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When Foreigners Infringe Patents: An Empirical Look at the Involvement of Foreign Defendants in Patent Litigation in the U.S.

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WHEN FOREIGNERS INFRINGE PATENTS:
AN EMPIRICAL LOOK AT THE INVOLVEMENT
OF FOREIGN DEFENDANTS IN PATENT
LITIGATION IN THE U.S.

Marketa Trimble†

Abstract
This article presents results from a multiple-year project concerned with the involvement of foreign (non-U.S.) entities in U.S. patent litigation. A comparison of data from 2004 and 2009 that cover 5,407 patent cases filed in U.S. federal district courts in those two years evidences an increase in the number of cases involving foreign defendants, and thus an increasing potential for cross-border enforcement problems. With this basic finding, the research supports the proposition advanced by a number of intellectual property scholars in the U.S. and abroad that rules need to be established to facilitate a smooth process for recognition and enforcement of foreign judgments in intellectual property cases. The research fills a significant gap in the existing literature, which has relied so far on only isolated individual cases to illustrate cross-border enforcement problems; comprehensive empirical evidence has not existed to show a growing need for improved rules for recognition and enforcement. In addition to providing missing evidence, this article uses data concerning the involvement of foreign defendants to reveal remarkable facts about the changing landscape of patent litigation in the U.S.

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INTRODUCTION

Enforcement of intellectual property rights, including enforcement across national borders, is crucial for the effective protection of those rights. Many scholars have debated whether the protection of intellectual property is desirable at all, or what the appropriate level of such protection might be; however, this article does not enter this debate. Instead, it is written on the premise that as long as laws exist to protect intellectual property rights, those laws should be enforceable, regardless of the geographical location of the infringers of the rights.

Recent international treaties concerning intellectual property reflect the interest of countries in the effective enforcement of intellectual property rights. The treaties address enforcement through criminal laws and customs measures; they also set minimum standards for certain features of enforcement through civil litigation. However, the treaties remain silent on issues concerning cross-border enforcement through civil litigation, as if that type of enforcement presented no difficulties that could be solved by international treaties.

Notwithstanding this silence in international treaties, a number of intellectual property scholars in the U.S. and other countries claim that cross-border enforcement problems in intellectual property litigation exist, and therefore a need also exists for a smoother mechanism for the recognition and enforcement of foreign judgments than the one currently available. The scholars have cited isolated individual cases to illustrate the enforcement problems but have lacked more substantial empirical evidence for their claims. The research presented in this article offers the missing evidence; it shows the magnitude of cross-border litigation as it exists today and suggests how problems might increase in the future.

The evidence contributed in this article is based on a statistical analysis of an extensive population of all patent cases filed in U.S. federal district courts in 2004 and 2009. The use of data from these two years allowed me to compare the two populations of cases and

1. See infra Section II.B for a review of the treaties.
2. See infra Section II.A for a review of the various proposals.
draw conclusions about the magnitude of changes over time. The most important finding of this research confirms that there is a growing need for a recognition and enforcement mechanism. In the realm of U.S. patent litigation, not only do cases exist in which cross-border recognition and enforcement may become a problem, but the absolute number of these cases and their percentages with respect to all patent cases filed increased from 2004 to 2009.

In addition to this basic important finding, my research brought some additional findings and also some unanticipated results. I found an increase in the number of cases in which at least one foreign defendant was sued in 2009. I also determined that more patents were at stake that would probably have a significant impact on U.S. economic interests. These two findings provide a strong argument for the need to create a viable mechanism for the recognition and enforcement of foreign judgments in patent matters.

Unanticipated results revealed interesting facts about the patent litigation landscape in the U.S. and how it changed from 2004 to 2009. For instance, my data show that many foreign parties do not fit the classical profile of a “bad infringer”—a pirate hiding in an exotic rights haven. Instead, many foreign defendants are generic drug manufacturers who are being sued as they prepare to launch into the U.S. market their generic versions of brand-name drugs protected by a U.S. patent. Other data suggest that after certain changes in jurisprudence regarding venue, some plaintiffs might have used foreign defendants as part of a strategy to obtain the litigation venue of their choice. Plaintiffs might have sued foreign defendants together with a U.S. out-of-state defendant to avoid a transfer of venue in situations where the plaintiffs’ choice of venue would not be defensible if only the U.S. defendant had been sued. These findings present additional contributions to research on U.S. patent litigation.

Two important caveats should be made. First, this article does
not claim to describe a trend; two data points clearly do not constitute a trend. The fact that in 2009 we see more of certain types of cases than we did in 2004 does not mean that the growth will continue in later years. Second, 2009 might have been an unusual year for patent litigation in the U.S.; the economic downturn could have impacted plaintiffs’ decisions on patent litigation strategies and possibly delayed or accelerated the filing of suits. Although the number of patent cases filed in 2009 does not reflect a dramatic increase or decrease in patent litigation activity compared to that of previous years, the economy still could have had an effect on the number and types of suits filed in that year. Future research will be necessary to show whether 2009 was in any way unusual for patent litigation and to confirm whether the comparison between 2004 and 2009 indicates a trend that will continue in the future.

Before presenting the comparison of the data for 2004 and 2009 and providing a detailed analysis of some of the aspects of the data, I first briefly review in this article various cross-border enforcement problems as they have been described in existing literature and explain how some of the problems are being mitigated while other problems remain unresolved. Second, I look at the current trends in international intellectual property and point out the lack of debate or solutions at the inter-governmental level regarding cross-border enforcement problems that arise in civil litigation. This silence contrasts with the various proposals drafted by scholars in the U.S., Europe, Japan, and Korea, which target the problems and aim to minimize them. Third, I discuss previous empirical research on patent

9. Cf. Robert Aronoff, The State of the US IP Marketplace 2009-2010, 1004 PLI/PAT 477 (2010). “Litigation watchers like Patent Freedom and RPX publish statistics that suggest that litigation increases in bad economic times as traditional operating means for achieving needed revenue become more limited. Compared to so many other investment options, an investment in patent assets and monetization through litigation is emerging in the eyes of many as a strong counter-cyclical investment opportunity with very real upside.” Id. at 486-87. Compare with a recent study by Bradley D. Riel and Paul T. Meiklejohn, in which they claim that “considering long term litigation trends and the constantly increasing US economy, there appears to be no correlation between changes in the US economy and patent litigation activity. On a micro-scale, however, when extreme fluctuations in the US economy are recognized—in particular, contractions in the economy—patent litigation activity in the district courts tends to increase substantially.” Bradley D. Riel & Paul T. Meiklejohn, A Correlation Between the State of the US Economy and Patent Litigation Activity, 92 J. PAT. & TRADEMARK OFF. SOC’Y 71, 103 (2010).

10. According to Lex Machina, 2,635 patent cases were filed in 2009 compared to 2,768 cases filed in 2007. However, in 2008 slightly fewer cases were filed than in 2009—a total of 2,606 cases. LEX MACHINA, http://lexmachina.com (last visited Aug. 20, 2010). The statistics of cases reported herein reflect the data available during the Summer of 2010 and may no longer perfectly reflect the data available on Lex Machina. See infra note 106 and accompanying text.
litigation and some of the results as they pertain to this research. Finally, I report findings from my research, analyze the results, and suggest how the data might be interpreted. I argue that the major findings of this research support the proposition that a mechanism needs to be created to address difficulties that arise in cross-border enforcement of court decisions in patent cases; creation of the mechanism should not remain on the back burner but should become a part of the negotiations among countries regarding international instruments on intellectual property enforcement.

I. CROSS-BORDER ENFORCEMENT PROBLEMS IN CIVIL LITIGATION

Having a judgment that has been issued in one country be recognized and enforced in another country may involve a lengthy process that can be quite difficult. Sometimes it will be impossible. This difficulty is due to discrepancies that arise among the private international rules of various countries, together with some fundamental differences in the internal substantive and procedural laws of individual countries. These differences continue to exist in the area of intellectual property law as well, even though it is highly harmonized under a number of international treaties. 11 This part briefly reviews problems of cross-border enforcement of court decisions, both general problems arising in any kind of civil case and also those problems specific to intellectual property litigation. 12 Although some of the problems have been mitigated, significant roadblocks remain that continue to hinder effective cross-border enforcement. Part II then discusses proposals that have been developed to remove these roadblocks.

A. Problems Identified

The process of cross-border recognition and enforcement of judgments is associated with a number of difficulties that are not unique to intellectual property cases. 13 For instance, different standards for personal jurisdiction or varying due process

11. The harmonization of intellectual property law is not limited to substantive law; it also concerns certain aspects of procedural law. On existing international instruments and their treatment of procedural rules as they relate to intellectual property cases, see infra section II.B.

12. For additional detailed discussions of cross-border enforcement problems see Trimble, Cross-Border Injunctions, supra note 4; MARKETA TRIMBLE, GLOBAL PATENTS: LIMITS OF TRANSNATIONAL ENFORCEMENT (forthcoming 2012).

requirements may result in non-recognition of foreign judgments. Or, the public policy exception may be applied by a court when it is asked to enforce a judgment that is based on laws considered repugnant to the public policies of the country of enforcement. For example, when courts outside the U.S. have been asked to enforce punitive damages by U.S. courts, they have found the damages to be repugnant to their public policies and denied recognition of the awards. Injunctions might also be difficult to enforce for various reasons, and courts in some countries have declined to enforce injunctions at all. A specific challenge is posed by injunctions targeting acts on the Internet; some courts view the architecture of the medium as preventing any enforcement of injunctions in a geographically limited manner, or at least as making such enforcement highly impractical.

Intellectual property cases are certainly not immune to the general problems of recognition and enforcement of judgments; in fact, some general problems might play a greater role in these cases than in other cases. For instance, just as in other cases, different jurisdictional rules may render a foreign judgment unenforceable. Or, punitive damages may prevent enforcement of the entire judgment, or at least the portion of the judgment that awards punitive damages. Given the importance of injunctive relief in intellectual property cases, any hurdles in these cases affecting cross-border enforcement of injunctions will be particularly damaging. There are three problems pertaining to injunction enforcement that deserve mention in relation


15. See Brussels I Regulation, supra note 14, at Article 34.1; see Zivilprozessordnung, supra note 14, at §328(1)(4); UNIF. FOREIGN COUNTRY MONEY JUDGMENTS RECOGNITION ACT §4(b)(3); Sarl Louis Feraud Int’l. v. Viewfinder, Inc., 489 F.3d 474 (2nd Cir. 2007). See also Marketa Trimble Landova, Public Policy Exception to Recognition and Enforcement of Judgments in Cases of Copyright Infringement, 40 IIC 642 (2009).

16. See, e.g., Baumgartner, supra note 13, at 216.


to intellectual property cases: timeliness of enforcement, enforcement on the Internet, and effectiveness of contempt proceedings.

The problems of timeliness and Internet enforcement are obvious. It is crucial for a right holder to quickly enforce an injunction; without swift enforcement, the damages to the right holder may rapidly escalate, particularly if the right concerns intangible property. However, an injunction that needs to be enforced across national borders will automatically be subject to a number of delays. The Internet presents an additional challenge as courts struggle to impose territorially-limited remedies upon a medium that defies traditional borders.

Another cross-border enforcement problem is highly pertinent to patent infringement cases: the design-around argument, which is typically raised as a defense when right holders attempt to enforce injunctions in contempt proceedings against patent infringers. This problem may be summarized as follows: Upon a finding of infringement (and often even before then) the infringer replaces the infringing product or component with a product or component that is redesigned to circumvent the infringed patent. When the patent holder asks a court to enforce the injunction against the infringer, the infringer claims that the new product or component is redesigned sufficiently such that it no longer falls within the original injunction. The result of a court’s decision on the design-around argument has crucial significance for the right holder because a finding that the design-around avoids the injunction means that the only recourse the right holder has is to engage in new litigation.

Resolving design-around arguments is difficult enough for courts even when the injunction is granted in the same country; however, when the injunction originates in a third country and the design-around argument is raised in the enforcing country, the enforcement is likely to be defeated. Design-around arguments require that courts

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21. Where the burden of proof falls in the contempt proceedings is of course of great significance. In ITC proceedings the burden is on the alleged infringer. The Federal Circuit Court discussed whether it would be possible for a court to adopt the ITC-style approach in an order that would require defendants to inform the court of any design-around. Tivo Inc. v. Echostar Corp., 597 F.3d 1247 (Fed. Cir. 2010) vacated, 376 F. App’x. 21, 2010 WL 1948577 (Fed.Cir.2010). See also Trimble Landova, Cross-Border Enforcement, supra note 4, at 212 n. 715.
ascertain the scope of a patent—something that courts refuse to do when a foreign patent is at issue because they view foreign patents as acts of the foreign executives that granted the patent, whose decisions on such patents should be respected based on the act of state doctrine. In this manner, injunctions in patent infringement cases may be easily defeated when cross-border enforcement is sought—a significant problem in the enforcement of a country’s individual patent laws and policies.

B. Problems Partly Mitigated

Certain developments in recent years suggest that a number of cross-border recognition and enforcement problems can be partly mitigated and that courts are becoming more aware of the need to make cross-border enforcement of rights function in an interconnected world. This is not to say that all recognition and enforcement hurdles ought to disappear; there are certainly good reasons why countries should insist on maintaining instances of non-recognition and non-enforcement. However, from the perspective of intellectual property rights enforcement, it is desirable that rights be enforced by reaching infringers in foreign countries.

A recent decision by a German court dealing with the recognition and enforcement of a U.S. judgment in a patent infringement case illustrates how many enforcement hurdles have been overcome. The decision addresses a number of problems that previously were barriers to enforcement of U.S. judgments in Germany but are no longer. For instance, the decision pointed out that no reciprocity need be shown for a U.S. judgment to be recognized and enforced. Similarly, the fact that a U.S. judgment awarded punitive damages and litigation costs did not render the entire judgment non-recognizable because of public policy. Instead, the court recognized the remainder of the judgment and enforced a monetary award of a non-punitive nature.

22. See Voda v. Cordis Corp., 476 F.3d 887 (Fed. Cir. 2007); ALI PRINCIPLES, supra note 3, at 24.
25. Id.
Germany is not alone in taking this more liberal approach to judgments awarding punitive damages. For instance, courts in Japan and France will also recognize the non-punitive portion of the award, and courts in some countries might venture even further. In *Miller Import Corp. v. Alabastres Alfredo, S.L.*, the Spanish Supreme Court recognized a U.S. judgment, including the award of punitive damages. The Court emphasized that “punitive damages [could not] be considered as a concept that is (completely) counter to [Spanish] public policy.”

Injunctions also stand a better chance of being enforced than they did previously, at least in most countries. Most countries that denied enforcement of foreign injunctions have changed their laws and now allow for foreign injunctions to be enforced domestically. Even in Canada, where foreign injunctions still are not enforced, a recent Supreme Court decision indicates that the approach could change. In *Pro Swing Inc. v. Elta Golf Inc.*, the Canadian Supreme Court denied recognition and enforcement of a U.S.-issued contempt order aimed at enforcement of an injunction; however, the Court’s discussion of the need to enforce foreign-issued injunctions suggests

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that the Court might be amenable to change should the proper circumstances arise.

C. Problems Re-Emphasized

Notwithstanding the encouraging signs of the more liberal approaches to recognition and enforcement adopted by courts in various countries, many enforcement problems persist. Countries have not agreed on unified rules for jurisdiction, and the existing variations continue to prevent recognition of judgments.\(^{34}\) Even if judgments survive scrutiny under jurisdictional rules and due process requirements, the remedies awarded by a judgment may be beyond the reach of the plaintiff’s enforcement options. There are no mechanisms in place to accelerate the recognition and enforcement of injunctions;\(^{35}\) enforcement of an injunction may be foreclosed by design-around arguments, and the chances of enforcement of injunctions on the Internet remain unclear.\(^{36}\) Geo-location tools\(^ {37}\) may be effective tools for imposing geographical limitations on the reach of injunctions on the Internet, or at least as effective as other means of compliance with geographical limitations; however, not all courts have embraced these tools.\(^ {38}\)

The recent English judgment in *Lucasfilm v. Ainsworth*\(^ {39}\) shows that countries may be concerned about foreign intellectual property policies clashing with their own policies when they are asked to enforce foreign judgments. Differences in national intellectual property laws are often expressions of significant national policies;\(^ {40}\) after all, these policies have been important enough to influence negotiations of international treaties that must accommodate differences through flexibilities in their provisions. Therefore, when asked to enforce a judgment based on a policy significantly different

\(^{34}\) See infra Part II.

\(^{35}\) Trimble Landova, Cross-Border Enforcement, supra note 4, at 202-04.

\(^{36}\) Trimble Landova, Cross-Border Enforcement, supra note 4, at 208 and 210-11.

\(^{37}\) “Geolocation [tools] identify an Internet end-user’s physical location by an automated means.” King, supra note 18, at 58. For more information on geo-location tools see also Dan Jerker B. Svantesson, Geo-Location Technologies and Other Means of Placing Borders on The Borderless’ Internet, 23 J. MARSHALL J. COMPUTER & INFO. L. 101 (2004); Dan Jerker B. Svantesson, Borders On, or Border Around – The Future of the Internet, 16 ALB. L.J. SCI. & TECH. 343 (2006); Dan Jerker B. Svantesson, “Imagine There’s No Countries”: Geo-Identification, The Law, And The Not-So-Borderless Internet, 10 NO. 9 J. INTERNET L. 1 (2007).


\(^{39}\) LucasFilm Ltd. v. Andrew Ainsworth, [2009] EWCA (Civ) 1328, [175]-[181] (Eng.).

\(^{40}\) Id. at [176].
from its own, a court may resort to the public policy exception.

Recognition and enforcement of foreign judgments continues to be difficult. And yet a smooth process of recognition and enforcement is not merely an academic goal in the peaceful coexistence of multiple national legal systems; rather, the process is desirable for the sake of effective enforcement of national laws. Only with the assistance of foreign courts can a national law be fully operational; if hiding behind national borders enables an infringer to be protected from claims of infringement, the effectiveness of the national laws of all countries will be impeded.

II. PROPOSALS FOR SOLUTIONS

In recent years, several proposals have emerged to address the problems of recognition and enforcement of judgments in intellectual property cases. There is a simple reason for the rise in interest in research and proposals specifically targeting the intellectual property area: the failure of the negotiations of the general Hague Convention on Jurisdiction, Choice of Law, and Recognition and Enforcement of Judgments in Civil Matters generated interest in these problems among intellectual property scholars.

This part first reviews the proposed instruments as they were developed after it became clear that a general international convention encompassing all areas of civil litigation was not feasible. Then it discusses the existing international instruments dealing with enforcement of intellectual property and notes the complete and rather surprising absence in these instruments of solutions for cross-border recognition and enforcement problems in civil litigation.

A. Proposed Instruments


Private International Law Association approved the *Principles on International Intellectual Litigation*.\(^52\)

Except for Dreyfuss and Ginsburg’s proposal, all proposals cover the litigation of a wide variety of intellectual property matters, including patent litigation.\(^53\) Dreyfuss and Ginsburg explicitly excluded patent matters from their proposed convention; they explained that among the reasons for leaving patent matters outside the scope of their proposal was “the low incidence of simultaneous multinational infringements.”\(^54\) Notwithstanding their exclusion of patent matters, they did include throughout the proposal alternative text in brackets to “demonstrate[... ] how patent litigation could be treated.”\(^55\) The subsequent proposals embraced patent litigation without reservations.

From the perspective of recognition and enforcement of judgments, the main features of all of the proposals may be summarized by noting that the proposals aim to minimize the reasons for non-recognition by providing uniform rules on jurisdiction,\(^56\) choice of law,\(^57\) and recognition and enforcement.\(^58\) Additionally, they address the problem of multinational parallel litigation by

\(^{52}\) [KOREAN PRIVATE INTERNATIONAL LAW ASSOCIATION, PRINCIPLES ON INTERNATIONAL INTELLECTUAL PROPERTY LITIGATION (2010) [hereinafter KOREA PRINCIPLES] (on file with the author).]

\(^{53}\) ALI PRINCIPLES, supra note 3, at § 102(1) and related comments, 15-17; CLIP PRINCIPLES, supra note 50, at Article 1:101(2), 8; JAPAN PROPOSAL, supra note 51, at Article 001(1), 1; KOREA PRINCIPLES, supra note 52, at Article 3.

\(^{54}\) Dreyfuss & Ginsburg, supra note 43, at 1068-1069. For additional reasons for excluding patent matters see id. at 1097-1098. The authors suggested that “patent disputes should remain outside the Convention, leaving international concepts concerning consolidation of worldwide disputes and enforcement of foreign judgments to develop on their own.” Id. at 1069.

\(^{55}\) Dreyfuss & Ginsburg, supra note 43, at 1069.

\(^{56}\) Dreyfuss & Ginsburg, supra note 43, at 1069-1070 and 1075-1084; ALI PRINCIPLES, supra note 3, at Part II, 28-116; CLIP PRINCIPLES, supra note 50, at Part 2; JAPAN PROPOSAL, supra note 51, at Articles 001-111, 1-3; KOREA PRINCIPLES, supra note 52, at Part II.

\(^{57}\) The proposal by Dreyfuss and Ginsburg is an exception; they do not provide for uniform choice of law rules and instead proposed that a choice of law inconsistent with the rules of the enforcing jurisdiction could be a reason for non-recognition of a foreign judgment based on such a choice. Dreyfuss & Ginsburg, supra note 43, at 1072. For choice of law provisions in the other proposals see ALI PRINCIPLES, supra note 3, at Part III, 117-64; CLIP Principles, supra note 50, at Part 3; JAPAN PROPOSAL, supra note 51, at Articles 301-308, 4-6; KOREA PRINCIPLES, supra note 52, at Part III.

\(^{58}\) Dreyfuss & Ginsburg, supra note 43, at 1084-89; ALI PRINCIPLES, supra note 3, at Part IV, 165-94; CLIP PRINCIPLES, supra note 50, at Part 4; JAPAN PROPOSAL, supra note 51, at Articles 401-402, 6-7; KOREA PRINCIPLES, supra note 52, at Part IV.
providing for the consolidation and coordination of suits in one
court.59 Clearly, the drafters view such mechanisms, in the words of
the ALI Principles, as providing “an important way for international
law to evolve in a manner that better accommodates worldwide
interests.”60

It may be debated as to what extent the existing proposals
successfully address all barriers to cross-border recognition and
enforcement; they certainly remove a number of hurdles that prevent
effective cross-border enforcement. However, the purpose of this
article is not to critique these proposals or assess the level of their
potential success. Instead, these proposals are presented as evidence
of the great interest that has arisen among intellectual property
scholars regarding cross-border recognition and enforcement
following the failure of the negotiations of the general Hague
convention.

B. Absence of Solutions in Current International Instruments

In contrast to the proposals presented in the previous section, the
existing and negotiated international instruments on intellectual
property fail to address problems of cross-border recognition and
enforcement; they remain silent on issues of cross-border civil
litigation in general. This is somewhat surprising given the strong
emphasis on effective enforcement of intellectual property rights that
we have observed in international negotiations in the past two
decades; however, in the area of enforcement through civil litigation,
the emphasis remains focused on purely domestic issues.

The TRIPS Agreement,61 signed under the auspices of the WTO,
was the first international agreement that included provisions on
enforcement of intellectual property rights; Part III of the Agreement
addresses enforcement through civil, administrative, and criminal

59. Dreyfuss & Ginsburg, supra note 43, at 1080-81; ALI PRINCIPLES, supra note 3, at
Part II, Chapter 3, 91-116; CLIP PRINCIPLES, supra note 50, at Part 2, Section 7; JAPAN
PROPOSAL, supra note 51, at Article 201, 4; KOREA PRINCIPLES, supra note 52, at Part II,
Chapter III.

60. ALI PRINCIPLES, supra note 3, at 32; CLIP PRINCIPLES, supra note 50, at Part 2,
Section 7, 13-14. The idea of centralizing multinational parallel litigation has been developed
also as a European patent project, first by the European Patent Office and later by the European
Commission. See, e.g., Trimble Landova, Cross-Border Enforcement, supra note 4, at 95-99;
MARKETA TRIMBLE, GLOBAL PATENTS: LIMITS OF TRANSNATIONAL ENFORCEMENT
(forthcoming 2012).

61. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994,
Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 UNTS 299,
33 I.L.M. 1197 [hereinafter TRIPS Agreement]
proceedings. The provisions of the Agreement include basic standards associated with the proceedings, such as requirements for fair and equitable procedure, evidence, and remedies. However, all the requirements are oriented towards domestic enforcement within each member country; they require countries to achieve a certain level of uniformity by introducing and maintaining the standards but do not specifically address matters of cross-border litigation, such as recognition and enforcement of foreign injunctions.

Because the TRIPS Agreement served as a model for subsequent international instruments, these later instruments also fail to address cross-border enforcement problems arising in civil litigation. Although the instruments aim to raise the TRIPS standards by introducing TRIPS-plus requirements, they do not extend these requirements into the cross-border civil litigation area. For instance, the EU IP Enforcement Directive does not address cross-border litigation problems. This omission might not be surprising in the case of the IP Enforcement Directive because the Directive was inspired by a concern about effective enforcement of intellectual property rights within the then-prospective EU member states as the EU was preparing to accept ten new members. The Directive’s strict focus on domestic enforcement capacities is thus understandable. However, other instruments of a TRIPS-plus nature also leave cross-border civil litigation problems aside. For instance, free trade agreements that the U.S. has concluded with a number of countries since the TRIPS Agreement remain silent on cross-border civil litigation.

From the recently published version, it appears that the proposal for the Anti-Counterfeiting Trade Agreement also omits any

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63. Some of the ten countries were also on the U.S. Special 301 Reports due to concerns about their enforcement capacities. OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, 2002 USTR SPECIAL 301 REP. 21 (Hungary, Priority Watch List, “[e]nforcement . . . remains problematic”); id. at 30 (Watch List, Latvia and Lithuania); id. at 31-32 (Watch List, Poland, a need “to sustain an adequate and effective enforcement effort”); id. at 32 (Watch List, Romania); id. at 33 (Watch List, the Slovak Republic); OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, 2003 USTR SPECIAL 301 REP. 15-16 (Poland, Priority Watch List); id. at 22-23 (Hungary, Watch List); id. at 26 (Latvia and Lithuania, Watch List); id. at 28 (Romania, Watch List); id. at 29 (the Slovak Republic, Watch List). It should be noted that the EU and some of its member states appeared on the Lists as well.
65. Anti-Counterfeiting Trade Agreement, November 15, 2010,
mention of problems of cross-border civil litigation. Although an entire section is dedicated to civil enforcement, the section stays within the TRIPS framework as it focuses solely on civil litigation within each individual country. It provides for the availability of procedures, injunctions, damages, and other remedies, including provisional measures, but the section refers only to measures and procedures in the country where the enforcement of intellectual property rights is sought, which is not necessarily where the eventual judgment may have to be recognized and enforced. Even the section on enforcement of rights in the digital environment is limited to enforcement by authorities within one country.

We may wonder what is causing this difference in emphasis on problems of enforcement through cross-border civil litigation. Why are some intellectual property experts focusing on the problems while countries are simultaneously showing no interest in finding solutions to these problems, which consequently are studiously ignored in international instruments? Are the problems nonexistent or inconsequential? It does not appear so. My research supports the proposition that these problems need to be addressed.

There might be at least two reasons why cross-border litigation problems are ignored by international instruments: first, countries’ experience with the proposed general Hague Convention might have discouraged them from attempting to negotiate any cross-border litigation mechanisms; and second, as with other issues that do not receive adequate attention in the international trade arena, there might be a lack of pressure by interest groups to place the problems on the agenda. However, my research indicates that a pool of active stakeholders may soon emerge as the numbers of cases increase that have the potential to generate cross-border enforcement difficulties.

III. EMPIRICAL DATA AND FOREIGNERS IN U.S. PATENT LITIGATION

A review of existing empirical research on patent litigation is a helpful precursor to the presentation of my research results, which follow in the next part of this article. Empirical studies of patent litigation emerged largely because of the interest of legal academics


66. Id. at ch. 2, § 2.
67. Id. at ch. 2, § 5.
68. Hague Convention, supra note 41.
in empirical work, but also because practitioners seek empirical data to answer their questions and shed light on their clients’ concerns. Statistics, therefore, have also been produced and analyzed by researchers backed by a variety of non-academic entities. This part briefly reviews the availability of data sources and appropriate data coding and presents the existing studies that have looked at various populations of patent cases and observed variables pertinent to my research.

The major problem of any empirical research is the accessibility of data. Until recently, research on patent litigation was no exception. Although PACER and electronic filing significantly improved the situation, it was not until the Stanford IP Litigation Clearinghouse (the “IPLC”) opened its electronic doors that comprehensive empirical research on patent litigation became possible. Empirical studies on patent litigation did exist even before the IPLC; however, these studies, with few exceptions, were limited to the datasets of litigated cases or published decisions. The advance created by the IPLC is access to full patent case dockets of all patent cases filed in the U.S. since 2000, opening the possibility for research on the entire population of cases filed instead of just the subset of litigated or adjudicated cases.

Another challenge for any empirical project is obtaining data with appropriate coding that facilitates the project’s goals. In my research I was interested in the domicile of the litigants, a variable rarely sought in empirical studies on patent litigation. Although there have been other empirical studies on patent litigation, few projects have focused on the domicile or nationality of the litigants, and none have sought to answer the questions that I pursued in my

69. “[R]ecently, the appetite for empirical work in general has grown rapidly among law professors, and empirical research within law schools has become so prevalent as to constitute its own subgenre of legal scholarship, ‘empirical legal studies.’” Thomas J. Miles & Cass R. Sunstein, The New Legal Realism, 75 U. CHI. L. REV. 831, 833 (2008).

70. Statistics on patent litigation have been produced by the American Intellectual Property Law Association, Price Waterhouse Coopers, Patent Freedom, RPX, and other entities.


73. Conducting empirical research only on published court decisions may in many instances answer only the question of how courts wish certain litigation phenomena to be observed by the public. Even when phenomena such as reversal rates are studied from cases that are litigated and published, examination of the decisions is not likely to be sufficient to capture the full extent of the phenomena.

74. See infra Part IV for a discussion of the proxy that I used.
Because the domicile variable remains outside the scope of the interest of most researchers, the IPLC, which otherwise offers a number of tags,\(^76\) does not include coding for domicile. Therefore, coding for domicile was the most labor-intensive part of my research.

The few empirical studies that studied phenomena associated with the domicile of the parties to patent litigation examined xenophobia in patent infringement proceedings. The first of these studies appeared in an article by Judge Kimberly A. Moore published in 2003.\(^77\) Her research complemented a 1996 study on the phenomenon of xenophobia in U.S. courts by Professor Kevin Clermont and Professor Theodore Eisenberg.\(^78\) Although Clermont and Eisenberg’s study encompassed a large population of federal court cases, it was limited in scope by the availability of data on the domicile of the parties.\(^79\) Because their data source provided coding for domicile only in diversity and alienage cases, they focused on those types of cases and did not cover federal question cases.\(^80\) Moore followed the earlier study by providing findings for patent litigation; she studied 4,247 cases—all of the patent cases that were terminated in U.S. district courts in 1999-2000.\(^81\) Though Clermont and Eisenberg could not prove xenophobia in U.S. courts, Moore found some indication of a xenophobic bias in the win rates of domestic plaintiffs over foreign defendants in jury trials.\(^82\) However, data for adjudication by judges did not suggest such a bias.\(^83\)

From the perspective of the present research, it is important that Moore reported descriptive statistics pertinent to my research. For instance, her study showed that 9.7% of cases involved foreign plaintiffs who sued domestic defendants, and 13% of cases had domestic plaintiffs suing a foreign defendant.\(^84\) This means that, of the cases terminated at the district level in 1999-2000, at least 13%
FOREIGN DEFENDANTS IN U.S. PATENT LITIG.

were filed against foreign defendants, potentially raising cross-border enforcement issues.

Another study that attempted to prove a causal link between the domicile of litigants and success or failure in patent litigation was published in 2006. Professor Paul M. Janicke and LiLan Ren of the University of Houston Law Center focused only on cases that were resolved on the merits at the appellate level. Their population therefore consisted of all dispositive decisions rendered by the Federal Circuit Court in 2002-2004, a total of 262 cases were terminated in this manner for those three years. The results of this study also did not confirm any existence of xenophobia in U.S. courts; according to Janicke and Ren, “the nationality of the patentee [and the nationality of the infringer had] no statistically significant correlation to the ultimate outcome of the case.”

Janicke and Ren also report some data relevant to the present study, and although their data cannot be easily compared to Moore’s data because of the different characteristics of the populations studied, their data illustrate the problem in which the present study is interested. In their population of 262 cases, 48 cases—18% of all cases observed—were cases in which patent owners were foreign entities, and in 68 cases—26% of all cases observed—foreign entities were accused of patent infringement. Out of the 68 cases that involved foreign alleged infringers, the foreign infringers lost in 15 cases, in other words, out of the 262 cases observed, 6% of cases raised potential cross-border enforcement issues because they generated adjudications of patent infringement against foreign entities.

Janicke and Ren also list the countries of domicile of the foreign defendants involved in the 262 cases. The most represented country was Japan with 16 defendants, followed by Canada with nine, and Sweden and the U.K. with five each. Other countries from which

85. A few additional cases could have been filed against foreign defendants by foreign plaintiffs. My research of patent cases filed in 2004 and 2009 suggests that such cases are rare.
87. Id. at 3-4.
88. Id. at 4.
89. Id. at 23-24.
90. Id. at 22.
91. Id. at 22.
92. See infra Part IV for the link between involvement of foreign defendants and the potential for cross-border enforcement problems.
foreign defendants originated were Germany (four), Switzerland (three), the Netherlands (two), Australia (two), Spain (two), Bermuda (two), and France, Korea, Israel, Italy, Norway, and Taiwan (one defendant from each). Although the list of countries is based on a specific population that is defined differently from my research population, the list is very similar to the one generated by my research.

Finally, the most recent study that looks at the domicile of parties involved in patent disputes concerns itself not with the litigation of patents but with the phenomenon of xenophobia in International Trade Commission (“ITC”) proceedings. Professor Colleen V. Chien’s research published in 2008 covers ITC decisions stemming from investigations that were initiated from January 1, 1995 until June 30, 2007. Although her research aptly complements the discussion of the role of xenophobia in proceedings against foreign parties in the U.S., it does not cover the problem addressed in this article. This article seeks empirical evidence to illustrate that a need exists for an international treaty on recognition and enforcement of foreign judgments in intellectual property cases. Although such a treaty could theoretically encompass foreign decisions by administrative bodies such as the ITC, it would have no impact on the enforcement of decisions by administrative bodies or decisions by the ITC, which in the case of the ITC are limited to exclusion orders that are enforced by U.S. customs authorities—orders that do not require enforcement beyond U.S. borders.

As the review of the existing studies reveals, none has focused on the magnitude of the involvement of foreign defendants in patent litigation and the potential for cross-border enforcement problems. The aforementioned studies do, however, answer some basic questions pertinent to this article. They show that there are indeed foreign defendants involved in patent litigation; foreign defendants

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93. Janicke & Ren, supra note 86, at 23 nn.41-42.
94. See infra Part IV. C.
96. Id. at 69.
97. Although ITC orders are powerful tools for fighting importation of infringing goods (either through exclusion orders targeting importation of goods or cease and desist orders targeting respondents in the U.S.), they do not work well enough in all cross-border scenarios and thus cannot be considered an overall solution to cross-border enforcement problems. ITC orders do not seem to be enforced adequately when goods can be mailed in small quantities; exclusion orders cannot be enforced on the Internet. Additionally, ITC orders do not reach the activities of foreign entities in foreign countries and do not provide for damages.
were present in 13% of patent cases terminated in federal district courts in 1999-2000.\textsuperscript{98} Judging from the cases that made it to adjudication at the appellate level, it seems that foreign defendants originate mainly from a limited group of countries.

IV. FOREIGN DEFENDANTS IN U.S. PATENT CASES IN 2004 AND 2009

This research focuses on patent cases that have the potential to create cross-border recognition and enforcement problems. For the purposes of this research, these cases are defined as cases that involve at least one foreign defendant.\textsuperscript{99}

These cases are mostly patent infringement cases in which a patent holder, in most instances a U.S. entity, sues a foreign entity for infringing a patent granted by the U.S. Patent Office. A foreign defendant is defined for the purposes of this research as either a person residing outside the U.S. or an entity incorporated or having its principal place of business outside the U.S.\textsuperscript{100} Using residence, place of incorporation, or principal place of business is a rough proxy for potential cross-border enforcement problems; in fact, such problems can arise whenever the defendant, regardless of his domicile or “location,” has no assets in the U.S. that a court in the U.S. can reach, but the defendant has assets abroad. However, the presence or absence of assets in a country at a given moment is difficult if not impossible to determine, so the use of the proxy is reasonable to approximate the likelihood of recognition and enforcement problems.

Some critics may argue that not all patent cases involving foreign defendants will generate enforcement problems.\textsuperscript{101} In fact, most patent cases end in settlement\textsuperscript{102}—few are actually litigated and

\begin{itemize}
\item \textsuperscript{98} Moore, supra note 77, at 1527-28. Moore’s numbers cover only cases in which foreign defendants were sued by domestic plaintiffs; there were certainly some cases in which foreign plaintiffs sued foreign defendants. However, such cases are uncommon.
\item \textsuperscript{99} In declaratory judgment cases the potential for cross-border difficulties also arises when the plaintiff—the potential infringer—is a foreign entity and the case is resolved in the defendant’s (the patent holder’s) favor. This paper does not consider cases in which plaintiffs are foreign entities and defendants are U.S. entities.
\item \textsuperscript{100} A U.S. subsidiary of a foreign corporation is treated as a U.S.-domiciled entity, not as a foreign entity. However, foreign parent corporations are often sued as co-defendants with their U.S. subsidiaries.
\item \textsuperscript{101} For a discussion of the potential for voluntary compliance by foreign defendants see Trimble, Cross-Border Injunctions, supra note 4, at 345-46.
\end{itemize}
proceed to adjudication. However, limiting the research to litigated cases would ignore the larger landscape this research explores. The potential for cross-border enforcement problems cannot be measured merely by cases that reach litigation or final adjudication. The fact that the cases are litigated may actually indicate that for whatever reasons cross-border enforcement problems were unlikely to occur—or at least it might have appeared that way to the plaintiffs, who perhaps as a consequence decided not to settle the cases. The perceived lack of potential cross-border enforcement difficulties would certainly impact the plaintiffs’ decisions not to settle or withdraw from litigation. It therefore appears that limiting this research to litigated cases would not capture the full magnitude of the problem; a better research population for this research is all cases filed.

Naturally, it would be ideal if the research could also include disputes that never made it to court; perhaps they contained potential cross-border problems that sufficiently deterred prospective plaintiffs from filing suit and caused them to settle the dispute or give up altogether on enforcing their rights. However, it is impossible to quantify disputes that never translate into a complaint; the numbers of cases filed against foreign defendants are the best available evidence of the potential for cross-border enforcement problems.

This part presents statistics on the involvement of foreign defendants in patent litigation in the U.S. in two populations; these populations represent all patent cases filed in U.S. federal district courts in 2004 and 2009. As demonstrated in the following sections, analysis of the statistics confirms the growing potential for cross-border enforcement problems and suggests a need for an international treaty on recognition and enforcement of foreign judgments in intellectual property cases. Additionally, the data and their analysis reveal further findings about patent litigation in the U.S. and its development between 2004 and 2009.


103. A study shows that only about 5% of patent cases filed in 1995, 1997 and 2000 went to trial. Jay P. Kesan, supra note 107, at 232-33. According to Kimberly Moore, of cases terminated in 1999 and 2000, only 5.3% entered the trial stage. Moore, supra note 77, at 1512.

104. Possible reasons for expecting foreign defendants to comply willingly with U.S. court decisions include continuing business relations with other companies in the U.S., the possibility of cross-licensing, and a defendant’s concern for its reputation. Naturally, foreign defendants might be less likely to settle if they feel protected by potential enforcement problems; the question then remains whether plaintiffs are willing to litigate despite the danger that the eventual judgment might be unenforceable.

105. See supra Introduction for two important caveats commenting on the absence in this
A. Basic Findings

The two populations studied in this research consist of 5,407 patent cases filed in the U.S. federal district courts in 2004 and 2009. The two populations are defined by the IPLC’s list, and the patent cases in these populations include both patent infringement suits and declaratory judgment suits. As demonstrated in Figure 1, the number of patent cases filed in 2004 was slightly higher than the number in 2009; in 2009 there were 137 fewer suits filed, or 5% fewer than in 2004.

106. The populations and the statistics derived from these populations are as reported in Lex Machina in the summer of 2010. Lex Machina continues to update its database, which causes the numbers to fluctuate slightly.
Figure 1

Although the total number of patent cases filed dropped slightly in 2009 compared to 2004, the number of cases that involved at least one foreign entity—either as a plaintiff or a defendant—was higher in 2009 than in 2004. The rise in the number of such cases is shown in Figure 2. In 2009 there were 103 more cases filed that involved a foreign party, an increase of 15% compared to 2004.

107. See supra Introduction for more on the difference in the number of patent lawsuits filed in 2004 and 2009.
The increase in the number of suits involving foreign parties is remarkable, considering that the total number of patent cases dropped by 5%. This drop magnified the percentage of cases involving foreign parties measured as a percentage of the total number of patent cases filed in 2009. Figure 3 and Figure 4 illustrate the change in the percentage of cases involving foreign parties that were filed in 2004 and 2009; the percentage increased from 24.3% to 29.4%. This increase indicates a widening internationalization of U.S. patent litigation as foreign parties are involved in a greater percentage of patent suits in the U.S.—whether as plaintiffs or defendants, patent owners or alleged infringers.
In this study it is important to focus on cases in which foreign entities appear as defendants—it is in these cases that the potential for cross-border problems arises. Figure 5 shows cases in which there

108. See *supra* Part IV for an explanation of the use of the proxy.
was at least one foreign entity as a defendant. Of the 673 cases in 2004 that involved foreign entities, 415 cases involved at least one foreign defendant, and of the 776 cases in 2009 that involved foreign entities, 497 cases involved at least one foreign defendant.

It is interesting that not only did more cases involve a foreign entity in 2009 than in 2004, but also that the 2009 cases targeted foreign defendants a greater percentage of the time than did the 2004 cases. While the number of cases involving foreign parties grew 15% from 2004 to 2009 (from 673 to 776), the number of cases where there was at least one foreign defendant present in the case increased by almost 20% from 2004 to 2009 (from 415 to 497). Comparing the percentages of cases involving at least one foreign defendant measured as percentages of the total number of patent cases filed in each of 2004 and 2009, we see that the percentage grew from 15% in 2004 to 19% in 2009 (from 415 cases out of the total of 2,772 cases, to 497 cases out of the total of 2,635 cases). If we combine these statistics with Moore’s statistics for cases terminated in 1999-2000, the results indicate an upward trend in the number of cases filed against at least one foreign defendant; in Moore’s population 13% of cases were filed by domestic plaintiffs against at least one foreign defendant.

109. This category includes cases where all defendants were foreign (see the lighter columns infra Figure 5) or where there were foreign and U.S. co-defendants (see the dark columns infra Figure 5).

110. See supra Figure 2.

111. See infra Figure 5.

112. See Moore, supra note 77, at 1527-28.
Figure 5 also provides a breakdown of cases involving at least one foreign defendant based on whether all defendants were foreign—meaning no U.S. co-defendants were sued together with the foreign defendants—versus whether there were both U.S. and foreign co-defendants.

Figure 5 shows a substantial decrease in 2009 in the number of cases filed against only foreign defendants. In 2009, about 32% fewer of such cases were filed. However, the number of cases in which foreign entities were sued together with U.S. co-defendants grew by 47%.

The fact that fewer cases were filed in 2009 that named only foreign defendants is important to this study because there is a higher potential for cross-border enforcement problems if the eventual
judgment needs to be enforced against foreign defendants without the possibility of at least partial enforcement against U.S. co-defendants. However, the overall increase in the number of cases involving foreign defendants indicates that more enforcement beyond U.S. borders may become necessary.

It is true that not all of the cases filed against foreign defendants or foreign co-defendants will necessarily generate cross-border enforcement problems; in fact, many of these cases will be settled, and even if they are adjudicated, the defendants may often comply with judgments voluntarily and no enforcement will be required.\(^{113}\) However, the point of this study is to show the magnitude of the potential for cross-border enforcement problems as represented by cases filed against foreign defendants. The statistics in this section show that such cases exist and that their percentage increased from 2004 to 2009.

**B. Foreign Defendants By Specific Courts**

Having established the major findings that the number of cases filed against foreign entities grew from 2004 to 2009 by 20% and that the percentage of such cases in each of those years with respect to the total number of patent cases in each of those years increased from 15% in 2004 to 19% in 2009, we can examine in detail where the growth in such cases occurred. Breaking these numbers down by specific courts may also help to reveal the reasons for the increase in the number of cases that included foreign defendants in 2009.

Figure 6 and Figure 7 show patent cases that were filed in the seven busiest district courts and the breakdown of these cases based on the domiciles of the defendants: cases filed against only U.S. defendants, cases filed against both U.S. and foreign co-defendants, and cases filed against only foreign defendants. The seven busiest courts based on the number of patent cases filed in the courts in 2009 were (from left to right in Figure 6 and Figure 7) the Southern District of New York, the District of Delaware, the District of New Jersey, the Eastern District of Texas, the Northern District of Illinois, the Northern District of California, and the Central District of California. With the exception of the Eastern District of Texas, the same seven courts were the busiest federal district courts in the U.S. in 2004 for patent litigation. In 2004, the number of patent cases filed in the Eastern District of Texas (102 cases) was exceeded by the number of patent cases filed in the Eastern District of Pennsylvania (106 cases); however, the number of cases filed in the Eastern District of

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113. See Moore, supra note 77, at 1527-32.
Pennsylvania was an outlier caused by one plaintiff who filed 48 cases in the District that year. Therefore, the Eastern District of Pennsylvania is omitted from Figure 6 and Figure 7 depicting the data for the seven busiest courts.

Figure 6

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114 Trimble Landova, Cross-Border Enforcement, supra note 4, at 244, 245 n.777 (the plaintiff, Laughlin Products, Inc., did not sue any foreign entities in the court in 2004).
A comparison of Figure 6 and Figure 7 reveals that, in four of the seven courts, the number of cases involving foreign defendants actually dropped in 2009; in the other three of the seven busiest district courts the numbers of such cases rose—in the District of Delaware, District of New Jersey, and Eastern District of Texas. By examining data from these three districts we can ascertain what caused the increase in the numbers of such cases in each of them.

1. District of Delaware

In the District of Delaware there were 30 patent cases filed against foreign defendants in 2004 and 80 in 2009, an increase of 167%—much higher than the increase of 20% for the cases in the general population (all districts in the U.S. including Delaware).
Figure 8 shows the five most represented countries of foreign domicile of defendants in the District of Delaware according to the number of cases filed. The five most represented countries of domicile were (from left to right) Canada, Germany, Japan, India, and Israel.\textsuperscript{115} We see that the number of cases, particularly against defendants from India and Israel, increased substantially in 2009; plaintiffs filed only two cases against defendants from India in 2004, but 25 in 2009, and only three cases against defendants from Israel in 2004, but 23 in 2009.

Figure 8

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure8.png}
\caption{Patent cases filed in the District of Delaware in 2004 and 2009 against foreign defendants, by domicile of the defendants}
\end{figure}

Figure 8 might reveal enough for those familiar with the patent litigation landscape to realize what is behind the spike in patent litigation against foreign companies in the District of Delaware: India and Israel are domiciles of major pharmaceutical companies,\textsuperscript{116} and this fact suggests not only the kinds of patents that are probably at

\textsuperscript{115} See infra Figure 13 for a comprehensive overview of countries that are most often represented as countries of domicile in the general population.

\textsuperscript{116} For example, Dr. Reddy’s, Torrent Pharmaceuticals Ltd., Sun Pharmaceuticals, Teva Pharmaceuticals.
stake in cases against these companies but also the kinds of cases that may be observed.

Figure 9 confirms that the large increase in the number of cases in the District of Delaware against foreign defendants appeared in one category of cases. The figure depicts the statistics for the three categories of cases filed against foreign defendants in the District of Delaware in 2004 and 2009 (from left to right): general infringement suits (excluding so-called NDA/ANDA actions), declaratory judgment suits, and NDA/ANDA actions. The NDA/ANDA actions are specific types of patent infringement actions; plaintiffs file them under 35 U.S.C. §271(e)(2) of the Patent Act against generic drug companies that prepare to launch their products onto the U.S. market. As Figure 9 demonstrates, only one such action was filed in the District of Delaware in 2004, but in 2009 that number jumped to 55.

Figure 9

The finding that the entire increase in the number of suits against foreign defendants in the District of Delaware was caused by NDA/ANDA actions suggests that the cases are not lawsuits against a stereotypical bad foreign infringer, pictured as a garage or large-scale operation copying a patented invention, but against generic drug
manufacturers preparing to launch generic versions of brand name drugs in the U.S. It also calls for the conclusion that these cases are unlikely to present substantial enforcement difficulties. The defendants in these cases are interested in continuing business in the U.S. and are very likely to comply voluntarily with a judgment.

2. District of New Jersey

The story in the District of New Jersey is similar to that of the District of Delaware. As Figure 10 demonstrates, the increase in the number of cases filed against foreign defendants in the District of New Jersey in 2009 was also caused primarily by NDA/ANDA actions. Their number rose from eight in 2004 to 32 in 2009.

Figure 10

![Bar chart showing patent cases filed in the District of New Jersey in 2004 and 2009 against foreign defendants, by type of action.](image)

3. Eastern District of Texas

While the increases in Delaware and New Jersey are associated with a higher number of NDA/ANDA actions filed against foreign pharmaceutical companies, the story in the Eastern District of Texas is different. Perceived as a plaintiff-friendly venue for patent infringement cases, the District has been flooded with those types

117. See, e.g., Elizabeth P. Offen-Brown, Forum Shopping and Venue Transfer in Patent
of cases. In 2004, the number of patent cases filed doubled from the number filed in 2003, and until 2007 the trend was upward. In 2007 the number of patent cases filed was 368, making the District the venue for 13.3% of all patent cases filed in the U.S. that year. The numbers began to drop after 2007, and in 2009 there were “only” 240 patent cases filed in the District.

A comparison of the numbers of cases that were filed in 2004 and 2009 against foreign defendants reveals an interesting feature of patent litigation in the Eastern District of Texas when the numbers are broken down by cases filed against foreign defendants only and those filed against both foreign and U.S. co-defendants.

Figure 11 provides this comparison and shows that while the numbers rose in both of the two categories, the growth was much greater in the category of cases against both foreign and U.S. co-defendants.

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The growth in the category of cases filed from 2004 to 2009 against both foreign and U.S. co-defendants was disproportionate to the increase of such cases in the entire U.S. population. Table 1 compares the growth in the number of such cases in the entire U.S. to those in the Eastern District of Texas. While the number of such cases grew by 47% in the general population (or 31% in the general population excluding the Eastern District of Texas), in the Eastern District of Texas the number in 2009 was a 400% increase over the number in 2004.

Table 1

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>272</td>
<td>400</td>
<td>147%</td>
</tr>
<tr>
<td>EDTX</td>
<td>12</td>
<td>60</td>
<td>500%</td>
</tr>
</tbody>
</table>
Even compared to the substantial general growth in the number of all patent cases filed in the Eastern District of Texas, the increase in the number of cases filed in the District against foreign and U.S. co-defendants is high. Table 2 shows this large increase in the number of cases against foreign and U.S. co-defendants filed in the District, which was much greater than the 135% increase in the number of all patent cases filed in the District from 2004 to 2009 (or 100% for all patent cases excluding the ones filed against foreign and U.S. co-defendants).

Table 2

<table>
<thead>
<tr>
<th></th>
<th>EDTX 2004</th>
<th>EDTX 2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All patent cases</td>
<td>102</td>
<td>240</td>
<td>235%</td>
</tr>
<tr>
<td>D F+U.S.</td>
<td>12</td>
<td>60</td>
<td>500%</td>
</tr>
</tbody>
</table>

What is the explanation for the disproportionate increase in the number of cases filed in the Eastern District of Texas against foreign and U.S. co-defendants? Does it simply evidence the fact that more plaintiffs facing infringements by foreign and U.S. entities are seeking justice in this District? This certainly could be the case. However, one other explanation is suggested by Figure 12.

Figure 12 shows that of the 60 cases filed in 2009 against foreign and U.S. co-defendants in the Eastern District of Texas, 42 cases had not a single U.S. co-defendant domiciled in Texas. In fact, in 17 of the 60 cases there were no parties at all from Texas—either as plaintiff or defendant. And among the cases in which at least one plaintiff was from Texas there were a number of cases filed by plaintiffs who might have artificially placed their domicile in the Eastern District of Texas.120

120. Out of the 60 cases filed in the Eastern District of Texas in 2009 against foreign and U.S. co-defendants, as many as 36 cases involve at least one plaintiff who appears to be a non-practicing entity. See LEX MACHINA, http://lexmachina.com (last visited Aug. 20, 2010). For a discussion on non-practicing entities, see generally John R. Allison, Mark A. Lemley & Joshua Walker, Extreme Value or Trolls on Top? The Characteristics of the Most-Litigated Patents, 158 U. PA. L. REV. 1 (2009); Mark A. Lemley, Are Universities Patent Trolls?, 18 FORDHAM
To offer a possible explanation for the findings displayed in Figure 12, we will explore the recent history of venue transfer decisions in the Eastern District of Texas. The popularity of the District among plaintiffs would not have existed without flexible rules on venue selection and a restrictive approach by the District to requests for venue transfers. However, in the past three years this approach has been gradually revised by appellate decisions that probably impacted the number of patent cases filed in the District, very likely affected the success rate of motions to transfer venue, and arguably influenced the choice of defendants that plaintiffs named in their suits in order to secure venue in the District.

The end of the District’s restrictive approach to venue transfer began in October 2008 with the Fifth Circuit’s decision in *In re Volkswagen of America, Inc.*, which clarified Fifth Circuit law on venue transfer, and which in turn was applied by the Federal Circuit to patent cases originating in the Fifth Circuit, including the Eastern
District of Texas. In re Volkswagen was a product liability case, not a patent infringement case, and it concerned a motion for a transfer out of the Marshall Division in the Eastern District of Texas to the Dallas Division in the Northern District of Texas. The Fifth Circuit Court reviewed the Eastern District’s decision to deny the transfer and directed that the case be transferred because all factors weighed in favor of the Dallas division, where the collision that gave rise to the action occurred. The Fifth Circuit specifically criticized the Eastern District’s analysis of the public interest factor, which has as its objective the scrutiny of “the local interest in having localized interests decided at home.” The Eastern District court decided that the factor weighed against the transfer because “the citizens of Marshall [had] an interest in this product liability case because the product [was] available in Marshall;” however, the Circuit Court resolutely rejected that rationale, pointing out that it “could apply virtually to any judicial district or division.”

Less than three months later, in December 2008, the Federal Circuit cited In re Volkswagen when it found an abuse of discretion by the Eastern District of Texas in denying a motion to transfer venue in a patent case. In re TS Tech USA Corp. concerned a plaintiff from Michigan and defendants from Ohio and Ontario, and no factor justified maintaining the forum in the District other than the general “substantial interest” that the citizens of the District had “in having the case tried locally.” The weighing of the factors, including the fact that “all of the physical evidence [was] far more conveniently located near the Ohio venue,” lead the court to decide that the venue transfer was warranted.

In re TS Tech USA Corp. sent out a clear message: if a case could be localized in one particular federal district outside the Eastern

124. For a detailed explanation of the venue transfer law, see, for example, Offen-Brown, supra note 117, at 74-75.
126. Id. at 315-19. The Fifth Circuit Court even pointed to the 100-mile rule and noted that the distance between Marshall and Dallas was 155 miles. Id. at 317.
127. Id. at 317.
128. Id. at 318.
129. Id. at 318. For a more detailed discussion of the decision, see, for example, Offen-Brown, supra note 117, at 75-79.
130. In re TS Tech USA Corp., 551 F.3d 1315 (Fed. Cir. 2008).
131. Id. at 1318.
132. Id. at 1318.
133. Id. at 1321.
134. For a more detailed discussion of the decision, see, for example, Offen-Brown, supra note 117, at 79-81.
District of Texas, it would be difficult to keep it in the Eastern District of Texas. The decision impacted patent litigation in the Eastern District; following the decision, the success rate of motions to transfer venue increased as the District allowed more cases to be transferred to other districts. According to one study that compared the nine months prior to and the nine months after the Federal Circuit decision, the success rate of transfer motions went from 0% before the decision to 45% after the decision.\[135\]

How could plaintiffs achieve their objective of suing out-of-District defendants and still maintain venue in the Eastern District of Texas after *In re TS Tech USA Corp.*? It seemed that if multiple defendants were sufficiently geographically decentralized, venue could be maintained in the District; indeed, in 2009 the District court denied motions for venue transfer in several cases in which defendants were completely decentralized. For instance, in February 2009 the court denied reconsideration of a venue transfer motion in *MHL Tek, LLC v. Nissan Motor Co.*\[136\] in which defendants were sued from New Jersey, Michigan, Tennessee, Alabama, Georgia, South Carolina, Indiana, Virginia, California, Germany, Japan, and South Korea.\[137\] Similarly, in March 2009 the court denied a motion to transfer venue out of the District in *Novartis Vaccines and Diagnostics, Inc. v. Hoffman-La Roche Inc.*\[138\] in that case the plaintiff was in California and the defendants were located in Colorado, North Carolina, and New Jersey.\[139\] The court concluded that the District was a better venue than the proposed alternative because the District represented “a centrally located venue for [the] litigation.”\[140\]

It was not until the end of 2009 that the Federal Circuit Court reversed the District’s decisions on motions for venue transfer in cases involving decentralized defendants.\[141\] Before this, plaintiffs

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137. *Id.*, slip op. at 2-3.
139. *Id.* at 711.
140. *Id.*
141. On December 2, 2009, the Federal Circuit held that the District abused its discretion in *Novartis Vaccines and Diagnostics, Inc. v. Hoffman-La Roche Inc. In re Hoffman-La Roche Inc.*, 587 F.3d 1333 (Fed. Cir. 2009). On December 17, 2009, the Federal Circuit decided *In re Nintendo Co., Ltd.*, 589 F.3d 1194 (Fed. Cir. 2009). The Federal Circuit Court had already issued an important decision on venue transfer in May 2009 in *In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009); however, that case concerned two California defendants (sued by a
hoping to secure venue in the District in 2009 had an incentive to bring suits against decentralized defendants. Indeed, targeting foreign defendants in addition to U.S. defendants would have also provided the desired degree of decentralization.

The Eastern District of Texas’s approach to venue transfer is a possible explanation for the sharp increase in the number of cases filed in the District in 2009 against foreign and U.S. co-defendants. It seems likely that the increase could have been caused by a perception among plaintiffs that suing multiple geographically decentralized defendants could secure the desirable venue of the Eastern District of Texas. This possibility might explain why the District’s percentage increase in cases against foreign and U.S. co-defendants surpassed both the percentage increase from 2004 to 2009 in all patent cases filed in the Eastern District of Texas and also the percentage increase from 2004 to 2009 in cases filed in the entire country against foreign and U.S. co-defendants.\(^{142}\)

The question remains whether the opportunity to secure venue in the Eastern District of Texas attracted only plaintiffs who would have filed against both foreign and U.S. co-defendants in any case,\(^{143}\) or whether the opportunity enticed some plaintiffs to target a larger group of defendants than they would have otherwise, including foreign defendants. This question cannot be answered by a quantitative project such as this one and will remain open for a qualitative project.

C. Foreign Defendants By Nationality

Finally, let us look at the countries of domicile of the foreign defendants who were sued in patent matters in the U.S. federal district courts in 2004 and 2009. Figure 13 provides a general overview of the seventeen countries that were most often the domiciles of defendants

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German plaintiff) and therefore did not address the scenario of decentralized defendants. The decision did suggest that decentralization of plaintiffs (or plaintiffs combined with otherwise centralized defendants) will not suffice to protect plaintiffs’ choice of the Eastern District of Texas from transfer to another venue. For a discussion of the In re Genentech, Inc. decision, see, e.g., Offen-Brown, supra note 117, at 81-85; for a discussion of the two above-mentioned Federal Circuit Court decisions from December 2009, see Offen-Brown, supra note 117, at 87-89.

142. See supra Table 1 and 2.

143. As Allison, Lemley and Walker have noted, in general, the number of defendants per suit increased during the same period. John R. Allison, Mark A. Lemley & Joshua Walker, Patent Quality and Settlement Among Repeat Patent Litigants 3 (Stanford Law and Economics Olin Working Paper, Paper No. 398, 2010), available at http://ssrn.com/abstract=1677785. With the larger number of defendants, the likelihood could have been higher that a foreign co-defendant was sued.
in 2004 and 2009; they are the countries that appeared in more than ten cases in 2004 or 2009 or both. The countries are clustered based on their geographical location; the numbers refer to numbers of cases in which at least one defendant from the given country was sued. From left to right the countries in Figure 13 are the following: Canada, Germany, Switzerland, the Netherlands, the United Kingdom, France, Sweden, Italy, Finland, Japan, Korea, Taiwan, China, Hong Kong,144 India, Israel, and Australia.

It might surprise some that Canada leads with a total of more than 90 cases filed in 2004 and 2009 with a Canadian defendant. In 2009 the countries behind Canada with the most cases involving defendants from that country were Japan, India, Taiwan, and Korea, in that order. In 2004 there were 26 different countries as domiciles of defendants, and in 2009 there were 32 countries. However, not all countries were heavily represented; as Figure 13 shows, in 2004 only thirteen countries appeared in more than ten cases, and in 2009 only 16 countries were in more than ten cases.

144. China and Hong Kong are discussed together as a single category. See infra.
Figure 13

Countries represented in the largest number of patent cases filed in U.S. federal district courts in 2004 and 2009, by domicile of the defendants.
To investigate more closely the change from 2004 to 2009, let us focus on two countries, India and China, which are of interest because of their rapidly-growing economies. We will combine Hong Kong with China to analyze the growth in cases involving defendants from China.

1. India

In the case of India, we have already seen a possible correlation between Indian defendants and pharmaceutical patent litigation concerning NDA/ANDA. In the District of Delaware, where the growth in 2009 in cases involving foreign defendants was caused exclusively by NDA/ANDA cases, the number of Indian defendants increased substantially in 2009 compared to 2004. It is therefore not surprising to see the statistics for the types of patents litigated against Indian defendants in Figure 14.

145. See supra Figure 9.
146. See supra Figure 8.
Figure 14 shows the types of patents involved in cases in which at least one defendant was from India. In 2004, all of the cases in which at least one defendant was an Indian entity, or 15 out of 15 cases, involved pharmaceutical patents. Similarly, in 2009 the vast majority of such cases involved pharmaceutical patents; they were 65 out of 67 cases, or 97% of cases.

2. China and Hong Kong

In the case of combined data for China and Hong Kong, we see a completely different picture than that of India. Figure 15 shows that in
cases involving at least one defendant from China or Hong Kong, no NDA/ANDA actions were involved; in 2004 all 31 cases were infringement suits and in 2009 all but one case were infringement actions. The 2009 case that was not an infringement case was a declaratory judgment suit in which the Chinese defendant was on the side of the patent holder.

Figure 15

When compared to the growth in the number of all cases involving at least one foreign defendant, cases involving at least one defendant from China or Hong Kong grew by a higher percentage. As calculated in Table 3, the number of cases involving at least one foreign defendant from any foreign jurisdiction (including China and Hong Kong) increased 20% from 2004 to 2009 (14% for defendants from foreign jurisdictions excluding China and Hong Kong), while for defendants from China and Hong Kong the growth was 87%.
Table 3

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>D F or F+U.S.</td>
<td>415</td>
<td>497</td>
<td>120%</td>
</tr>
<tr>
<td>D CN+HK</td>
<td>31</td>
<td>58</td>
<td>187%</td>
</tr>
</tbody>
</table>

However, the magnitude of the increase in the numbers of cases involving defendants from China or Hong Kong is not the most important finding; in fact, as is apparent from Figure 13, the number of cases involving Indian defendants grew even more—from 15 to 67 cases, an increase of 347%. What is crucial in the growth of cases involving defendants from China and Hong Kong is the finding summarized in Figure 16: the increase is in cases that concern patents of potentially high significance to U.S. industry.

Figure 16 clearly shows in which areas the growth in 2009 occurred. We see no growth or limited growth in the three categories in the right half of Figure 16—patents concerning apparel and furniture and the category entitled “other,” which all consist of patents that probably have a lower impact on the U.S. economy than other patents. The “other” category includes patents such as an “inflatable wedge for diving onto a water slide” or a “tree stand” (as in a Christmas tree stand), and while no value judgment is passed on the significance of these patents, it seems plausible that their infringement will likely have a lesser effect on the U.S. economy than infringements of the patents in the left half of Figure 16. This is important because the greatest portion of the growth in the number of cases against defendants from China and Hong Kong in 2009 was caused by infringement suits that involved patents in the areas of telecommunications, software, electronics, and the electrical and chemical industries.

147. The number of cases involving Finnish defendants grew even more—from 2 to 13 cases, which is a 550% increase. See supra Figure 13.
Figure 16

Patent cases filed in U.S. federal district courts in 2004 and 2009 against defendants from China and Hong Kong, by subject matter of the patents.
The data for China and Hong Kong confirm that concerns over potential cross-border enforcement problems increased not only quantitatively as the number of cases involving foreign defendants grew from 2004 to 2009, but also qualitatively, as more economically significant patents appear to be subject to patent infringement filings in 2009 than in 2004. As noted in the Introduction, with only two data points, no claim can be made that a trend exists; however, the data provides a warning that suggests that cross-border litigation problems should be taken seriously.

CONCLUSIONS

Cross-border civil litigation is not uncommon in intellectual property cases. Even in patent litigation, where cross-border problems are perceived as less frequent because of the strict territorial nature of the rights involved, cross-border litigation difficulties arise, including those associated with recognition and enforcement of foreign judgments. In my previous work, I complemented the existing research on these difficulties by providing data for U.S. patent cases filed in 2004 that demonstrated a need for enforcement abroad and exposed the concomitant problems. This article not only confirms that 2004 was not an anomaly, but also suggests that the number of cases is rising. My data for patent cases filed in the U.S. in 2009 show that even though the total number of patent cases filed in 2009 was lower than in 2004, the number of cases that involved at least one foreign defendant grew in 2009 compared to 2004—both in quantity and in proportion to all patent cases filed.

Although comparisons between my 2004 and 2009 data cannot prove a trend, the comparisons indicate that the number of cases against foreign defendants is rising and that the increase may continue. In the prior studies, only the 2003 data obtained by Kimberly Moore are of assistance to my data in estimating a trend. Moore’s data, based on the population of all patent cases terminated in U.S. district courts in 1999-2000, show that in 13% of cases domestic plaintiffs sued foreign defendants. Considering that 15% of cases involved at least one foreign defendant in my 2004 population and 19% in my 2009 population, the statistics suggest an upward trend in the number of cases that have the potential to generate cross-border enforcement problems.

150. Trimble, Cross-Border Injunctions, supra note 4, at 336-37; see also Trimble Landova, Cross-Border Enforcement, supra note 4.
In fact, not only are the numbers and percentages of potentially problematic cases increasing, but a detailed analysis of the cases filed in 2004 and 2009 against defendants from China and Hong Kong shows that the growth in 2009 involved patents of substantial significance to the U.S. economy: patents affecting the electrical, electronic, software, telecom, chemical, and machine industries. The identification of these at-risk patents and industries further underscores the growing need for serious consideration of cross-border enforcement difficulties and a continuing search for solutions to these difficulties.

The findings in this article provide empirical support to a large body of work developed by a number of intellectual property scholars in the U.S., Europe, Japan, and Korea who have analyzed the cross-border problems associated with enforcement of intellectual property rights through civil litigation and have drafted proposals for instruments that would mitigate these problems. They support their work with isolated cases that exemplify the problems but until now have lacked supporting data that would document the extent of the potential problems they research, as measured by the number of cases filed with courts that could generate cross-border difficulties. This article fills this gap in the existing literature.

Additionally, this article provides interesting observations about U.S. patent litigation. It reveals that the most commonly represented countries of domicile of foreign defendants involved in patent litigation are countries not usually associated by the general public with infringements of intellectual property. Canada leads the list as the defendants’ country represented in the largest number of cases. The research also shows that many of the foreign defendants do not fit the popular image of a garage operation in the Far East. Data from Delaware and New Jersey prove that the large increase in 2009 in cases involving foreign defendants in these two districts was generated by NDA/ANDA actions filed against major foreign generic drug manufacturers. Finally, the research suggests that the dramatic increase in patent litigation against foreign defendants in the Eastern District of Texas might have been caused artificially by the particular position of the District on the question of venue transfer during most of 2009.

The research presented in this article confirms the growing need for enhanced cross-border enforcement in patent cases and should serve as one of the arguments to be used to generate interest at the governmental level in drafting an international instrument to facilitate such enhanced enforcement. This need exists even if governments have exhausted for now their capacity to achieve additional progress.
in the area of intellectual property enforcement. The TRIPs agreement provided an important and solid basis in this area, but ACTA negotiations showed that the public—at least the constantly growing IP-savvy public—is sensitive to any additional governmental actions beyond TRIPs concerning enforcement of IP rights. With the increasing internationalization of patent litigation it does seem likely that the numbers of stakeholders invested in improvements to cross-border enforcement will increase and that the interest in action at the international level will grow accordingly.

It is possible that any progress in negotiations of solutions for the problems at the intersection of intellectual property and conflict of laws will prove to be contingent upon deeper substantive harmonization of intellectual property rights. Although countries have achieved a great deal of agreement on many aspects of intellectual property rights, many differences among legislation and practice still persist, and some of the differences might inhibit negotiations towards an instrument on enhanced cross-border enforcement through civil litigation. If differences in substantive intellectual property laws indeed prove to be the crucial inhibiting factor in negotiations of conflict of laws solutions for cross-border intellectual property cases, addressing deeper harmonization of substantive law will have to become the major agenda for the stakeholders in this debate, whose number, as this article suggests, appears to be growing.

152. The negotiations preceding the adoption of the EU Enforcement Directive showed that even when countries such as the EU member states are similar socially and economically, they are still not enthusiastic about agreeing on additional enforcement provisions beyond the TRIPs basis.