



TAFT TAKEAWAYS: Essential IP Insights & Updates

A webinar series brought to you by Taft's Intellectual Property Team.

The Plan of Attack: How Preliminary Injunctions and Litigation Funding Secure the Element of Surprise

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Your Presenters



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About Taft/ Our Firm

At **Taft/**, we work as **one team** across our 15 offices across the U.S., driven and committed to helping our clients succeed.

Our **one thousand attorneys** listen and understand that innovative, value-creating solutions help our clients reach their goals. Our collaborative approach, advanced technological resources and depth of services can transform what you expect from your legal team.

We have more than **100 IP attorneys**, including 40 registered patent attorneys, who are well-positioned with the experience and connections to protect our clients' IP needs in the U.S. and worldwide.

Today's Program

- **PART 1: Preliminary Injunctions**
 - Statistics
 - Likelihood of Success
 - Irreparable Harm
 - RESTORE Patent Rights Act
- **PART 2: Patent Litigation Funding**
 - Typical Case Profile & Funding Structure
 - Waterfall Example
 - Special Considerations
 - Disclosure Requirements



Today's Program

PART 1: Preliminary Injunctions

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Basis for Preliminary Injunctions

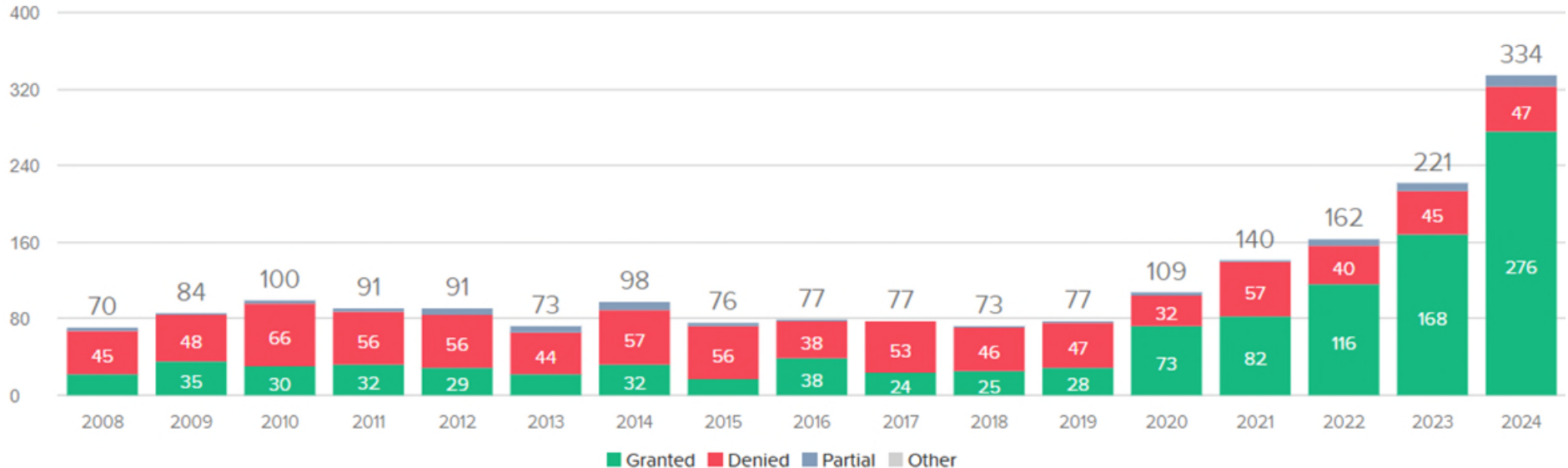
- Statutory: Courts may “grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.” 35 U.S.C. § 283.
- Purpose: to preserve the status quo during litigation.
- An extraordinary remedy never awarded as of right.” *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 24 (2008).

The Reality

- Preliminary injunctions in patent cases are frequently sought, but not easily obtained.
- If granted, preliminary injunctions can cost effectively end a case before full blown litigation ensues.
- Requires careful pre-filing analysis of the benefits of winning and drawbacks of a denial.

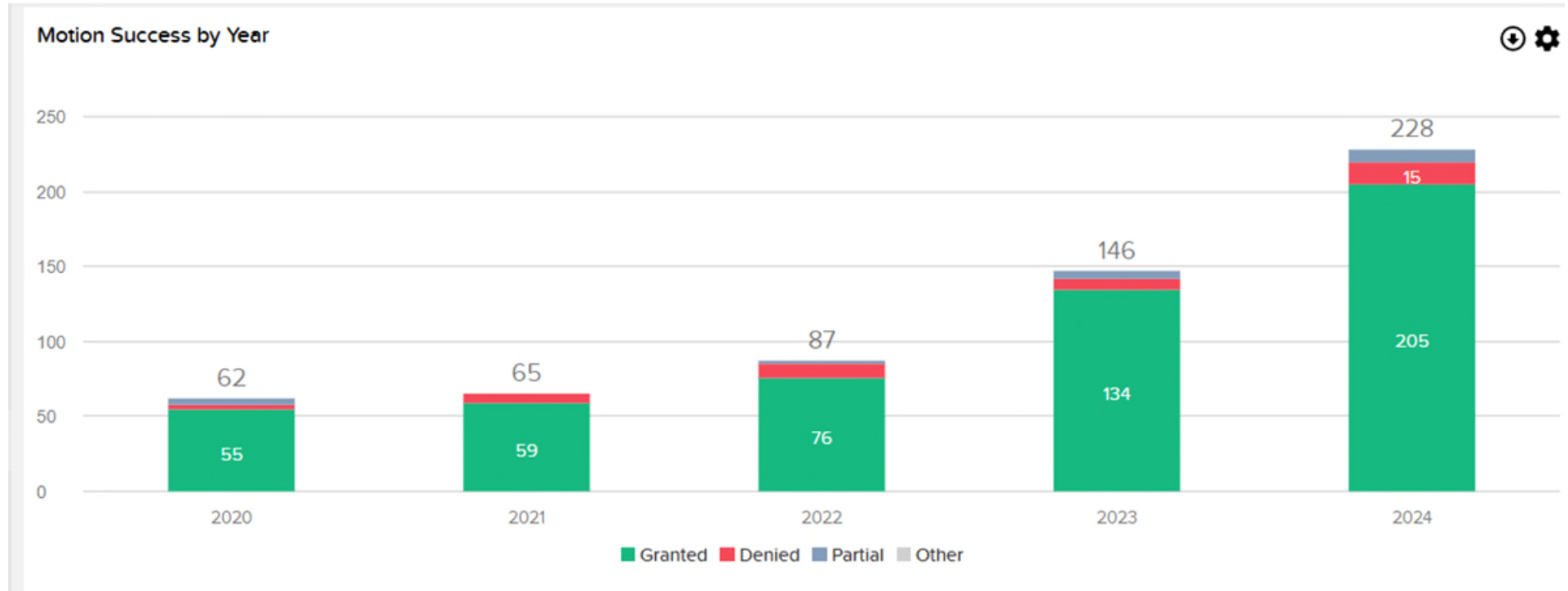
Nationwide Patent Preliminary Injunction Statistics

Motion Success by Year



Source: Docket Navigator

Nearly 70% of all PI Motions Are Filed in the N.D. Ill.



Source: Docket Navigator

Making Sense of the Statistics

- Increased grant numbers from 2020-2024 attributable to “Schedule A” cases (mostly in N.D. Ill.; S.D. Fla.; S.D.N.Y; and C.D. Cal.).
- Design patent cases have high success rate and account for majority of injunctions granted.
- No noticeable changes in percentage of grants or denials in non-Schedule A cases (e.g., competitor v. competitor disputes).
- No forum offers any strategic advantage in non-Schedule A cases.

Four Mandatory Requirements

The Federal Circuit imposes a four part test:

- Patentee has a likelihood of success on the merits;
- Patentee will suffer irreparable harm should the infringement continue;
- The balance of hardships must favor the patentee; and
- Granting the preliminary injunction will not harm public interest.

Likelihood of Success

- Focus is on infringement and whether patent is likely to withstand validity challenges. *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1376 (Fed. Cir. 2009).
- Burden is on patentee to demonstrate that infringement is “more likely than not,” and on the accused to come forward with evidence of invalidity. *Trebo Mfg., Inc. v. Firefly Equip., LLC*, 748 F.3d 1159, 1166 (Fed. Cir. 2014).

Pre-Filing Diligence: Document the Infringement

- Obtain the accused product and market literature.
- Prepare detailed claim charts with specific analysis of each element of the asserted claim(s) in a table format:
 - Provide pictures and illustrations identifying and explaining how each of the elements of the claim are met.
- Confer with technical expert and obtain declaration supporting infringement contentions.

Claim Construction

- Patentees should select claims that do not require extensive construction:

“A district court has no obligation to definitively construe claims at the preliminary injunction stage. . . . This is undoubtedly true here, where the parties did not present a claim construction dispute.”

Natera, Inc. v. NeoGenomics Laboratories, Inc. 2024-1324, 2024-1409 (Fed. Cir. July 12, 2024) (affirming district court grant of preliminary injunction).

Claim Construction

- Disputes concerning claim term meanings may lead to a denial:

“Ferring's contention that the claims of the 203 and 321 Patents are limited to a particular dose range presents, at a minimum, a ‘substantial question’ with respect to the claims at issue. . . . Movants have not adequately addressed this suggested ‘dose limitation,’ nor have they presented a clear dose limitation of their own.”

Ferring B.V. v. Serenity Pharm., LLC, 348 F. Supp.3d 236, 244 (S.D.N.Y. 2018).

- Adverse claim constructions may also lead to an early dismissal of the case, and a lengthy appeal process.

Present a Clear Case of Infringement

- More than bare pleadings and attorney argument are required.
 - “Performance Solutions *did* provide evidence—in the form of sworn declarations, expert analysis, and testimony—supporting its assertion that the Accused Product is configured to extend into soft tissue.” *PowX Inc. v. Performance Solutions, LLC*, 1-24-cv-01389 (SDNY) Jun. 14, 2024 (granting preliminary injunction).
- The defendant must present substantial evidence that meaningfully undermines the plaintiff’s showing of infringement.
- The scope of the injunction should include accused products and extend to products that are “not colorably different” from those products.

Validity

- Patentee may rely on the presumption of validity. 35 U.S.C. § 282.
- A question of patent invalidity must be “substantial” to defeat a preliminary injunction motion. *Natera, Inc. v. NeoGenomics Laboratories, Inc.*, No. 2024-1324, 2024-1409 (Fed. Cir. July 12, 2024).
- If the accused infringer makes the required showing, the burden then shifts to the patent owner to demonstrate that it is more likely than not to prevail on validity.

Validity Standard

- An accused infringer cannot avoid a preliminary injunction by alleging “mere vulnerability” of a patent to an invalidity challenge.
 - No “substantial” question where accused infringer’s argument before the district court consisted of “four paragraphs, in which it put forth little more than conclusory argument with no meaningful supporting documentation.” *Natera*, at 10.

Gather Validity Evidence Prior to Filing

- Consider and document all secondary considerations evidence (e.g., commercial success, failure by others, copying, industry praise).
- Direct technical evidence of the patent's validity is important:
 - Rebut invalidity challenge with expert declarations as to the motivation of skilled artisans, especially in cases where a high level of skill is required to comprehend the technology.
- Patentee can rely on prior patentability challenges where the asserted claims survived.

Irreparable Harm

- Irreparable harm requires a “causal nexus” between the infringing feature and the harm. Shown where:
 - Patented feature causes consumers to purchase a product;
 - Patented feature makes the accused product more desirable; or
 - Without the patented feature the product is significantly less desirable.
- Patentee should provide specific evidence, e.g., consumer surveys, that reference the patented features, not just the overall product.

Irreparable Harm

Irreparable harm is more likely when:

- Patentee and infringer are direct competitors in two-competitor market;
- Patentee has shown an unwillingness to license the patent;
- Patentee has loss of business relationships;
- Continued infringement prevents customers switching between providers of the patented product;
- Price erosion; and
- Infringement allowed defendant to beat the patentee to the market.

Lack of Irreparable Harm

- Ability to pay a judgment;
- A willingness to license;
- Delay in suing;
- Lack of direct competition;
- Lack of non-infringing alternatives; and
- Infringer has low sales.

RESTORE Patent Rights Act

- Proposed legislation that would amend § 283 and establish a “rebuttable presumption” that courts should grant permanent injunctions upon a finding of patent infringement.

“If . . . the court enters a final judgment finding infringement of a right secured by patent, the patent owner shall be entitled to a rebuttable presumption that the court should grant a permanent injunction with respect to that infringing conduct.”

- Rationale: Uncertainty of injunctive relief does not promote good faith negotiations between potential licensees and patentees where the worst case scenario is a court order to pay royalties.

RESTORE Patent Rights Act (cont'd)

- The RESTORE Patent Rights Act has bi-partisan support.
- Reasonable to assume that the Restore Act's presumption would also apply in the preliminary injunction context.
- Potential for revision to make presumption available only to practicing entities.
- Revision would require non-practicing entities to proceed through the traditional *eBay* factors.

Summary

- Though not routinely awarded, a preliminary injunction can stop an alleged infringer from manufacturing, using, selling, or importing an infringing product or from practicing an infringing method within weeks of filing.
- The grant of an injunction often leads to early settlement with either a license or permanent injunction, and no trial.
- Benefits of winning Injunction must be balanced against the consequences of losing the injunction (e.g., a loss may signal other potential licensees that the patent is weak; increased litigation costs, and emboldening the accused to continue infringing).

Today's Program

PART 2: Patent Litigation Funding

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Patent Litigation Funding

- Provides resources for patentees to pursue infringement claims, sometimes including working capital to patent owner.
- Most agreements cover 100% of expenses and some percentage of attorneys' fees.
- In exchange for discount on attorneys' fees, firm shares in any recovery, whether via settlement or damages award.

Rise of Funded Patent Litigation

- Steep increase in funded litigation since 2019.
- “Most large technology companies GAO interviewed said that more than half of all patent infringement lawsuits filed against them had confirmed or suspected third-party funding.”
 - “Intellectual Property: Information on Third-Party Funding of Patent Litigation,” U.S. Government Accountability Office, December 5, 2024.

Rise of Funded Patent Litigation (cont'd)

- According to the GAO, “[f]our companies estimated between 50 and 75 percent of recent lawsuits against them involved third-party funding in the last several years.”
- Unified Patents determined that about 30% of patent lawsuits filed in 2022 were funded by third parties.
 - Unified Patents, “2022 Patent Dispute Report,” (Jan. 5, 2023).

Typical Case Profile

Most funders prefer cases with the following characteristics:

- Patent(s) owned by inventor or original assignee;
- Litigation budget of \$5 million, including expenses and discounted fees;
- Prospective damages in excess of \$100 million (either against single defendant or a combination of multiple defendants).

Typical Funding Structure

Everything is negotiable, but a typical agreement includes:

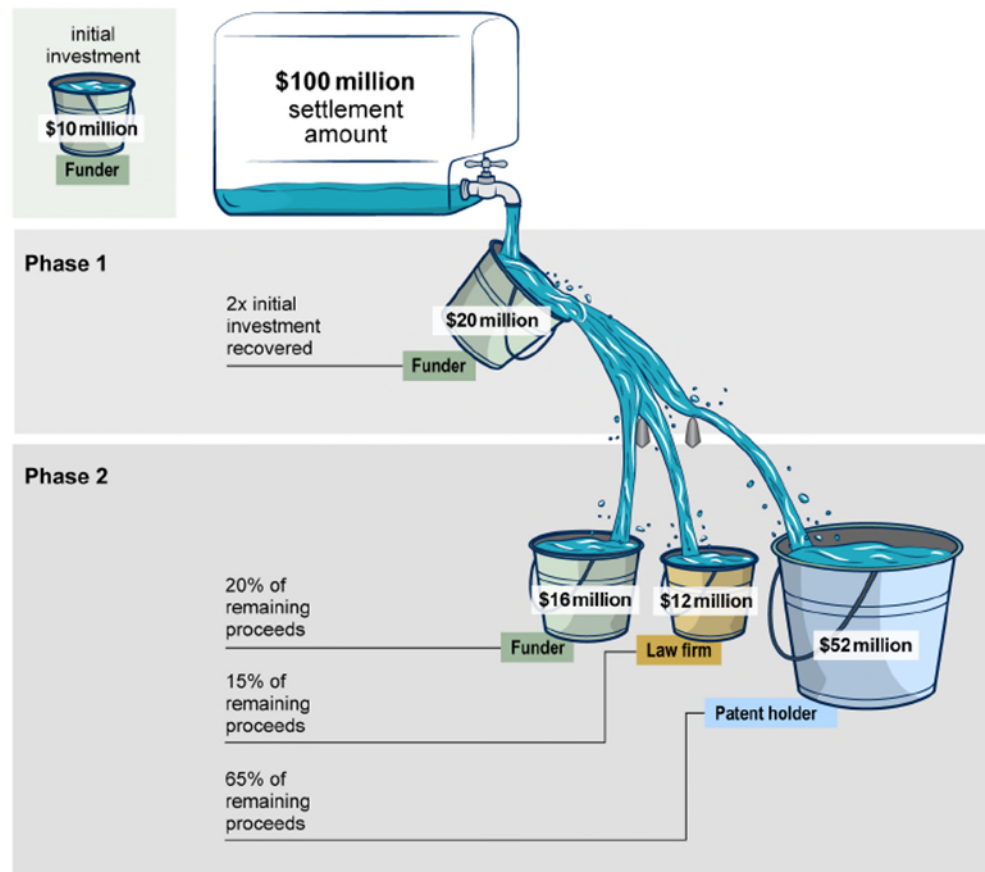
- Up to \$2 million in operating capital to patent owner;
- Litigation budget of \$5 million, including 100% of expenses and 50% of attorneys' fees (budgets include IPRs);
- Up to \$1 million in administrative costs (agreement drafting, oversight counsel, bank services).

Typical Waterfall

Again, all terms are negotiable, but a typical agreement provides that, following any recovery:

- The funder first receives a multiple (generally 3X to 5X) of the funded amount;
- Litigation firm receives the other 50% in attorneys' fees;
- The funder, litigation firm, and patent owner then divide the remaining funds in a 15%-15%-70% split.

Sample Waterfall



The Funding Process

- Find cases with patentees and prospective defendants that fit the standard profile.
- Prepare a detailed funding memorandum that includes:
 - Patent owner's background;
 - Representative infringement charts;
 - Invalidity analysis, including results of any prior art search; and
 - Formal damages assessment from potential expert.

The Funding Process (cont'd)

- Litigation funders are highly selective:
- “Almost all funders we interviewed said they typically fund 5 percent or fewer of the patent litigation cases that they consider.”
 - “Intellectual Property: Information on Third-Party Funding of Patent Litigation,” U.S. Government Accountability Office, December 5, 2024.

Timeline

- Once we submit the memorandum to funders, there may be a series of calls to pitch the opportunity, including discussions of legal strategy.
- Funders may want to speak with the patent owner.
- The process is highly variable, but can be as quick as 2-3 months or as long as a year (it is faster with funders who have a developed funding program geared to patent litigation).

Things to Note

- Not a loan; patent owner does not pay anything unless there is a recovery.
- Be aware of the difference between “committed capital” and “funded capital.”
- Make sure the patent owner retains the right to make all strategic case decisions.

Special Considerations

- Funders prefer patent cases with a low § 101 or IPR risk.
- Preferred venues include E.D. Tex., W.D. Tex., and E.D. Va.
 - D. Del. and D.N.J. are disfavored due to disclosure requirements specific to litigation funders.
- Potential for follow-on cases.

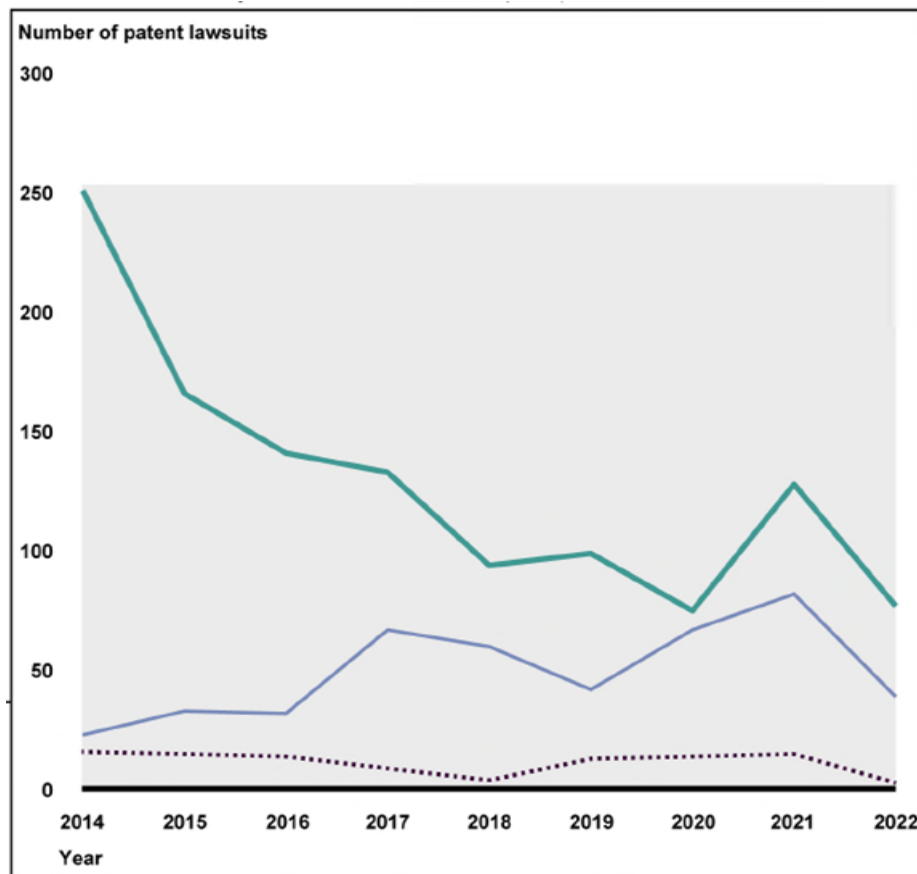
Disclosure Requirements

- Benefits include avoidance of conflicts of interest and facilitating settlement.
- Drawbacks include increased cost of litigation and unnecessary involvement on funder in the litigation process.

Impact of Funded Litigation

- Patent owners who benefit the most from funding include individual inventors, start-ups, and universities.
- But patent litigation filed by those entities declined between 2014 and 2022.

Impact of Funded Litigation (cont'd)



Thank you!



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