

# Extraordinary remedies in US patent litigation

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# Extraordinary remedies in US patent litigation

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Every lawsuit involves two aspects: liability and remedies. The remedy is the cure for the harm that led to the lawsuit or potentially for the harm caused by the lawsuit. The need for a remedy is what drives parties to litigate. The need for a remedy also factors into whether settlement is appropriate and what the terms of a settlement should be.

In most patent cases, a patent owner who proves liability can expect the remedy of a permanent injunction against further patent infringement. To the extent the infringer has caused harm to the patent owner, the successful patent owner can also expect to recover damages in the form of a reasonable royalty or lost profits. The patent owner, however, generally cannot stop the accused infringer from continuing to sell its product during the pendency of the lawsuit. And, unless the patent owner and lawyer agree otherwise, the patent owner generally is responsible for paying its attorney fees, regardless of whether the case is won or lost.

On the other hand, a successful defendant usually expects nothing, other than a statement of its right to do what it has been doing or wants to do. The prevailing defendant generally does not recover its attorney fees either.

Ordinarily, these remedies effectively and fairly settle patent disputes. But, in extraordinary cases, additional remedies may be justified. For example, a patent owner might need to prevent irreparable harm that would occur by allowing the accused infringer to infringe during the patent litigation, which often takes years finally to resolve. A patent owner may wish to be compensated for the burden and expense of litigation necessary to establish liability of an accused infringer who

deliberately copied the patentee's invention without a good-faith basis for believing it had the right to do so. Likewise, an accused infringer may wish to be compensated for defending against a patent that is clearly unenforceable. And either party may wish to be compensated for vexatious litigation misconduct by the other.

To mitigate unfairness that could occur in these atypical situations, US law offers various extraordinary remedies, such as:

- A preliminary injunction, which keeps the infringing product off the market pending the outcome of the litigation.
- Enhanced (ie, punitive) damages for a prevailing patentee.
- Attorney fees awarded to either party.

Although these remedies are extraordinary, they are not unattainable. Lawyers and their clients may be entitled to these remedies with a persuasive showing in appropriate cases.

## Preliminary injunctions

A preliminary injunction prevents an accused infringing product from going on the market (or removes an existing product from the market) before the conclusion of the litigation. Since the accused product has not yet been adjudged to be an infringement, a preliminary injunction has been called a "drastic and extraordinary" remedy. This does not imply, the courts have said, that it must be rare or practically unattainable, only that it is not granted as a matter of right; it must be thoroughly justified.

A preliminary injunction may be granted, in the court's discretion, if a patent owner makes a clear showing that:

1. it is ultimately more likely than not to succeed on the merits;
2. irreparable harm will occur if the injunction is not granted;
3. the balance of hardships tips in the patent owner's favour; and

4. the injunction is not contrary to the public interest.

As practical matter, the first element is often dispositive. Unless a reasonable likelihood of success is proven, the court will not grant a preliminary injunction. Assuming the first element can be shown, the second element is also critical: even if the patent owner is likely to succeed, if monetary damages would be sufficient compensation, the court will decline an injunction. The last two factors are generally of lesser weight since their outcome usually flows from the findings on the first two factors.

Preliminary injunction proceedings are effectively mini-trials that compress the case and accelerate it into a flurry of activity over a few weeks or months. The court may allow a period of abbreviated fact discovery before the decision, but it is not required to. Preliminary injunction proceedings thus move extremely fast relative to the remaining litigation. A patent owner's keys to success on a preliminary injunction in a patent case are: acting diligently; proving a strong case on the merits; and establishing with specific factual support why money damages would be an insufficient remedy.

A patent owner who unreasonably delays seeking injunctive relief upon learning of the infringement may prejudice its right to seek preliminary injunctive relief, since the court will view the delay as evidence that the infringement is not causing irreparable harm. Upon learning of the infringement and determining that preliminary injunctive relief may be necessary, the patent owner should act with reasonable diligence to muster its evidence of infringement and validity and bring suit. For example, we have succeeded obtaining preliminary injunctive relief where suit was brought within two months, following a full investigation.

The patent owner should also present a clear showing of infringement and that the patent is likely to withstand attacks on its validity. Preliminary injunctions have succeeded, for example, where they were accompanied by expert opinions clearly and persuasively explaining the grounds for infringement and refuting the accused infringer's arguments of non-infringement and invalidity. To the extent the inventors or key witnesses are deposed, injunctive relief may depend on whether their testimony contains admissions harmful to one side or the other. Sometimes, the dispute will centre upon interpretation of the patent claim. Since claim interpretation is determined as a

matter of law by the court, a patent owner can often show strong probable success on the merits by establishing that infringement is not seriously contested under its proposed claim interpretation.

If the patent owner can make a strong showing of likely success, the court will presume irreparable harm, in which case the burden shifts to the accused infringer to rebut that presumption. Whether the court ultimately grants a preliminary injunction often turns on whether the showing of likely success is strong enough to allow a presumption of irreparable harm. A showing of actual irreparable harm should also be made in order to bolster the need for a preliminary injunction and prevent the accused infringer from rebutting the presumption. Actual irreparable harm is usually shown by reference to specific facts about the market or nature of the technology.

#### **Punitive damages and attorney fee awards**

The patent statute allows a court to award enhanced damages upon a finding of wilful patent infringement. Enhanced damages are similar to punitive damages in tort cases. If the court finds wilful infringement, the court may in its discretion then multiply the award of actual damages by up to three times. The patent statute further allows a court to award attorney fees upon a finding that the case was exceptional. If the court finds that the infringement was wilful, this is a basis for finding that the case was also exceptional. Indeed, where the court finds that infringement was wilful, but refuses to enhance damages or award attorney fees, the court must articulate a legitimate reason for this refusal.

Wilfulness is decided on the totality of the circumstances and, therefore, there cannot be hard and fast *per se* rules. Infringement may range from unknowing, or accidental, to deliberate or reckless disregard of a patentee's legal rights. Wilful behaviour is something more than mere negligence, and requires a showing of a reckless or deliberate disregard of the patent owner's rights. Accused infringers who know of a patent have an affirmative duty of care to avoid infringing that patent.

Historically, the most important issue for wilfulness was whether the infringer had obtained and reasonably relied on an opinion of counsel before commencing the infringing activity. If a patent owner obtained an opinion of counsel and refused to waive privilege and disclose it in litigation, courts were permitted to draw an adverse inference that the advice was bad. Recently, the law has changed to

prohibit drawing an adverse inference merely based on a refusal to disclose opinions of counsel or from the failure to obtain an opinion of counsel.

Although the law is in flux, it is likely that opinions of counsel will continue to be a feature of patent litigation. An accused infringer still has an incentive to disclose favourable opinions of counsel to offer the best defence to a charge of wilful infringement and show that it satisfied its duty of care.

Generally, courts consider a number of factors to guide the wilfulness analysis, including:

1. intentional copying of the invention;
2. whether the infringer conducted an investigation of the scope of the patent claims and had a good-faith basis for the belief that it was not infringing a valid patent (for example, by procuring a timely opinion of counsel);
3. the behaviour of the infringer as a party to the litigation;
4. the infringer's size and financial condition;
5. the closeness of the case;
6. the duration of the misconduct;
7. remedial action by the infringer;
8. the infringer's motivation for harm; and
9. whether the defendant attempted to conceal its infringement.

As a practical matter, wilfulness can be successfully established by showing several bad factors relating to the infringer's conduct.

Besides wilfulness, other fact situations may support a finding of exceptional case, allowing an award of attorney fees. For example, if a patent owner is found guilty of having procured its patent through intentionally deceptive conduct in the patent and trademark office (so-called inequitable conduct), the case may be found to be exceptional, entitling the accused infringer to be awarded its attorney fees. Proof of inequitable conduct requires showing, among other things, that the patentee withheld information or made misrepresentations known to be material during patent procurement with the intent to deceive the patent office into granting the patent. Inequitable conduct is itself a defence to patent infringement, rendering the patent unenforceable.

The courts have also awarded attorney fees for exceptional case based on finding offensive litigation tactics, vexatious or unjustified litigation or frivolous filings. For example, a generic drug company's challenge to an innovator drug company's patent constituted an exceptional case, allowing an award of attorney fees, where the generic drug company's challenge to the patent was "wholly

unjustified" and the company persisted with this unjustified challenge in litigation.

Other examples of litigation misconduct supporting an award of attorney fees include:

- Discovery abuses such as retaining and using an inordinate number of experts where one would have sufficed, making overly broad discovery requests into minor and unpromising areas, dumping voluminous documents just prior to depositions, deliberately delay in producing critical information, making baseless claims of privilege, filing numerous motions, falsifying or intentionally destroying evidence, or suppressing testimony.
- Pursuing a claim or defence that the party knew or should have known was baseless.
- Violations of injunctions or failure to comply with court orders.

### Conclusion

Patent owners considering litigation ordinarily will consider how good their chances are for establishing liability, how much monetary damages in the form of a reasonable royalty or lost profits they are likely to receive, and whether a permanent injunction at the conclusion of the litigation is of vital business importance. These considerations, of course, drive whether to litigate and settle disputes. The facts of a case may also allow for an extraordinary remedy, such as preliminary injunctive relief, enhanced damages and attorney fees.

Pre-planning and preparation is vital to success on a preliminary injunction. This may include retaining scientific experts, preparing witnesses to testify and obtaining financial information to show irreparable economic harm and any other relevant information that the patent owner may need. The patent owner must be prepared for the expense and commitment needed for a compressed schedule, as well as the cost of a security bond should it prevail.

Whether or not the patent owner may receive an award of enhanced damages and attorney fees, or the accused infringer may receive an award of attorney fees, depends on persuasively presenting the merits of the case and showing the inappropriate conduct of the adversary.

While extraordinary remedies should never be considered a matter of right, if appropriate, they present powerful weapons in litigation for the patent owner or accused infringer.



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*Robert L. Baechtold is one of the founding partners of Fitzpatrick, Cella, Harper & Scinto. Over the past 35 years, he has prepared, tried and argued intellectual property cases in the district courts, the ITC and the Federal Circuit, primarily in the fields of pharmaceuticals, biotechnology, chemistry and polymeric materials. He has appeared as lead counsel in litigation for Bristol-Myers Squibb, Sanofi-Aventis, Warner-Lambert, Merck, Astellas Pharma, G D Searle, Novartis, AstraZeneca, UCB, American Cyanamid, S C Johnson & Son, Hoechst Celanese, Hoechst-Roussel, American-Maize Products, E I du Pont, Union Carbide and Bausch & Lomb.*

*Mr Baechtold was selected as a top intellectual property law practitioner in the 2005-2006 edition of the Best Lawyers in America and for Euromoney Magazine's Guide to the World's Leading Patent Law Experts and Guide to the World's Leading Trademark Law Practitioners. He was selected as one of the 10 best patent lawyers in the world, and the highest-rated in the United States, in Euromoney's Best of the Best surveys in 2000, 2002 and 2004. In the 2005 edition of Chambers USA: America's Leading Lawyers for Business, he was named as a star player whose "first names roll off everyone's lips, the standard by which others are judged".*



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Bruce M Wexler focuses his practice on the trial and appeal of patent infringement actions. Before joining Fitzpatrick, Cella in 1994, he served as a law clerk to the Honorable Glenn L Archer Jr, Chief Judge, US Court of Appeals for the Federal Circuit.

Mr Wexler has handled matters for a number of US and foreign companies in a broad range of technologies including pharmaceuticals, electronic compasses, contact lens care products, bar code technology, carbon graphitisation apparatus and materials, product packaging, thermal ink jet printing apparatus and inks, electrochromic mirrors, automotive rearview and side-view mirror assemblies, and automotive glass assemblies. Mr Wexler also has experience in patent office re-examination proceedings, licensing and patent-related antitrust issues, and counsels patent owners on the scope and patentability of their intellectual properties, and gives guidance to clients regarding potential for infringement of the patent or trademark rights of others.

Mr Wexler is a winner of the 2004 Burton Award for Legal Achievement in legal writing in connection with his article, *Forum Shopping More Likely As A Result Of Narrowing Of Federal Circuit Jurisdiction in Vornado*. Mr Wexler has also served as the Chair of the Federal Circuit Bar Association Patent Litigation Committee and of the New York Intellectual Property Law Association Committee on Amicus Briefs and Legislative Oversight.



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Mr Gregory has handled matters relating to thrombin inhibitors, beta-blockers, calcium channel blockers and formulation technologies, as well as freedom to operate issues related to importation of pharmaceuticals into the United States. Mr Gregory also has appellate experience, including assisting with several amicus curiae briefs to both the Supreme Court and the Court of Appeals for the Federal Circuit.