

## INTRODUCTION

I have been involved in one way or another with patent disputes since the mid-1980s. Patent litigation became particularly popular with the creation of the Court of Appeals for the Federal Circuit. That court, which hears virtually all patent appeals in the United States, helped establish the importance of patents and recognized significant rights for patent holders. Not the least of the rights included fairly robust damages. Jury trials were the norm, which seemed to bring some big verdicts. Patent litigation became a hot item.

But it often got expensive. My first patent trial—decades ago—was over a patent license agreement that also included trade secret claims and some other matters. The main issue was whether the defendant’s products fell within the claims of the licensed patents—if they were valid—and whether royalties were therefore owed on their sales. Discovery took well over a year. There were discovery and dispositive motions of all sorts. It took well over a month to try the case to a jury and about a year more for post-trial motions and appeal. The opposing party initiated parallel litigation in other U.S. courts and one case in Canada. It took years to conclude the whole thing.

I tried the case with a team that included a partner in my firm, a former Supreme Court Chief Justice, who was one of the best trial lawyers in the state. Our team also included the head of a patent boutique firm, who was the “dean” of the state patent bar, and his associates. It was a great experience for a young lawyer and taught me—under fire—how to try a complex patent case. The judge was diligent and thoughtful. The jury was attentive and dedicated to their task, unfamiliar as it must have been to them. And we won! So this was a great experience for the lawyers on my side of the case.

But it was mighty expensive for the clients. The legal and factual issues seemed to multiply as time went on. In the end, the case was decided on the basic issue: did the products fall within the asserted patent claims? The jury found they didn't. The rest turned out to be expensive window dressing.

Things have only gotten more expensive over the years. The *2015 Report of the Economic Survey* reported, for example, an average cost of \$873,000 for patent cases with less than \$1 million at risk and about \$2 million for cases with \$1 million to \$10 million at risk.<sup>1</sup> Many patent disputes can't bear that level of expense. Arbitration can provide a path for getting smaller cases resolved so that the entry fee doesn't end up being more than the prize.

Contrast most patent litigation with a few recent cases for which I have had the good fortune to serve as arbitrator, either alone or on a panel.<sup>2</sup> As in my first patent case, the basic issue in all cases was whether the products or processes at issue fell within the asserted definitions in the license. In some cases, the definition simply referred to the patent claims or claims in patent applications. In others, there was a more particular definition crafted to avoid having to analyze hundreds of patent claims in a fairly large licensed portfolio. In some, validity was an issue; in others it was not. Some included other claims like misappropriation of trade secrets or other intellectual property infringement; others didn't.

All of the cases needed and had far less discovery than any patent-related case I have ever done in court. That's not to say there wasn't significant discovery. There was. But it was focused and limited. Most of the cases had a hearing that lasted a week or less. Some settled after the parties had learned more about the facts. None of them was inexpensive. But I am sure none

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<sup>1</sup> AIPLA Report of the Economic Survey 2015, I-109–I-110.

<sup>2</sup> Unfortunately, discussing past arbitrations doesn't lend itself to very detailed or colorful war stories. Arbitrators are required to keep arbitrations confidential. Thus, any descriptions of cases here are necessarily very general and lack identifying characteristics.

of them came close to costing what a jury trial in federal court would have cost.

The main difference between the arbitrated cases and my first multiyear case was the presence of an agreement with an arbitration clause, usually a license agreement.

I am sure that the prevailing parties thought arbitration was a grand idea, and the losing parties probably didn't. But either party would have to admit, I am sure, that the whole thing—while plenty expensive—cost nothing like full-blown patent litigation.

And so it has occurred to me that arbitration of patent issues offers some real benefits in the right case. While that may be true in many commercial cases, it strikes me as particularly true in patent disputes. But to achieve the benefits of arbitrating patent disputes, you have to plan ahead, use the right contracts, and have some appreciation for how arbitration can best be used to resolve those disputes.

That is the reason for this book. My goal is to provide a sort of step-by-step road map of what you will want to have in mind if you decide to use arbitration to resolve patent issues or if you have inherited someone else's decision to use it. We start with whether or not it is a good idea to include arbitration in your patent-related agreement. Then we run through how to draft the clause, how to start the arbitration, how to conduct it, how to enforce or attack the award, and plenty of ground in between.

Arbitration is, by definition, more flexible than litigation. The parties can set its course by contract in a way you cannot do with litigation. The flexibility allows a good deal of tailoring to make the process fit the problem. Hopefully, some of the possibilities discussed here will help you use the flexibility of arbitration to get your dispute solved efficiently and effectively.