

## Riding the American Rocket

### Is it possible for a private UK inventor to enforce their IP rights in the USA?

By Mandy Haberman

#### Introduction

The problem with patent enforcement in the US is that court cases are long and drawn out. They can take many years to get to court let alone reach a final outcome. In addition US litigation is fearfully expensive, around 4x UK litigation costs. Costs can be so high that they might exceed any damages awarded so, even if you win, you lose. In fact you would have to be mad to take such a risk. So, for the little guy, patent enforcement in the US is totally prohibitive. Or, so I thought...

#### Background

I'm a private British inventor. My product, the Anywayup Cup, achieved commercial success, against all the odds, and as a result, was quickly copied by other players in the market. The Cup was launched in 1996. By 1998 infringement had already occurred and I took the gut knotting decision to stand up and enforce my rights through the High Courts in the UK. Fortunately, I won that round and my opponent settled before Appeal. But, that was just my first ride on the litigation roller coaster.

Within weeks of achieving that settlement I had begun other enforcement actions in mainland Europe, but these were soon put on hold because of EPO opposition proceedings initiated by Playtex Products Inc, a multinational US company.

Meanwhile, Playtex had started to use my technology in the US and was market leader there. I passively watched whilst what I believed to be a substantial stream of potential royalties, dissolved into the ether. For various reasons, I could do nothing about it for several years, until my US licensee declined to take action and other contractual issues were resolved. Then, in theory, I became free to assert my rights. However, by then, the European Opposition proceedings were draining my energy and resources, effectively tying my hands. Setting that aside, was it even feasible for me, an independent UK inventor, to take on a giant US corporation and survive the US litigation system?

The difficulty, if you are the little guy. In the UK litigation is very expensive. A simple case can cost the losing party around £1million, so very few private inventors, or small businesses, can afford to enforce their rights in court. Knowing that there is little risk of litigation, many companies simply ignore the IP rights of smaller players and infringe with impunity. The same problem but, on a far greater scale, faces European inventors in the US.

US patent litigation can take many years and can easily cost each side \$4m, non-recoverable. An US company has the potential to copy a European invention, manufacture in the US, or the Far East, and distribute all over Europe. Since we do not yet have a single European court, the inventor must either stop them at source, in the US, or take action in each European country. Europe could be losing substantial IP revenue stream to the US, simply because the cost of litigation there is prohibitive to most of us.

#### My decision

One night, whilst on holiday, I woke up at 4.30 a.m. with a clear and lucid thought, *"This is ridiculous! What is the point of spending a small fortune to get my US patents, if I'm not going to enforce them?"* A moment of clarity at 04.30 hrs is one thing but taking the decision to act on it, required a great deal of consideration. I weighed up the pros and cons:

- Taking legal action in America by myself was out of the question. I simply could not afford it. However, if I could find a law firm willing to take the case on a partial contingency basis, then perhaps it might be possible. I knew that this would mean sharing any damages won, but better a percentage of something, than all of nothing.
- There was a risk that we might lose. For me, the worst case scenario would be if my patents were entirely revoked. Then my current licensee would terminate our Agreement and I would lose my US income stream. However, because my licensee had not taken any action to prevent infringers from

entering their home market, their own market share was by now very small. Consequently, the royalty stream that I risked losing was not substantial in comparison to the amount I could win by taking the action. A contingency lawyer would only take the case if he felt it was strong and that the risk was worth taking. This was a reassuring thought. I could use him as my barometer – if he felt comfortable about taking the case, then so should I. If he pulled out, then so would I.

- They were using my invention and taking all the credit. Strangely, if I examine my motivation to take the action, it was not just about the money. A lawyer once told me that in litigation there is no such thing as justice, just winners and losers. Despite knowing this, I felt a growing sense of injustice. I could not turn the other cheek any more. In addition, I had an almost academic curiosity to see if the US patent enforcement system could be accessed successfully by a small UK private inventor.

I decided to take the next step. I went to see my UK lawyer, Gary Moss at Taylor Wessing, and asked him if he could source a US law firm willing to take my case on a contingency. He told me that few specialist IP attorneys will take contingency cases as they know how volatile patents can be but he would try. He contacted Mike Hartmann at Leydig Voit & Meyer (LVM) in Chicago and, when Mike heard my story, he expressed an interest.

I went out to see LVM. They investigated my case and concluded that action should be taken against three major companies – two suppliers (Playtex Products Inc and Gerber Products Company) and the interstate retailer, Wal-Mart Stores Inc. LVM calculated that the two suppliers had an over 60% US market share between them. So, the size of the potential pot of damages made taking the case on contingency viable for them.

They suggested taking the case in the Rocket Docket jurisdiction of Wisconsin. This would mean a very speedy trial, which would in itself help to minimise cost. The suggestion appealed to me, not just because it was the cheapest route, but because it would put a time limit on stress. Life is too short to spend years living with litigation. Fast and furious suited me!

A partial contingency arrangement was proposed, in which my exposure would be limited to disbursements and court fees. We worked out what my maximum liability might be and I had to decide if I could afford to finance that cost (in the US each side pays their own costs, so this amount was non-recoverable). They also suggested a sliding scale for their share. Their percentage would vary according to how far the case went before an outcome or settlement was reached.

I discussed my proposed course of action with my husband, Steven, and explained my thought process. He reassured me that my logic was sound and that I was not completely barking mad. So I pressed the button and set the process swiftly into motion.

### **The experience**

My UK action in 1998 was a roller coaster ride of stress and excitement right from the start but this was different. With all the action happening across the Pond, I felt strangely removed and insulated. Emails went back and forth and the paperwork progressed but life went on as normal here in the UK. I read the other sides' submissions but nothing seemed too alarming. Finally, the trial date was set for December 19 2005 in Wisconsin and, mainly, I began to look forward to it.

From the moment I had given the green light, it had taken just 9 months to get to court. During this time, one of the defendants had vaguely talked about settlement but nothing had transpired, so it looked as if we would be going all the way.

It was agreed that our action against Wal-Mart would be stayed, since they had merely been selling the suppliers' products. In fact, we had brought them into the case for strategic reasons, to ensure the location of jurisdiction in Wisconsin and to prevent the defendants from 'jurisdiction hopping'.

Before going to trial each side's arguments were put before the Judge for 'summary judgement'. I held my breath, waiting to hear the outcome. Fortunately it went very well for us. The Judge declared that their attempts to claim my patents invalid were nonsense and he believed that they were infringing. He said that they would need to come up with something better to convince the jury otherwise. I could not have wished for a better outcome. Now there was a good chance that both defendants would offer to settle out of court.

I went over to Chicago a week before the trial date, to prepare for my deposition and cross examination. This was very different to my experience of the UK procedure. Here I had very little preparation. I remember being taken to watch a few minutes of another trial in progress and being told the order of events but this was nothing compared to US preparation. At LVM I was shown a video of 'case study' depositions, to illustrate what to do and how to behave and also, more importantly, what not to do. While the whole process seemed pretty scary, I gradually got the hang of it. In the end, it was simply a matter of telling the truth, and not letting the lawyers on the other side distort it or trick me with all the complexities of patent law.

We worked long hours, starting a 06.30. By 20.30 each evening I went to bed, exhausted from a combination of jet lag and burn out. It seemed to me that the whole law firm was working on my case. They worked incredibly hard with the juniors often working into the early hours. It was just like LA Law!

### **D DAY**

The next day was Deposition Day. I was up by 05.00 and at the LVM offices by 06.30 ready for a re-read of the papers and more preparation.

The deposition was held at a nearby law firm. The proceedings were very formal and intimidating. We were seated around an enormous board room table, with me at the head. The proceedings were recorded on video camera and by a stenographer. I was deposed separately by each opponent's lawyer over two days. There were the expected games and dirty tricks, but I knew the truth was on my side. I found that I was more comfortable when I was being overtly, aggressively challenged than I was when they played the 'friendly, nice-guy' card. It was challenging, stressful, exhausting and in a strange way quite exhilarating (maybe I'm a masochist!) However, I was relieved when it was over. My lawyers were reasonably happy with my performance and that of my expert witness. They concluded that nothing we had said would lose us the case - which is probably as good as it gets!

After the depositions were over, everything focused on preparation for the trial.

A few days before the court date, one of my opponents started serious settlement negotiations. The lawyers and I carefully weighed up the pros and cons of settling since of the two companies, our best case was against this one and that we had a good chance of triple damages. My intuition was that my lawyers wanted to go in for 'the kill' but they were completely unbiased in putting the case for settlement.

The Pros for settlement:

1. A speedy end to all the stress and uncertainty.
2. If we settled with Playtex, it might put pressure on Gerber to settle also.
3. If we proceeded to court and won substantial damages, they would appeal and the case would drag on, costing me more money. In addition, we could lose at appeal.
4. There would be no guarantee that the jury would award me more damages than had already been offered as settlement. It might even be less!

The Cons:

1. If I won at trial, then the judgement would be in the public domain and I could use it to promote my story and send a strong message to the rest of the market. Settlement, on the other hand, would involve confidentiality.
2. The cost of taking two defendants to trial is the same as taking one.
3. If I went to trial, I could win mega-bucks.

In the months leading up to the trial I had already given a lot of thought to the hypothetical possibility of settlement. In taking the action, my priorities had been that my IPRs should be recognised and that the litigation should be over quickly, so that I could get on with my life. I had already decided that I would be prepared to settle for a respectable amount, for the sake of my sanity. The case for settlement, particularly point 4 above, supported this view. So, despite our confidence and the possibility of triple damages, I decided not to be greedy and I accepted the settlement offer. My lawyers accepted this with good grace but I will never know if they were really disappointed.

Gerber remained silent until the last day, when they made a derisory offer that I rejected. So, despite my desire to avoid a full blown trial, we ended up going to court.

## **THE TRIAL**

Apparently, as in the UK, very few US patent cases ever go to court. Consequently, this was a good opportunity for many of the younger staff at LVM and we had lots of support in our corner.

In the US patent litigation involves a jury trial and our day therefore began with 'Jury selection' to reduce the 13 potential candidates down to seven. First of all the Judge asked each of them a number of questions to establish if they, their families or friends, worked for, or were in any way connected to, the defendant. Then each side was allowed to submit some questions of their own. Our 'Jury Consultant' listened to each juror's interview and from that assessed their character profiles. Each side had the right to knock out 3 jurors and was allowed two objections to the other side's choices. The game strategy was to second guess who the opposition would want off. When it came to it, the choice was made very rapidly seemingly based more on intuition, than anything scientific. I can not say how the jury selection might have affected the outcome but it may possibly have been different if one of the selected jurors had not fallen asleep early on in the proceedings.

After the opening statements, I was called to the witness box for my 'direct'. I thought it went reasonably well but the Judge prevented me from saying certain things that I felt were important to my case.

The cross examination that followed was not as bad as I had expected. Clearly all the preparation at LVM paid dividends. I am not sure how long I was in the box altogether, but it seemed like over an hour. My expert witness took the stand next. The other side was very rough with him but he did well.

Gerber called 6 witnesses, including their expert. All their directs sounded convincing but, to my relief, under cross examination there was a lot of inconsistency and contradiction. However, despite the judge's questions at jury selection, it now transpired that the defendant firm was based in the same vicinity as the court and several of their witnesses had grown up in the area and been to local schools. I do not think it helped us that, apart from our attorneys, there were no Americans on our side.

Then came the closing statements by each side's attorney. The Gerber's case focused on the first of my patents. Before the Jury went off to deliberate, the Judge gave them instructions on how they should consider the case. I found it very hard to follow what he was saying, so heaven knows what the jury made of it.

The jury had to reach a unanimous decision and, in this case, it took them six hours. For us it was six hours of dehydrating in a windowless room. Not an experience that I would care to repeat. As time ticked by, my initial feeling of confidence started to ebb away. Eventually, I just wanted the ordeal to be over.

Finally, we were called back into court. If I thought I was stressed before the trial, I clearly did not know the meaning of the word. My heart was thumping. The jury had reached their decision. They found the defendant not guilty of infringing either of my patents and they found claim one of my second patent anticipated and therefore invalid. We could not believe what we were hearing. No evidence had even been suggested for anticipation. We left the court dumbstruck.

But, the American system does not end there. There is a period of several months during which representation can be made to the judge for reconsideration of the decision. In my case, Gerber requested that I should pay them several million dollars for their costs, claiming that my action against them was frivolous. My attorneys made representation that the decision of anticipation be overturned. The judge turned down the defendant's request, saying that I had taken the action in good faith. He considered our arguments and overturned the jury's decision. He found that Gerber had indeed infringed my second patent but, he did not overturn the claim of anticipation. Not entirely what we wanted, this did at least improve our negotiation position with Gerber. Protracted settlement discussions were begun but not concluded before submissions were made for the appeal. So, despite my best intentions for a quick 'in and out' action, I was drawn into the full American process.

The US Appeal process is streamline and, other than for extensive briefing, only required a few hours in court. The tribunal ruled that my patent was valid but that Gerber was not infringing. It would have ended there but, because obviousness had not been considered previously, the case should be reverted back to the court of first instance.

It was in neither side's interest to incur more costs by going to court and starting the process all over again but, Gerber seized the opportunity and attempted to leverage royalty free rights under my non-US patents. After tough and protracted negotiations a satisfactory conclusion was reached. I paid a small amount towards their costs (made sweeter by a favourable exchange rate) and gave them the right to manufacture in China but only for sales in the US. They dropped the case and, after two years, my American adventure was finally over.

My whole US experience was extremely interesting, educational and personally satisfying, despite the less than perfect outcome of the Gerber action. I had a great sense of achievement from having stood up for my rights, particularly against such powerful opponents. As a result of my US patents being declared valid in court, other companies have since requested licenses. So financially, overall, enforcing my rights has turned out to be well worthwhile for me, but perhaps not for my lawyers.

### **CONCLUSIONS**

1. The prospect of a jury to try patent cases may seem inappropriate and perhaps un-nerving to non Americans, because the quality of their decision may be questionable. However, the judge views the submissions in advance of the trial and his opinion should help to encourage pre court settlement. Even if the case does proceed to trial, the jury does not have the last word. The judge can alter the verdict. Should satisfaction still not be achieved then the US appeal process is available and involves only modest cost. I therefore think that the US system works well and we non Americans should have more confidence in it.

2. American citizens are a rather loyal bunch and somewhat protective of their own. Therefore, it would be wise for a non-US litigant to make sure they have some US presence in their corner – e.g. at least one US witness on their side. It would also be wise to ensure that your opponent does not have a base in the same local as the court.

3. It can be done! Whilst it is daunting and should not be entered into lightly, it is possible for a non-US individual (or SME) to access successfully the US patent litigation system. You just need to have great lawyers - and nerves of steel.

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