifted on appeal.

As proceedings in the U.K. are bifurcated, the award of damages or infringer's profits is not made immediately following the liability trial. There is, instead, a further trial (a damages inquiry or account of profits) that will run to a similar timescale to that for the liability trial. Nonetheless, it is possible to apply for an interim payment of the irreducible minimum amount of damages that will likely be awarded.

### *iv. Factor 4 – Likelihood of Prevailing on the Merits*

The cases that are tried in the Patents Court in England and Wales are small in number and tend to be part of a wider international dispute. Generally, the court examines the issues of validity and infringement very carefully, such that that overall success rates of patent holders seeking to establish infringement of a valid patent are low.

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<sup>89</sup> Virgin Atlantic Airways v. Zodiac Seats U.K. [2013] UKSC 46 and IPCo v. HTC Europe Co. [2013] EWCA 1496.

<sup>90</sup> Minnesota Mining and Manufacturing Co v Johnson & Johnson [1976] RPC 671.

Below is a table showing the number of first-instance judgments from 2009 to 2019, the number of judgments in which at least one patent was held valid, the number of judgments in which at least one patent was held to be infringed, and the number of judgments in which at least one patent was held to be valid and infringed.

Year	Number of judgments	First-instance judgments with a finding of validity	First-instance judgments with a finding of infringement (including conceded infringement)	First-instance judgments with a finding that a patent is valid and infringed
2009	24	12/23	11/15	7/14
2010	10	4/9	3/9	1/8
2011	15	5/14	5/13	1/12
2012 <sup>91</sup>	16	10/16	6/12	4/12
2013	23	10/18	14/19	6/14
2014 <sup>92</sup>	23	7/19	13/17	7/14
2015	12	5/11	4/6	1/6
2016	17	4/14	10/13	3/10
2017	11	3/10	6/7	2/6
2018	12	7/11	7/10	6/9
2019	16	4/15	13/13	4/12
2020	14	10/14	10/12	8/9
2021	19	7/18	13/17	4/15

*Derived from the data published in A User's Guide to Patents, Fifth Edition, by Trevor Cook, WilmerHale, published by Bloomsbury Professional Law (other than 2019-21 data provided directly by Trevor Cook).*

No overall pattern can be discerned, other than that historically, save in one year, the number of judgments in which at least one patent was found valid and infringed has not exceeded 50% of judgments in which both issues were considered.

The consequence of these success rates is that, up until recently, the court lists have been dominated by international pharmaceutical patent litigation. Generic companies have been encouraged by the rates of invalidation and the need under English law to 'clear the way' in advance to avoid being enjoined upon launch (and, accordingly, bringing claims for revocation and declarations of noninfringement, targeted at those patents that were perceived to be weaker).

<sup>91</sup> Excluding finding of infringement in declaration of noninfringement claim.

<sup>92</sup> Excluding finding of infringement in declaration of noninfringement and groundless threats claims.

More recently, a large number of cases have been brought by declared Standard Essential Patent holders, including nonpracticing entities, in the cellular telecommunications field. In particular, declared SEP holders seek to obtain an injunction in respect of any one U.K. patent in their portfolio, with a view to demanding a FRAND license to their entire global portfolio.<sup>93</sup> A patent holder with a large portfolio will seek to demand a high value license and will be in a position to assert a large number of patents with a view to increasing its overall chances of success.

**v. Factor 5 – Availability of Meaningful Relief**

In the United Kingdom, a patent owner may launch civil proceedings for patent infringement and claim the following main types of relief:

- an injunction to stop or prevent infringement;
- delivery up or destruction of infringing goods; and
- damages or an account of infringer's profits.

*Interim, final and springboard injunctions*

Whether to grant an injunction is up to the court's discretion and is not a remedy provided as of right. The court may grant an injunction when it considers it to be just and convenient in the circumstances, bearing in mind the need for any relief to be effective, proportionate, and dissuasive.

The following questions are considered by the judge when weighing up whether to grant a preliminary interim injunction:

1. is there a serious question to be tried?;
2. where does the balance of convenience lie? (including a consideration of whether damages would be an adequate remedy); and
3. are there any special factors?

In practice, interim injunctions are largely limited to pharmaceutical cases involving generic pharmaceutical companies that have failed to "clear the way" before launch (e.g., by obtaining a declaration of noninfringement or revoking the patent). For a patentee to be successful, the interim injunction application must be made without delay. The patentee must give a cross-undertaking as to the damages that will be payable to the defendant in the event the injunction is eventually deemed wrongly granted because the patentee loses at trial or subsequently. Such cross-undertakings can also be in favour of third parties that suffer loss as a result of the interim injunction.

A final injunction may also be granted following a substantive trial to mandate or prevent certain acts (such as the manufacture, sale, or importation) of goods held to infringe a patent. It may be stayed pending appeal, as discussed above. A final injunction may not be granted if the cost of design around is disproportionate, and if the licence being demanded is excessive. Nonetheless, in the ordinary course, a final injunction will be granted following a finding of infringement.

Springboard injunctions that continue post-patent expiry may be available where the final product is not infringing but the process by which it was developed did include infringing acts.

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<sup>93</sup> Based on *Unwired Planet International Ltd. v. Huawei Technologies (U.K.) Co.; Huawei Technologies Co. v. Conversant Wireless Licensing SARI; ZTE Corp. v Conversant Wireless Licensing SARI* [2020] UKSC 37 (judgment for the three appeals holding that a FRAND license can be global). [J. Ko 5/30 note: The three appeals were heard together such that the same judgment applies and there is only citation]

Any such injunction should reflect the advantage gained by the infringing use and not put the patentee in a better position than if there had been no infringement. These are rare.

*Delivery up or destruction of infringing goods*

Where goods have been found to infringe patent rights, courts may order, at the request of the applicant, delivery up or destruction of any patented product in relation to which the patent is infringed or any article in which that product is inextricably comprised.

*Damages or an account of profits*

A patent owner may seek damages (relating to losses to the patent owner caused by the infringement) or an account of profits (relating to the profits made by the infringer through their infringing activities, the purpose being to quantify any unjust enrichment). Both remedies are usually claimed in the alternative in the particulars of claim (pleadings). It is only after infringement has been found that the patent owner must elect damages or an account of profits.

Generally, damages are compensatory, not punitive. Where the patentee sells or manufactures products, it may claim for the lost sales of products sold by the infringer, as well as losses from sale and supply of ancillary items. Where the patentee usually licenses the patent, the measure of damages will usually be a royalty rate, based on comparable license agreements. Where the patentee neither manufactures nor sells products, and does not license the patent, the court will seek to determine a notional royalty rate, applying the user principle that a royalty reflects the damage suffered. The general rule is that the damages will amount (as far as possible) to the sum of money that would put the injured party in the same position as he would have been if he had not sustained the wrong. The burden of proof in establishing the amount of damages lies with the claimant but damages are assessed liberally.

An account of profits is rare in patent cases because, typically, a party would expect to recover more through a damages inquiry. The court will assess the overall profit, and then make an apportionment.

*FRAND license determination*

The U.K. Supreme Court<sup>94</sup> held in August 2020 that (a) the U.K. courts have the jurisdiction, and may properly exercise their power, to grant an injunction in respect of a U.K. patent that is an SEP, unless the implementer of the patented invention enters into a FRAND license; (b) such a FRAND license may be a global license of a multinational patent portfolio; and (c) the U.K. Court may determine the terms of that licence without both parties' agreement.<sup>95</sup>

As a consequence of this decision and the relief available to SEP owners, the English Court continues to be a leading forum for resolving global SEP FRAND disputes.

**vi. Factor 6 – Cost of Litigation**

Although the United Kingdom has a reputation for being a relatively expensive forum in which to litigate, costs are generally lower than in the U.S.

There are a number of options available to claimants in certain circumstances that can serve to limit and control costs. This includes issuing proceedings in the Intellectual Property Enterprise

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<sup>94</sup> *Id.*

<sup>95</sup> [Add cross-reference to forthcoming Sedona WG9 SEP-FRAND “global Edition” publication]

Court (IPEC) or in the High Court under the Shorter Trials Scheme or seeking an expedited trial.

The IPEC is a specialist IP court with a streamlined procedure, fixed costs recovery (see below) and a cap of £500,000 on the financial remedies (unless otherwise agreed by all the parties). The objective of IPEC was to handle the smaller, shorter, less complex, less important, lower value actions, and the procedures applicable in the court are designed particularly for cases of that kind. It is seen as a forum for litigation by SMEs, although not exclusively and it has been a popular forum to litigate.

The Short Trials Scheme enables parties to proceedings to benefit from resolving disputes in a shorter time period with trials being listed more quickly and judgment being handed down within 6 weeks of trial. It is, however, only appropriate for the less complex cases.

### *vii. Factor 7 – Recovery of Fees*

The general principle in the U.K. is that the unsuccessful party is ordered to pay the costs of the successful party. Subject to limited exceptions, the court has wide discretion to make a different order after taking into account all relevant factors including, amongst other things, the conduct of the parties before and during the proceedings, whether a party has succeeded on part or all of its case, the complexity of the case, as well as whether either party has refused to attempt to mediate or settle the case. It is usual for fee-shifting to be issue-based, where a winning party's fees are discounted in relation to the issues on which it has lost. Once the court has determined whether costs are recoverable and by which party, there is a separate process called "assessment" which determines the amount of costs recovery.

The general rule for cases in the Patents Court is that costs will be assessed on the standard basis and the court will only award costs which are proportionate to the matters in issue. The party seeking to recover its costs must prove the reasonableness and proportionality of the amount claimed. The court can also award costs on the indemnity basis, though such an award is less common as it is considered to be penal in nature. Where indemnity costs apply, the court will resolve any doubt which it may have as to whether the costs were reasonably incurred or were reasonable in amount in favour of the receiving party. There is no requirement for the costs to be proportionate.

In the case of the IPEC, costs recovery is capped at £50,000 for the liability phase and £25,000 for the damages/account of profits phase. In addition to the overall cap, there are limits on the costs payable for each stage of the proceedings.

A patentee that has been successful in upholding its patent should seek a certificate of contested validity from the court. The court has discretion whether to grant such a certificate but, where it is granted, then if in any subsequent proceedings for infringement or for revocation of the patent the patentee is successful, they are entitled, unless the court or the comptroller otherwise directs, to be awarded their costs or expenses as between solicitor and own client (other than the costs or expenses of any appeal in any such proceedings). Such costs are generally more generous than costs assessed on a standard or indemnity basis.<sup>96</sup>

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<sup>96</sup> s. 65 Patents Act 1977. The approach to determining costs when the patentee has a certificate of contested validity was considered in *Optis Cellular Technology v. Apple Retail U.K. Ltd* [2020] EWHC 3248 (Pat).

Parties often reach agreement as to the amount of costs to be paid by the losing party in advance of it being assessed by the court.

## **b. Opportunity For Defendant-Initiated Litigation**

### *Revocation proceedings*

Under U.K. patent law, there are five grounds for revocation of a patent by a third party:

- Non-patentability: that the invention is not novel or inventive, or it relates to excluded subject-matter, such as business methods;
- Non-entitlement: the patent was granted to a person not entitled to it;
- Insufficiency: the patent specification does not describe the invention sufficiently to enable it to be reproduced by the skilled person;
- Added matter: the subject-matter of the patent extends beyond the content of the originally filed application; and
- Unallowable post-grant extension: the projection conferred by the patent has been extended by an amendment after grant, but which should not have been allowed.

No standing is required to bring a claim for revocation of a patent in the U.K.

### *Declaratory relief*

There is statutory provision on the Patents Act for declarations of noninfringement to be brought by any party. No standing is required.

Additionally, the English court, under its Civil Procedure Rules and its inherent jurisdiction, has a wide general power to make declarations that will serve a useful purpose, having considered justice to the claimant and the defendant, as well as whether there are any other special reasons why the court should or should not grant declaratory relief.

Over time, a range of declarations have been developed by the courts. For example, a potential infringer can seek declaratory relief in circumstances where a patent right has yet to be granted (termed *Arrow* declaratory relief after the case which first confirmed the court's jurisdiction to grant such relief). An *Arrow* declaration is a declaration that the applicant's own product or process, or aspects of it, were known or obvious at a particular relevant date. This arises particularly in cases where divisional patent applications are pending and pose a threat to the applicant, and where there are other factors indicating that the patentee is shielding subject matter or patents from scrutiny before the courts. The award of such a declaration provides a defense against a future claim of patent infringement. This is because if the product or process (or aspects of it) was known or obvious at the priority date of the relevant patent, then none of that patent claims can be both valid and infringed by that relevant product or process.

The English court has also confirmed that it has jurisdiction to grant declaratory relief concerning Supplementary Protection Certificates (SPCs)<sup>97</sup> that have yet to be granted. Such a declaration has been sought on the basis that any application that the patentee might make seeking an SPC based on the Claimant’s marketing authorisation would be invalid.

Another example of a declaration claim that the court will entertain is for a declaration of non-essentiality, that is to declare that a particular patent is not essential to a standard.

The English court has also been willing to grant declarations of noninfringement of European patents in other jurisdictions, provided that validity is not in issue.

### *Groundless threats*

An alleged infringer may also bring an action against the patentee for groundless threats of infringement proceedings. The “threat” is actionable if it is determined to be a “threat of infringement proceedings” following an objective two-step test. Threats need not be understood to relate only to bringing infringement proceedings in the U.K., and the threat need not be directed at a particular individual for it to be an actionable threat. However, there is a “safe harbour” for patent holders to make communications for “permitted purposes” with a person who might otherwise be entitled to bring an unjustified threats action. The “permitted purposes” include notifying the recipient of the communication that the patent right exists; attempting to discover whether and by whom the patent is infringed; and giving notice that a person has a right under a patent where that person’s awareness of the patent is relevant to the action that may be taken.

## **c. Current Developments in Patent Litigation in the U.K.**

As discussed above, the U.K. Supreme Court has held that the U.K. courts have jurisdiction to determine the terms of a FRAND license on a *global* basis in cases where a standard essential patent holder establishes that one of its patents is valid and infringed. The Chinese courts have indicated that they may follow suit; however, to date, no other national court has made a FRAND determination on a global basis. This has led to an influx of litigation to the U.K. courts, although the Chinese Supreme Court has since confirmed that the Chinese courts also have jurisdiction to determine the terms of a global FRAND license.<sup>98</sup>

## **3. France**

Key reasons to start proceedings in France include the possibility of obtaining an injunction in a major EU market where both validity and infringement are adjudicated at the same time by the same court, with well-regarded specialized judges. As a continental European law country where no discovery or disclosure are available, France has developed a major experience in gathering evidence through the use of search and seizure *ex parte* orders. This use is particularly relevant when building a multinational litigation strategy as elements obtained through search and seizure can usually be used in other jurisdiction. Another key reason to start litigation in France is the possibility of obtaining an advance of damages at the same time of the finding of liability (even in preliminary injunction proceedings) and also final damages within a reasonable timeframe.

<sup>97</sup> Extensions to the period of exclusivity conferred to a medicinal product covered by a patent after patent expiry to compensate the patentee for the loss of effective protection provided by a patent due to the delay between filing a patent application and obtaining a marketing authorization.

<sup>98</sup> Oppo v Sharp SEP ((2020) Zui Gao Fa Zhi Min Xia Zhong No. 517).

**a. Global Venue Selection Factors**

**i. Factor 1 – The Market**

France is the second largest economy in the European Union and the seventh largest worldwide by GDP.<sup>99</sup> France's GDP is approximately USD 2.7 billion and around 2% of its GDP is spent in R&D.<sup>100</sup>

France has a large presence in variety of sectors such as the automotive, pharmaceutical, aeronautics, and chemicals sectors, as well as agriculture. In recent years, France has been ranked 1<sup>st</sup> in Europe for foreign investments and also 1<sup>st</sup>, at a sector-based level, for foreign investment in industrial activities for the past fifteen years.<sup>101</sup> A number of major international companies are also headquartered in France.

**ii. Factor 2 – The Quality of Adjudication**

France is recognized as a country where the quality of adjudication is considered to be high. Patent litigation is in the hands of civil professional judges (though with no technical background) for both invalidity and infringement claims. In order to increase the predictability of decisions, patent litigation is within the exclusive jurisdiction of the Paris judicial first-instance court where a specialized chamber (the third Chamber which, in turn, is subdivided in three sections consisting of three judges) is dedicated to deal with intellectual property cases. The Paris court of appeal also comprises a specialized chamber for intellectual property matters (Division No. 5 subdivided in two chambers of three judges). The highest civil court (i.e., *Cour de cassation*) can hear patent cases through its commercial chamber.

Proceedings in front of civil courts are predominantly written proceedings. French judges will largely rely on the pleadings and exhibits filed by the parties. Consequently, pleadings can be quite lengthy depending on the relevant technology. An oral hearing (typically half a day per patent or more if necessary) is set at the end of the proceedings for the judges to hear oral arguments from each of the parties (based on their written pleadings) and ask questions.

The use of experts (whether appointed by the parties or by the court) is extremely rare in French patent proceedings. In those cases where experts are appointed, they are required to prepare and file written reports. Although theoretically possible, in practice, there is no examination or cross-examination of experts. The parties can file expert reports prepared for the purposes of foreign patent proceedings if they consider it appropriate.

Although EPO decisions are not binding on French courts, French case law is generally aligned with EPO decisions. French decisions are well respected and persuasive in other foreign jurisdictions due to the aforementioned high quality of the decisions addressing both validity and infringement, as well as the size of the market in France.

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<sup>99</sup> R&D spending as share of GDP France | Statista

<sup>100</sup> R&D spending as share of GDP France | Statista

<sup>101</sup> See <https://www.tresor.economie.gouv.fr/Articles/2022/01/17/publication-du-tableau-de-bord-de-l-attractivite-de-la-france-edition-2021>.

**iii. Factor 3 – Time to Trial and Final Relief**

Preliminary proceedings can be applied for ex parte or inter partes, but in practice only inter partes proceedings are used as French procedural law provides for the possibility to have a case heard within days in case of emergency. The timeframe for preliminary proceedings is on average between 2 to 4 months (and 3 to 6 months if the first-instance decision is appealed). This timeframe can be shortened in case of urgency (which is not a condition to launch preliminary injunction proceedings) and reduced to be heard within weeks or even days.

First-instance patent infringement proceedings “on the merits” (main action as opposed to preliminary proceeding) where a counterclaim for invalidity is raised usually last between 18 months to 2 years. In cases where only infringement or invalidity is raised, the timeframe is shorter (12 to 18 months). In the case of appeals to the Paris court of appeal, a decision is usually handed down in 2 years. Importantly, the appeal is heard *de novo*. Proceedings brought before the highest civil court (*Cour de cassation*) usually last around 18 months but can only concern points of law.

Decisions are *per se* immediately enforceable even if an appeal is lodged.

Although damages can be sought within the liability proceedings, it is more common for the claimant to seek an advance on damages and to start a second phase of the proceedings once there is a finding of infringement from the first-instance judges. In such cases, an advance on damages is awarded to the patentee and the defendants are forced to render account on the scope of the infringement. This second phase lasts less than a year.

**iv. Factor 4 – Likelihood of Prevailing on the Merits**

The Paris courts are seen as a rather patent friendly jurisdiction where patents are invalidated in about a third of cases, held valid but not infringed in about another third of cases, and where the patent is held valid and infringed in the last third of cases.<sup>102</sup>

**v. Factor 5 – Availability of Meaningful Relief**

*Availability of Injunctive Relief*

In France, the grant of an injunction is “as of right” once the court confirms infringement (and the patent is upheld if validity is contested), even if an appeal is lodged. The injunction applies to any act of infringement, i.e., manufacturing, importing, offering for sale, selling the product at stake, or implementing the patented process.

*Preliminary injunctions*

Preliminary injunction proceedings consider both validity and infringement of the patent-in-suit, including the merits, but on a very short timeframe. In preliminary proceedings, the proportionality principle may lead the judges to refrain from granting a preliminary injunction, but it has been seldom applied. To obtain a preliminary injunction validity and infringement should not be seriously challengeable. An advance on damages can also be requested along with the preliminary injunction order. Until recently, the threshold to obtain a preliminary injunction

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<sup>102</sup> *Global patent litigation : how and where to win Third Edition* / Michael C. Elmer, Senior Advisor, Global IP Project, LLC, Palo Alto, CA; C. Gregory Gramenopoulos, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, Bloomberg, *Chapter 22 France* :the average Patentee Win Rates for French designation of European patents 2006-2016 is 39% (patent valid and infringed).

has been considered to be quite high in France because of the need for a thorough assessment of the validity and infringement of the patent in suit and such orders have been hard to obtain until recently (see further below).

### *Availability of Substantive Damages*

Over the past twenty years, French legislators have amended the law in order to increase the damages that can be claimed by patent owners (and licensees) to better reflect the damage suffered.

Recovering damages is therefore part of the patent infringement proceedings, whether it be on the merits (the main action) or in preliminary proceedings. As mentioned above, a patentee can claim an advance on damages within preliminary injunction proceedings<sup>103</sup> or within proceedings on the merits. In the latter case, the damages are finally assessed in a second phase of the proceedings (after the liability judgement has been handed down). In a recent case, the Paris court awarded the highest ever amount of advance on damages for a patent case (€28 million, i.e., around USD 34 million).<sup>104</sup>

It is fairly common for parties to settle proceedings following a judgement holding infringement and awarding an advance on damages before the second phase of proceedings to assess damages is concluded.

### *Search and Seizure (“saisie-contrefaçon”)*

One particularity of the French system is the possibility to seek ex parte that a search and seizure (“saisie-contrefaçon”) be carried out at the defendant’s premises. This is due to the fact that the French legal system does not have any discovery/disclosure-like tool to help prove infringement. As infringement needs to be evidenced by the patentee. The French system therefore provides this search and seizure mechanism for the benefit of the patentee. This measure is performed in more than 80% of the patent infringement proceedings and conducted ahead of launching proceedings. It allows a bailiff (French public officer) to enter the premises of the defendant and to describe the accused product/process in a report, seize samples of the accused products, take copies of any documentation evidencing the materiality but also the origin and the scope of the infringement (including financial ones). Once performed, the claimant has 31 days to launch patent infringement proceedings; otherwise the seizure is automatically void and all report/documentation/samples must be given back to the defendant.

## **vi. Factor 6 – Cost of Litigation**

French litigation is generally seen as a rather reasonable venue for the costs of litigation when compared to common-law systems. As there are no court fees in France, the costs are limited to the attorneys’ fees. At first instance, in cases where both validity and infringement are at stake,

<sup>103</sup> See Paris Judicial First-instance Court, 3<sup>rd</sup> Chamber, 1<sup>st</sup> Section, 7 January 2021, Eli Lilly vs Zentiva (RG 19/06927): the court awarded an advance on damages of €4 million (i.e., approximately USD 4.9 million) along with a preliminary injunction. See also Paris Judicial First-instance Court, 3<sup>rd</sup> Chamber, 1<sup>st</sup> Section, 7 June 2018, Novartis vs Teva Santé (RG 16/15196) which granted almost EUR 14 million (i.e., approximately USD 17 million) along with a preliminary injunction.

<sup>104</sup> See Paris Judicial First-instance Court, 3<sup>rd</sup> Chamber, 3<sup>rd</sup> section, 11 September 2020, Eli Lilly vs Fresenius Kabi (RG 17/10421).

the costs usually range between EUR 150K and 500K depending on the complexity of the case. Costs may be higher for high stakes cases.

### **vii. Factor 7 – Recovery of Fees**

In France, the winning party can claim for the reimbursement of its attorneys' fees. But the grant of attorney fees and the amount awarded is within the exclusive discretion of the court. There are therefore no specific rules that apply for the determination of the amount to be awarded by the court. Usually, the amount awarded can range between 20% to 70% of the attorneys' fees.

### **b. Opportunity For Defendant-Initiated Litigation**

Defendants in France can initiate invalidity actions against a patentee where they show that they have an interest in invalidating a particular patent (e.g. showing that the patent may affect the possibility to launch or continue marketing of a product).

Defendants can also bring an action seeking a declaration of noninfringement. This action is under divided into two phases: a first amicable phase where the defendant has to invite the patentee to give its opinion as to whether the relevant product or process (the details of which have been provided by the defendant) constitutes an infringement. If the patentee concludes that there is infringement or in case of lack of reply, the defendant can then launch the second phase, i.e., the judicial phase, by serving a summons for declaration of noninfringement upon the patentee.

In FRAND-specific cases, defendants have brought cases in France based on alleged contractual breach of the patentee's obligation to grant a FRAND license in accordance with its declaration made to ETSI. French courts have recognized jurisdiction to hear these claims but due to the settlement of these cases, we have no decision addressing these claims on the merits.<sup>105</sup>

### **c. Current Developments in Patent Litigation in France**

One notable development in French patent litigation is that France has entered into the worldwide fray of anti-anti-suit injunction in FRAND cases. As anti-suit injunctions are not legally admissible within European courts, anti-suit injunctions had been seldom addressed and only within the context of conflict between non-European state court and arbitral tribunal and not concerning patents. But in *IPCom v. Lenovo*,<sup>106</sup> a case concerning standard essential patents, the French court ordered an anti-anti-suit injunction and considered that this measure was admissible as the anti-suit injunction had been granted by a non-European court and was necessary to protect the right of the patentee to litigate its French patents in France.

Another development is that the rate of success of preliminary injunctions proceedings has increased in recent years. Traditionally, preliminary injunctions proceedings were difficult to obtain, as doubts on either validity or infringement would lead to a dismissal of the claim. The threshold seems to be less high than before as only serious doubts can lead to a dismissal of the case. In practice, patents that have survived opposition proceedings or that have been

<sup>105</sup> *TCL v. Philips*, ETSI, Paris Judicial first-instance court, chamber 3, section 1, Supervising Judge, 6 February 2020; *Xiaomi v. Philips*, ETSI, Paris Judicial first-instance court, chamber 3, section 3, order from the Supervising Judge and judgement from the tribunal, 7 December 2021 first-instance.

<sup>106</sup> *IPCom v. Lenovo*, Paris Judicial first-instance court, Pres. Judge, 8 november 2019, *IPCom v. Lenovo*, Motorola – RG 19/59311 confirmed in appeal by Paris Court of appeal, division 5, chamber 16, 3 March 2020 RG 19/21426.

successfully litigated in another European country have more chances to pass that threshold as evidence by the increase in preliminary injunctions handed down by French judges.

#### **d. Opportunity For Defendant-Initiated Litigation**

Defendants in France can initiate invalidity actions against a patentee where they show that they have an interest in invalidating a particular patent. The grounds for revoking a patent are lack of novelty, inventive step or industrial application but also insufficiency of disclosure, added matter, or undue extension after limitation or opposition proceedings.<sup>107</sup>

Defendants can also bring an action seeking a declaration of noninfringement. This action is under divided into two phases: a first amicable phase where the defendant has to invite the patentee to give its opinion as to whether the relevant product or process (the details of which have been provided by the defendant) constitutes an infringement. If the patentee concludes that there is infringement or in case of lack of reply, the defendant can then launch the second phase, i.e., the judicial phase, by serving a summons for declaration of noninfringement upon the patentee.

In FRAND-specific cases, defendants have brought cases in France based on alleged contractual breach of the patentee's obligation to grant a FRAND license in accordance with its declaration made to ETSI. French courts have recognized jurisdiction to hear these claims, and as of the date of this writing these cases remain pending before the courts.<sup>108</sup>

#### **e. Current Developments in Patent Litigation in France**

One notable development in French patent litigation is that France has entered into the worldwide fray of anti-anti-suit injunction in FRAND cases. As anti-suit injunctions are not legally admissible within European courts, anti-suit injunctions had been seldom addressed and only within the context of conflict between non-European state court and arbitral tribunal and not concerning patents. But in *IPCom v. Lenovo*,<sup>109</sup> a case concerning standard essential patents, the French court ordered an anti-anti-suit injunction and considered that this measure was admissible as the anti-suit injunction had been granted by a non-European court and was necessary to protect the right of the patentee to litigate its French patents in France.

Another development is that the rate of success of preliminary injunctions proceedings has increased in recent years. Traditionally, preliminary injunctions proceedings were difficult to obtain, as doubts on either validity or infringement would lead to a dismissal of the claim. The threshold seems to be less high than before as only serious doubts can lead to a dismissal of the case. In practice, patents that have survived opposition proceedings or that have been successfully litigated in another European country have more chances to pass that threshold as evidence by the increase in preliminary injunctions handed down by French judges.

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<sup>107</sup> Article L. 613-25 IPC (French national patents) and article L.614-12 IPC which refers to article 138 § 1 of the European patent Convention (French designation of European patents).

<sup>108</sup> *TCL v. Philips*, ETSI, Paris Judicial first-instance court, chamber 3, section 1, Supervising Judge, 6 February 2020 ; *Xiaomi v. Philips*, ETSI : issue to be heard by the end of 2021 in front of the Paris Judicial first-instance court.

<sup>109</sup> *IPCom v. Lenovo*, Paris Judicial first-instance court, Pres. Judge, 8 november 2019, *IPCom v. Lenovo*, Motorola – RG 19/59311 confirmed in appeal by Paris Court of appeal, division 5, chamber 16, 3 March 2020 RG 19/21426.

## 4. The Netherlands

The District Court of The Hague and the Court of Appeal of The Hague are sophisticated patent forums with judges that often also have technical backgrounds. Patent litigation based on standard essential patents in the Netherlands is particularly attractive in view of the continued rejection of negotiation delaying tactics. A recent line of cases from the Court of Appeal of The Hague requires implementors to partake in technical discussions and constructively cooperate in negotiations towards a license agreement in order to avoid a finding of unwillingness.

### a. Global Venue Selection Factors

#### i. *Factor 1 – The Market*

The Netherlands is home to the headquarters of several top-500 publicly traded companies. Additionally, many large foreign companies have subsidiaries in the Netherlands or use the Netherlands as their distribution hub and point of entry to Europe. This is significant, because—as a rule—the presence of a Dutch subsidiary is sufficient for the Dutch court to assume jurisdiction over its foreign parent companies. Relief is available against the Dutch subsidiaries as well as their foreign parent companies. The relief is not necessarily restricted to the Netherlands; if the Dutch subsidiary acts across the Dutch borders, cross-border relief is available, also and to the same extent against any co-sued foreign parent companies. This makes the Netherlands an attractive jurisdiction for international patent litigation.

The Netherlands is geographically small, but it is densely populated and its economy is considerable. In 2019, GDP was at USD 53k per capita for a total of 907 billion USD.<sup>110</sup> About 2.2% of GDP is spent on R&D.

#### ii. *Factor 2 – The Quality of Adjudication*

Patent litigation in the Netherlands is concentrated before the specialized first-instance and appeal courts of The Hague. As a result, patent cases are dealt with by experienced judges with a good technical understanding, who handle a significant number of patent cases each year. This generally leads to excellent quality and predictable adjudication.

There is a fully independent judiciary, with judges that are appointed for life. The Netherlands consistently rank in the top 10 of least corrupt countries in the world.<sup>111</sup> There is no bias against plaintiffs who do not manufacture or sell the patented products in the Netherlands (nonpracticing entities), neither is there bias in favor of domestic litigants over foreign.

Dutch procedural law, including its implementation of the EU Enforcement Directive 2004/48/EG provides litigants with several options to retrieve evidence which is in the domain of the opposing party (or an unrelated third party). Moreover, the amount of evidence required to succeed depends on the level of substantiation the defendant puts forward when contesting. As a result, if a plaintiff can make it sufficiently plausible that there likely is infringement, it will usually be able to gather the required evidence to prove its case.

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<sup>110</sup> <https://www.imf.org/en/Countries/NLD#countrydata>.

<sup>111</sup> <https://www.transparency.org/en/cpi/2019/results/table>.

The Dutch courts apply established EPO case law on validity, most importantly the so-called “problem-solution approach” for assessing inventive step.<sup>112</sup> The Dutch courts will read with interest the outcome of EPO opposition proceedings (in particular Technical Board of Appeal decisions), as well as any decisions of experienced foreign colleagues, and will treat them as persuasive (but nonbinding) viewpoints. They will nevertheless independently assess the merits of all issues before them based on the evidence before them.

Decisions by the courts of The Hague are often considered representative for the ‘continental’ European approach. Over the last ten years the U.K. Supreme Court has at least twice explicitly relied on Dutch ‘leads’ (on inventive step in *Angiotech v. Conor*, and on equivalence in *Eli Lilly v. Actavis*) when reviewing Court of Appeal decisions.

Dutch courts decide cases based on the legal briefs submitted by the parties, the exhibits filed, and the arguments made by the advocates during the one and final court hearing, which usually lasts no longer than a short day. Cases are normally decided without live (cross-)examination of experts or witnesses, but meaningful expert involvement is possible through written expert declarations and informal questioning by the court. Technical experts need not be local – the courts are used to handling written and oral testimony in English well, and foreign experts are regularly relied upon.

Dutch civil procedure does not provide for an obligation to surrender all relevant evidence (there is no discovery or disclosure). Evidence which is known to exist (such as documents or samples) can however be seized and secured through an ex parte evidence seizure. The evidence must be located in – or, e.g., regarding electronic files, has to be accessible from – the Netherlands, and the standard of proving infringement is low. Evidentiary seizures can also be used to assist litigants in other jurisdictions. Evidentiary seizure is of a preservatory nature only. Subsequent access to seized evidence can be obtained through inter partes access proceedings, which are possible in preliminary injunction and in merits proceedings.

### ***iii. Factor 3 – Time to Trial and Final Relief***

Permanent relief can be acquired by litigating patent cases under an accelerated regime (“VRO”), which features a predetermined procedural timetable. These proceedings result in a first-instance merits decision in a time frame of 12-18 months.

Dutch law also allows for inter partes preliminary relief (“*kort geding*”) at very short notice: normally a hearing in up to 8-16 weeks and a decision 2-4 weeks later. In extremely urgent situations, these timelines can be even shorter.

The courts handle validity and infringement within the same proceedings, both in preliminary and in merits proceedings. The mere pendency of parallel invalidity or opposition proceedings as such is therefore not sufficient for a stay. In general, it is rather difficult for a patentee to successfully apply for deviation from the procedural timetable. Exceptions do occur however, e.g., if there already is a first-instance decision on the merits invalidating the patent, or if a final decision from the Technical Boards of Appeal is forthcoming very close to the projected conclusion date of the Dutch proceedings.

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<sup>112</sup> In the problem-solution approach, (i) the “closest prior art” is determined, followed by (ii) establishing the “objective technical problem” to be solved by the distinguishing features, and (iii) considering whether or not the claimed invention, starting from the closest prior art and the objective technical problem, would have been obvious to the skilled person.

As a rule, injunctive relief decisions in patent cases—both preliminary and permanent—are enforceable notwithstanding appeal, and enforcement of a judgment pending appeal usually does not require placement of a bond. The enforcement of a decision which is later overturned, results in liability for the resulting damages for the enforcer.

Dutch courts have a discretionary power to bifurcate assessment of damages, and litigants usually request such bifurcation. In practice, damage cases rarely go to trial. Due to the powerful, immediately enforceable first-instance injunctions, settlement of patent cases is much more common. Plaintiffs that do insist on a court-determined damages award can initiate the damages proceedings notwithstanding appeal against the first-instance infringement decision. The damages award itself, as a rule, is also enforceable notwithstanding appeal.

First-instance decisions, both preliminary and permanent, are open to appeal at the specialized Court of Appeal of The Hague. Appeal proceedings consist of a *de novo* hearing of the case (facts and law) by three judges. They take between 12-18 months, but the timeline can be greatly accelerated—3-6 months or shorter if necessary—particularly in preliminary injunction proceedings. Appeal decisions may be further appealed before the Supreme Court, which proceedings may take between 1.5-2 years. No leave is required. Supreme Court appeal is limited to a review on error of law.

#### **iv. Factor 4 – Likelihood of Prevailing on the Merits**

Because of the absence of bifurcation, a patentee must succeed both on validity and on infringement in order to prevail. Over the last five years, patentees have been successful in obtaining a finding of infringement in 35% of judgments. The odds of succeeding are significantly higher in preliminary injunction proceedings (42%) than they are in merits proceedings (30%). The second instance is generally seen as somewhat more patentee-friendly than the first-instance. Over the last 5 years, 30% of the appeal decisions overturned a first-instance decision, often in favor of the patentee.

#### **v. Factor 5 – Availability of Meaningful Relief**

*Availability of Injunctive Relief.* As a rule, injunctive relief is available to a patentee whose patent is held to be valid and infringed. Breach of an injunction results in forfeiture of severe civil penalties, which are due immediately and payable to the plaintiff.

Exceptions where injunctive relief can be avoided despite a finding of infringement include situations wherein granting injunctive relief is (a) disproportional in view of the fundamental rights involved; (b) contrary to the patentee's contractual or legal obligations (e.g., in Standard Essential Patent disputes); (c) contrary to a compelling societal interest; or (d) an abuse of rights. Such defenses are not often successful.

*Other relief.* Other available relief includes recall and destruction of infringing products, public notification of the decision, the obligation to disclose details regarding suppliers and customers and the obligation to disclose details regarding numbers and profits.

*Availability of Substantial Damages.* Dutch proceedings are based on a system of compensatory damages. Damages awards do not have a punitive element. The assessment can be based on lost profits of the patentee or on surrender of realized profits by the infringer. Damages can also be estimated, e.g., based on a fictitious royalty.

*Availability of Preliminary Relief.* Preliminary relief is generally available in the Netherlands through *inter partes* preliminary proceedings (“*kort geding*”). Preliminary relief proceedings are essentially a mini-trial-on-the-merits at very short notice: normally a hearing in up to 8-16 weeks and a decision 2-4 weeks later. In extremely urgent situations, these timelines can be even shorter. The court will form a preliminary opinion on validity and infringement. In addition, the law requires the existence of an urgent interest in an injunction. This urgency requirement, however, is not very strict. Supreme Court case law assumes that urgency exists as long as there is a continuing infringement or the threat thereof. In recent lower court case law it is considered that maintaining an urgent interest requires swift action. An urgent interest may be lost, therefore, in case several months (6-12) have gone by without a proper justification. An injunction may furthermore be denied if a balancing of interests requires so. The judge in preliminary injunction proceedings must give consideration, *inter alia*, to the provisional nature of the judgment in preliminary relief proceedings and the far-reaching consequences of a possible injunction for the defendant, on the one hand, and to any damages suffered by the claimant if an injunction were not granted, on the other hand. As noted above, the District Court of The Hague has recently indicated that it deems preliminary injunction proceedings unsuitable for FRAND disputes. It is therefore unlikely that preliminary relief is available in FRAND disputes.

In addition to *inter partes* preliminary relief, *ex parte* relief may be obtained in highly exceptional cases, if the patentee can show (a) a *prima facie* valid title, (b) the *prima facie* (threat of) infringement, and (c) irreparable harm if the patentee would have to await the outcome of *inter partes* preliminary proceedings. As mentioned above, a protective letter can be filed to try to avoid or limit the scope of *ex parte* measures.

*Cross-border relief.* In both preliminary and in permanent injunction proceedings, cross-border relief covering the whole territory protected by a European Patent is available in cases where Dutch defendants are involved who act across the Dutch borders. Cross-border relief is then also available against foreign defendants involved in the same cross-border activities, e.g., parent companies of Dutch defendants. There are examples wherein the mere presence of a Dutch European distributor of an infringing product was sufficient for granting cross-border relief against its foreign manufacturer and customers as well. If the defendant raises an invalidity defense, cross-border *permanent* relief is not available or will be stayed,<sup>113</sup> but an invalidity defense does not interfere with availability of a *preliminary* cross-border injunction.<sup>114</sup>

*Preliminary civil seizure of infringing products.* Dutch law provides for the possibility to preliminarily seize/attach products which allegedly infringe IP rights. The procedure is *ex parte*, fast, relatively easy, and cost-effective. A seizure/attachment request must be filed with the competent court, mentioning the IP rights invoked, and the reasons why infringement is suspected. The request will generally be allowed by court decree within a couple of days. On the basis of this decree a bailiff (if necessary, with the assistance of the police) can enter the premises of the alleged infringer and make a detailed description of the stock (numbers and product codes) or physically seize the stock and store it elsewhere. Preliminary seizure/attachment is a ‘conservatory’ measure: the effect is that the owner of the seized/attached products is no longer entitled to trade the products pending the infringement proceedings on the merits, which must be initiated after execution of the seizure.

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<sup>113</sup> Art. 24(4) Brussels I)

<sup>114</sup> CJEU *Solvay v Honeywell*, 12 July 2012, C-616/10.

*Border detention measures.* The Dutch customs authorities have become rather sophisticated (upon the request of IP proprietors) in detecting and detaining infringing products entering the European market via the Netherlands. IP proprietors can request the cooperation of customs by filing a border detention request, listing the relevant IP rights, and providing sufficient details for recognizing the goods upon arrival. When customs authorities encounter products which conform to a border detention request, they will normally retain the products and inform the IP proprietor forthwith, who can then follow up with appropriate action (e.g., inspect and, if appropriate, initiate civil proceedings).

#### **vi. Factor 6 – Cost of Litigation**

Dutch litigation is relatively cost-effective, inter alia due to the absence of discovery/disclosure. Nevertheless the costs of litigation vary significantly with the complexity of the case and the amount of expert involvement required. As a rough indication, straightforward patent cases can be tried for under € 100,000 in first instance, whereas a case on a highly complex patent can cost up to € 500,000. As a rough rule of thumb, a full appeal on facts and law will costs about 75% of the first-instance. Non-patent defenses (e.g., FRAND defenses that require extensive third-party input) can add significantly to these numbers.

#### **vii. Factor 7 – Recovery of Fees**

The winning party in Dutch patent litigation is entitled to be compensated by the losing party for its “reasonable and proportionate” legal costs. To provide a yardstick for what are reasonable and proportionate legal costs, there is a cap set by the court depending on the complexity of the case which ranges from € 10,000 for a simple case in PI proceedings to € 250,000 in highly complex merits proceedings. These caps include the fees of legal and patent counsel, but exclude disbursements such as expert costs. To avoid discussion during the hearing the parties may also agree on a different cost amount beforehand. The order to pay legal costs will routinely be enforceable notwithstanding appeal.

### **b. Opportunity For Defendant-Initiated Litigation**

*Invalidity actions.* Dutch invalidity actions are open to anyone and can be instigated at any point during the lifetime of a patent. They are also reasonably fast and are therefore suitable to influence other jurisdictions, in particular jurisdictions that have bifurcated validity and infringement assessments.

*Declaratory actions.* Dutch civil law contains a broad provision allowing plaintiffs to apply for any declaratory judgment regarding a legal relationship, provided that the plaintiff can show a legal interest in obtaining such declaratory judgment. Examples of declaratory relief in patent cases that the Dutch court has ruled upon include declarations of noninfringement, declarations of obviousness of a product over the state of the art on a particular date (“Arrow declarations”),<sup>115</sup> and declarations of “FRAND”-ness<sup>116</sup> of license offers in a Standard Essential Patent dispute.<sup>117</sup> Although not yet tried in practice, it is likely that the provision also allows a defendant to apply for the determination of appropriate license terms in such disputes, and in other cases where a patentee is contractually or legally obliged to provide a license.

<sup>115</sup> E.g., District Court The Hague 13 February 2008 (*MSD v. Generics*).

<sup>116</sup> Fair, Reasonable and Non-Discriminatory.

<sup>117</sup> District Court The Hague 8 February 2017, ECLI:NL:RBDHA:2017:1025 (*Archos v. Philips*).

*Preliminary injunction proceedings* result in a reasoned judgment on both validity and infringement in a matter of weeks. PI proceedings are therefore useful to gain fast, meaningful relief that is suitable for use in a counterattack. Pure invalidity actions in PI proceedings, however, are generally thought impossible.

### **c. Current Developments in Patent Litigation in the Netherlands**

Due to understaffing and a high workload at the District Court of The Hague, first-instance proceedings (whether according to the “accelerated regime” or in regular merits proceedings) currently may take significantly longer than usual to result in a judgment. Whereas accelerated patent infringement cases in the past resulted in a decision in 12-15 months, it may now take 18 months to 2 years before a judgment is rendered. There are voices calling for the creation of a second specialized IP court in the Netherlands, but no plans to that effect have been made yet.

Perhaps partly as a consequence of the above, as discussed above, the District Court of The Hague has recently indicated that it deems both preliminary injunction proceedings and merits proceedings in accordance with the “accelerated regime” unsuitable for FRAND disputes. It therefore seems that owners of standard essential patents are left to regular merits proceedings.

The District Court of The Hague nevertheless continues to be an attractive venue for cross-border actions. In two recent cases, the District Court of The Hague accepted cross-border jurisdiction. One of these cases is a “standalone” FRAND case and the other concerns a request for an anti-anti-suit injunction (which was not granted inter alia due to a lack of urgent interest).<sup>118</sup>

## **C. ASIA**

### **1. China**

In recent years, plaintiffs have found success in all three Chinese Intellectual Property Courts. For example, foreign plaintiffs have had an average win rate reaching over 80% from when the Intellectual Property Courts were established in 2014 to the year of 2019. In addition, China issued the Fourth Amendment to China’s Patent Law, effective mid-2021, which signifies its overall direction in making China a more competitive forum for patent enforcement with increased damage awards and provisional relief measures, and more power conferred on administrative intellectual property enforcement. Thus, it is expected that this venue will continue to be attractive for both domestic and foreign plaintiffs who want to take advantage of the low litigation costs, fast first-instance proceedings on the merit, and available remedies.

### **a. Global Venue Selection Factors**

#### ***i. Factor 1 – The Market***

Asia, particularly China, has long been an important manufacturing region and sales market for multinational firms. According to statistics released by National Bureau of Statistics of China, the production of new-energy automobiles, industrial robots, heavy machinery, computers, and integrated circuits all have a year-on-year growth of 60% in the first quarter of 2021, with the

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<sup>118</sup> See District Court The Hague 15 December 2021, ECLI:NL:RBDHA:2021:14372 (*Vestel v. Advance et al*); District Court The Hague 16 December 2021, ECLI:NL:RBDHA:2021:13881 (*Ericsson v. Apple*).

average two-year growth exceeding 19%,<sup>119</sup> whereas the production of new-energy automobiles, industrial robots and integrated circuits have a year-on-year growth of 172.5%, 57.8 % and 43.1% respectively in the first three quarters of 2021, with the average two-year growths all exceeding 28%.<sup>120</sup> At the same time, in the first three quarters of 2021, the value added of high-tech manufacturing went up by 20.1% year on year, with an average two-year growth of 12.8%.

Increasing economic activity and expansion of market size has resulted in a significant increase in the number of patent filings in China. In March 2021, the World Intellectual Property Organization announced that China has filed 68,720 patent applications through the Patent Cooperation Treaty (PCT) system in 2020 with a year-on-year growth of 16.1%, despite the impact of Covid-19, ranking first ahead of other countries such as the U.S. (59,230 applications), Japan (50,520 applications), the Republic of Korea (20,060 applications) and Germany (18,643 applications).<sup>121</sup> This reflects China's efforts to transform from a major IPR importer into a major IPR creator.

## ii. Factor 2 – The Quality of Adjudication

*Specialized intellectual property courts.* Since November 2014, China has established four specialized intellectual property courts (or tribunals) in Beijing, Shanghai, Guangzhou, and Hainan Free Trade Port. Notably, a nationwide unified appeal court has been established in Beijing to exclusively hear appeals for all invention and utility model patent-related cases. As more patent litigation cases are lodged in China, the Chinese courts are establishing a substantial track record with patent litigation. This can minimize the uncertainties for both sides, especially in cases involving some specific issues or subject matter such as standard essential patents or biotechnology. Furthermore, judges in specialized intellectual property courts or tribunals are generally judges with extensive experience in IP and are normally assisted by technical advisors in cases that require technical knowledge, e.g. patent infringement cases.

*Smart court (Zhi Hui Fa Yuan in Chinese).* In the past few years, China has also strived to build a “smart court” system to modernize its trial and court system, facilitate court management, and automate and digitalize adjudication process. The scope of digitalization includes online case filing, online payment, online video hearings, and evidence storage and processing using blockchain. According to the Supreme People's Court, from January 2020 to May 2021, 12.19 million cases were filed online, accounting for 28.3% of the total number of the cases filed; and 1.28 million online hearings were conducted, taking an average of 42.34 minutes for each hearing. To regulate online litigation, the Supreme People's Court has enacted a comprehensive set of rules and procedures, the Rules of Online Litigation of People's Court (effective August 1, 2021), such that online litigation should be “impartial and efficient, legal and optional, right-protection oriented, convenient for the people, and safe and reliable.”<sup>122</sup>

<sup>119</sup> See National Bureau of Statistics of China, *National Economy Made a Good Start in the First Quarter* (Apr. 16, 2021), [http://www.stats.gov.cn/english/PressRelease/202104/t20210416\\_1816315.html](http://www.stats.gov.cn/english/PressRelease/202104/t20210416_1816315.html).

<sup>120</sup> See National Bureau of Statistics of China, *The Overall National Economy Maintained the Recovery Momentum in the First Three Quarters* (Oct. 18, 2021), [http://www.stats.gov.cn/english/PressRelease/202110/t20211018\\_1822968.html](http://www.stats.gov.cn/english/PressRelease/202110/t20211018_1822968.html).

<sup>121</sup> See World Intellectual Property Organization, *Innovation Perseveres: International Patent Filings via WIPO Continued to Grow in 2020 Despite COVID-19 Pandemic* (Mar. 2, 2021), [https://www.wipo.int/pressroom/en/articles/2021/article\\_0002.html](https://www.wipo.int/pressroom/en/articles/2021/article_0002.html).

<sup>122</sup> See Supreme People's Court, *The SPC Releases the Rules of Online Litigation of People's Court* (June 18, 2021), [http://english.court.gov.cn/2021-06/18/content\\_37545136.htm](http://english.court.gov.cn/2021-06/18/content_37545136.htm).

*Choice of jurisdiction.* Litigants in China are allowed to choose the jurisdiction (or specifically a province or a city) to commence proceedings based on the place where the infringing acts take place, i.e., where the infringing products were made, used, offered to sell, sold, or imported. In practice, litigants tend to commence proceedings in a familiar jurisdiction or a jurisdiction that is in favor of the litigant, such as the place where the litigant conducts business, the place with generally higher chance of success for patent litigation, or for cases involving a foreign patent owner, the place which has a reputation of being fair to foreign litigants. For strategic purposes, a litigant may try to establish a link between its targeted jurisdictions with the infringement, such as by way of purchasing the infringing product from a seller or distributor based in the targeted jurisdictions.

### ***iii. Factor 3 – Time to Trial and Final Relief***

Patent litigants in China generally can secure relief within a reasonable (and reasonably predictable) time frame. Compared to the U.S., where time to trial in patent cases can take up to three to four years, patent litigation in China tends to have a shorter time frame because adjudication normally takes place in specialized intellectual property courts and there are no discovery proceedings in the Chinese legal system.

The time required to complete patent invalidation proceedings in China is generally six months but may be reduced to five months (for an invention or utility model patent) or four months (for a design patent). The time to complete a patent infringement proceeding through appeal can take up to two or more years, with the first-instance proceeding taking approximately 9-18 months and the second instance proceeding taking approximately 6-9 months (or longer on a case-by-case basis).

Further, court proceedings in China typically are not stayed pending the completion of an invalidation proceedings before the Patent Reexamination Department of the China National Intellectual Property Administration (CNIPA), although damages awards and permanent injunctions are generally stayed pending the outcome of an appeal.

### ***iv. Factor 4 – Likelihood of Prevailing on the Merits***

With the specialized intellectual property courts and reform measures and mechanisms introduced by these specialized courts, China provides patent litigants, including foreign litigants, a reasonable chance of prevailing on the merits of the case. According to statistics in April 2021, the winning rate of a foreign party in an IP civil lawsuit between foreign and domestic parties adjudicated before the Beijing IP Court is 68%.<sup>123</sup>

### ***v. Factor 5 – Availability of Meaningful Relief***

A wide range of relief is available in China, including preliminary injunctions, damages awards, and permanent injunctions. Each type of relief provides different benefits to litigants.

*Preliminary injunction.* An injunction may be used to put a defendant out of the infringing business, increase the patent owner's own market share, or serve as a strong settlement lever. To obtain a preliminary injunction in China, litigants must satisfy four factors: (1) whether the claimant's request has a factual ground and a legal basis; (2) whether failure to take preservation measures will cause irreparable harm to the legitimate rights and interests of the claimant, or cause

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<sup>123</sup> Beijing Intellectual Property Court, *An Overview of Technology Related Cases Before the Beijing Intellectual Property Court* (Apr. 27, 2021), <https://bjzcfy.chinacourt.gov.cn/article/detail/2021/05/id/6023896.shtml>.

difficulty in the enforcement of the ruling for the case; (3) whether the harm that would have been caused by the failure to take conduct preservation measures exceeds the damage that would have been caused by conduct preservation measures to the defendant; (4) whether an injunction would prejudice the public interest, and (5) any other factors that need to be considered.<sup>124</sup> If granted, a preliminary injunction takes immediate effect, which is particularly useful if there is an immediate need to stop the infringement. Nevertheless, litigants should note that obtaining a preliminary injunction in patent infringement cases has historically been difficult given the concern that the patents might ultimately be held at trial to be noninfringed or invalid on merits; the Supreme People's Court has issued opinions and guidance warnings against granting preliminary injunctions for this reason.<sup>125</sup> On the other hand, courts are more inclined to grant preliminary injunctions in design patent infringement cases where it is relatively easy to determine infringement.<sup>126</sup>

*Monetary damages.* The award of damages accounts for an overwhelming majority of the remedies for patent infringement cases, and is determined by the factors stipulated under Article 71 of the Patent Law of the People's Republic of China: (i) the patentee's actual losses caused by infringement; (ii) the infringer's profits from the infringement; (iii) a reasonably multiplied amount of the royalties from the patent; or (iv) statutory-type damages within the range of RMB 30,000 (approximately US\$ 4,700) to RMB 5,000,000 (approximately US\$ 782,000).<sup>127</sup> In fact, the current Patent Law has substantially increased the amount of statutory damages available to patentee, and has made available punitive damages of up to five times the amount of damages determined against willful infringement, indicating that China is determined to strengthen the availability of damages to patentees.<sup>128</sup> According to the 2020 China Patent Investigation Report issued by CNIPA, which has investigated 24 provinces (autonomous regions, municipalities), 15,000 patentees and 42,000 patents, during the 13<sup>th</sup> Five-Year period from 2016 to 2021, 7.3% of patent infringement court cases ended up with over 1 million yuan in damages, whether from court order, mediation or settlement, which is 4.4% higher than that during the 12<sup>th</sup> Five-Year period from 2011 to 2015.<sup>129</sup>

*Permanent injunction.* When a court finds infringement, it usually issues a permanent injunction as part of the remedies award to order the defendant to cease the infringing acts so long as the patent is valid and the infringing acts are continuing at the time when the court makes the judgment. However, there are cases where the court has found infringement but refused to grant any permanent injunction due to public interest concerns. For instance, in 2008, the Supreme People's Court awarded an ongoing royalty but not a permanent injunction against a defendant

<sup>124</sup> See SanYou IP Group, *Provisions of the Supreme People's Court on Several Issues Concerning Application of Law in Review of Cases Involving Behavior Preservation in Intellectual Property Right Disputes* (Jan. 31, 2019), <https://www.sanyouip.com/English/a/9986.htm>.

<sup>125</sup> See Lexology, *China IP Law Alert: The Supreme People's Court Seeks Public Comment on its Proposed Enhanced Sanctions for IP Infringement* (June 29, 2020), <https://www.lexology.com/library/detail.aspx?g=243d9400-deab-48ee-9b73-d55da4895ee4>.

<sup>126</sup> See World Trademark Review, *Understanding Design Patent Protection* (Sept. 30, 2021), <https://www.worldtrademarkreview.com/regionindustry-guide/china-managing-the-ip-lifecycle/2022/article/understanding-design-patent-protection>.

<sup>127</sup> See Defeng Song, *Understanding the Fourth Amendment of Chinese Patent Law* (July 27, 2021), <https://www.fieldfisher.com/en/locations/china/insights/understanding-the-fourth-amendment-of-chinese-patent-law>.

<sup>128</sup> *Id.*

<sup>129</sup> See China National Intellectual Property Administration, *Report: Over 30% Current Patents Commercialized in China* (May 19, 2021), [https://english.cnipa.gov.cn/art/2021/5/19/art\\_2509\\_159484.html](https://english.cnipa.gov.cn/art/2021/5/19/art_2509_159484.html).

that operated a power plant using an infringing desulfurization process, in part because the power plant's closure would have a detrimental impact on the local residents.<sup>130</sup> Litigants should also note that any permanent injunction granted by the court of first-instance is stayed pending appeal. Although such limitation is not applicable to a preliminary injunction as a preliminary injunction is of interlocutory nature and takes effect throughout the entire proceedings.

*Customs seizure.* An order of customs seizure allows customs authorities to seize and eventually destroy infringing goods, which, along with the threat of court litigation, may put additional pressure on the accused party.

*Permanent injunction.* When a court finds infringement, it usually issues a permanent injunction ordering the defendant to cease the infringing acts as part of the remedies awarded if the asserted patent is still valid and the infringing acts are continuing at the time when the court makes the judgment. However, there are cases where the court has found infringement but refused to grant any permanent injunction due to public interest concerns. For instance, in 2008, the Supreme People's Court awarded an ongoing royalty but not a permanent injunction against a defendant that operated a power plant using an infringing desulfurization process, in part because the closing of the power plant would have a detrimental impact on the local residents.<sup>131</sup> Litigants should also note that any permanent injunction granted by the court of first-instance is stayed pending appeal. Such limitation is not applicable to preliminary injunction as a preliminary injunction is of interlocutory nature and takes effect throughout the entire proceedings.

*Customs seizure.* An order of customs seizure allows customs authorities to seize and eventually destroy infringing goods, which, along with the threat of court litigation, may put additional pressure on the accused party.

#### *vi. Factor 6 – Cost of Litigation*

The cost of litigation in China varies from case to case. Attorney fees and court fees are costs commonly incurred in litigation proceedings in China, but there are also other prelitigation costs specific for Chinese proceedings. As there is no extensive documentary discovery in China, litigants often have to engage investigation firms to assist in procuring sufficient evidence in support of their case. During the evidence gathering process, when certain important evidence is procured, it is common to conduct evidence preservation. If the evidence originates outside China, litigants are typically required to have such evidence notarized before a local notary public in that jurisdiction. The litigant could seek to recover all these costs from the defendant, but it is at the court's discretion to decide if such costs should be awarded.

#### *vii. Factor 7 – Recovery of Fees*

As China has no discovery proceedings, patent litigation in China is generally less costly than litigation in the U.S. and elsewhere, where extensive documentary discovery and oral depositions are typical. Litigants in China also have a fair chance to recover reasonable expenses, including attorney fees and court fees so long as sufficient evidence is adduced to the court.

<sup>130</sup> See *Wuhan Jingyuan Environmental Engineering Co. v. Kubota Kasui Corp. and Huayang Electric Power Co.* (Case of dispute over infringement upon invention patent) (Civil Judgment No. 8 [2008] Min San Zhong, Civil Division, Supreme People's Court).

<sup>131</sup> See *Wuhan Jingyuan Environmental Engineering Co. v. Kubota Kasui Corp. and Huayang Electric Power Co.* (Case of dispute over infringement upon invention patent) (Civil Judgment No. 8 [2008] Min San Zhong, Civil Division, Supreme People's Court).

According to Article 71 of the fourth amendment of the Chinese Patent Law Supreme People's Court on Issues Concerning Applicable Laws to the Trial of Patent Controversies (2020 Amendment), where the patentee claims the payment for its reasonable expenses incurred to cease the infringement, the people's court may calculate it separate from and in addition to the amount of compensation determined in accordance with the Patent Law. In one case involving infringement upon a utility model patent, the Supreme People's Court discretionarily awarded RMB 60,000 (approximately US\$ 8,500) covering the estimated attorney fees, notarization fees, and cost of sample infringing products, despite the fact that the plaintiff did not submit any evidence of the estimated attorney fees.<sup>132</sup>

## **b. Opportunity for Defendant-Initiated Litigation**

*Jurisdictional challenge.* In China, it is a common tactic for defendants of patent infringement proceedings to contest the jurisdiction of the court by filing jurisdictional challenge, particularly because defendants are given a relatively short period of time to submit a brief of defense once the civil complaint has been served (15 days for domestic party and 30 days for foreign party from the date of service). As a delaying tactic, defendants tend to file a jurisdictional challenge to stay the infringement proceedings. When a defendant files a jurisdictional challenge, the exchange of evidence of the main proceedings will normally be postponed until after the jurisdiction issue is resolved, subject to negotiation by the parties. In the rare instances when a jurisdictional challenge is granted, the case will be transferred to another court with jurisdiction over the patent infringement dispute. Even further, the court's ruling on the jurisdictional challenge may be appealed to the second instance court—to the Intellectual Property Appeals Tribunal of the Supreme People's Court for invention and utility model patent cases, and to the provincial High People's Court for design patent cases. Regardless of the result of a jurisdictional challenge, the institute of such proceedings may buy the defendant three to four months' time to prepare its defense. Nevertheless, defendants should be careful in making a jurisdictional challenge because a challenge with no proper and reasonable grounds could be perceived by Chinese court to be in bad faith, which may adversely impact the patent infringement proceedings.

*Declaratory judgment.* An accused party noticed of alleged patent infringement may seek a declaratory judgment of noninfringement if the party can show a legal interest in such adjudication. As in the U.S., defendants often use declaratory judgment actions to select a court that the party perceives as defendant-friendly. Under Chinese law, three threshold requirements have to be met before courts can accept a noninfringement declaration claim: (i) a patentee gives a warning of patent infringement to another person; (ii) the person warned or an interested person sends a written reminder asking the patentee to exercise its right to sue; and (iii) the patentee neither withdraws the warning nor files a lawsuit within one month after receipt of the written reminder or within two months after issuing the written reminder.<sup>133</sup> In 2020, the Intellectual Property Tribunal of the Supreme People's Court recognized that an administrative

<sup>132</sup> See Wuxi Guowei Ceramic Electric Appliances Co. and Jiang Guoping v. Changshu Linzhi Electric Heating Components Co., Ltd. and Suning.com Group Co., Ltd. (Civil Judgment No. 111 [2018] Civil Division, Supreme People's Court).

<sup>133</sup> See ManagingIP, *Analyzing Noninfringement Declaration Litigation in China* (Apr. 16, 2020), <https://www.managingip.com/article/b113w2jmsw19zf/analysing-noninfringement-declaration-litigation-in-china>.

complaint against the ender user constitutes a claim of patent infringement against the manufacturer, enabling the manufacturer to commence a declaratory judgment action.<sup>134</sup>

*Invalidation.* China has a bifurcated patent system which allows parallel infringement and invalidation proceedings. An accused party of an infringement proceeding may commence invalidity challenges against a patent before the CNIPA, which will first be decided by the Patent Re-Examination Board of the CNIPA and can be appealed to the Beijing IP Court before appeal to the IP Appeals Tribunal of the Supreme People's Court. The grounds for filing an invalidity challenge include the lack of novelty, lack of inventiveness, lack of enablement, insufficient disclosure of written description, ineligible statutory subject matter, and double patenting. According to the 2020 CNIPA Annual Report, there are 6,178 invalidation cases being accepted for the year 2020, a 2.7% increase as compared to the figure for the year 2019.<sup>135</sup> Out of the 6,178 invalidation proceedings for the year 2020, 1,442 cases are related to invention patents, 2,664 cases are related to utility model patents and 2,072 cases are related to design patents.<sup>136</sup> The same Annual Report also notes that a total of 7,144 invalidation cases have been successfully closed for the year 2020, suggesting a 34.1% increase as compared to 2019.<sup>137</sup>

### c. Current Developments in Patent Litigation in the China

In June 2021, the fourth amended Patent Law of the People's Republic of China came into effect. This amendment has substantially strengthened the patent enforcement system by introducing certain pro-patentee measures that are likely to motivate patentees to enforce their patent rights before Chinese courts. For instance, this amendment (i) increased the statutory damages minimum amount from RMB 10,000 to RMB 30,000 and maximum amount from RMB 1 million to RMB 5 million, and introduced punitive damages of up to five times the amount of compensation ascertained by court; (ii) shifted the burden of proving damages in patent infringement actions to the accused party by requiring the accused party to submit financial records and materials to evidence gains; (iii) enabled the CNIPA to determine patent infringement disputes of significant national impact; (iii) expanded the scope of protection over design patents (particularly on subject matter) and extended their term of protection; (iv) codified pre-suit injunction, evidence preservation, and property preservation against accused parties; and (v) extended the statutory limitation period for instating an action against patent infringement from two years to three years.<sup>138</sup>

According to the China Intellectual Property Rights Protection Report 2020 issued by the CNIPA, there were 28,528 first-instance patent cases in the year 2020, which has marked a 28.09% increase from 2019.<sup>139</sup> Given the recent amendment to the Patent Law and the emphasis

<sup>134</sup> *Id.* (discussing VMI Holland B.V. and Cooper (Kunshan) Tires Co. v Safe-Run Huachen Machinery (Suzhou) Co. (No. Zuigaofazhiminzhong 5/2019)).

<sup>135</sup> See China National Intellectual Property Administration, 2020 CNIPA Annual Report (Apr. 27, 2021), [https://www.cnipa.gov.cn/art/2021/4/27/art\\_2616\\_158950.html](https://www.cnipa.gov.cn/art/2021/4/27/art_2616_158950.html).

<sup>136</sup> *Id.*

<sup>137</sup> *Id.*

<sup>138</sup> See National People's Congress of the People's Republic of China, Order No. 55 of the President of the Peoples Republic of China (Oct. 17, 2020), <http://www.npc.gov.cn/englishnpc/c23934/202109/63b3c7cb2db342fdadacdc4a09ac8364.shtml>.

<sup>139</sup> See China National Intellectual Property Administration, China Intellectual Property Rights Protection Report 2020 (Apr. 25 2021), <http://www.gov.cn/xinwen/2021-04/25/5602104/files/9cfbfa3fed814e1f9d04e56959ed13fb.pdf>; see also China Intellectual Property, China Released

of new creations in the upcoming Five-Year Plan (2021-25) of the State, particularly the 14<sup>th</sup> Five-Year Plan Notice of the National Intellectual Property Protection and Utilization Plan released on 28 October 2021 that set a target of increasing the number of invention patents registered by 2025,<sup>140</sup> it is expected that the number of patent registrations and patent enforcement in China before Chinese courts will continue to increase in the next five to ten years.

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*a White Paper on IP Protection in 2020* (Apr. 27, 2021), <http://www.chinaipmagazine.com/en/news-show.asp?id=12131>.

<sup>140</sup> See State Council of the People's Republic of China, *14<sup>th</sup> Five-Year Plan Notice of the National Intellectual Property Protection and Utilization Plan released by the State Council of the People's Republic of China* (Oct. 28, 2021), [http://www.gov.cn/zhengce/zhengceku/2021-10/28/content\\_5647274.htm](http://www.gov.cn/zhengce/zhengceku/2021-10/28/content_5647274.htm).