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## **BATTERY & STORAGE S03 EP05 – EV TECH SERIES: IP ENFORCEMENT AT ITC AND FEDERAL COURTS**

**AUGUST 1, 2022**

**Bill Derasmo (00:04):**

Hello, and welcome to the Troutman Pepper Battery + Storage Podcast. For today's episode, I will have as my guest, my two partners, Gregory Len and Frank Liu. Welcome Gregory and Frank. Gregory and Frank are both from our intellectual property group and both patent litigators. And without further ado, why don't I turn the mic over to Gregory to introduce yourself, and then Frank?

**Gregory (00:32):**

Thanks Bill. Thanks for having us on the podcast. I'm really happy to be here today. So as Bill mentioned, my name's Gregory Len. I'm a patent litigator here in our Boston office. And some of my background is that I have a master's in mechanical engineering and that science and master's degree allows me to take and be a member of the patent bar, at the patent office. And now, for the last 15 years of my career, I've been a patent litigator and I've dealt with clients on technologies as why it is software, image processing, automotive components, semiconductors, and medical devices, in my litigation career.

But even before that, before practicing law, I worked as a controls engineer at a clean tech fuel cell company. And I got valuable experience in a startup company, developing distributed power generation products, as well as prototype automotive power systems for fuel cell vehicles and using hydrogen reformers. And again, I'm really excited to be here today. I think we'll have a great talk.

**Bill (01:29):**

Great. Thanks Gregory. And why don't we turn it over to Frank?

**Frank (01:34):**

Thanks again, Bill, for having me on. Like Greg, I'm also a mechanical engineer myself got interested as a kid in kind of cars and that drove me into the mechanical engineering realm. And as I went along, I started reading up on patents, got interested in that space and that kind of what is what led me to my career. Now I've been litigating patents for about 13 years litigated across various different spaces, including semiconductors, medical devices, optical systems, and I've had opportunity to learn a lot about these very complicated and interesting technologies along the way.

**Bill (02:11):**

It's great to have both of you guys on the program today. It's very timely and topical because in this space right now, based on all the previous podcast episodes, but if, if you, anyone in the audience just follows the technology, there, there are so many new companies out there with proprietary technologies and unique approaches. And it's just part of the space right now. If you have a new company or an old company, and you want to be in the battering storage

space, the energy storage space, more generally, you're going to get into issues around intellectual property and probably patents in particular. Why should we be concerned about patent litigation right now in particular?

**Gregory (02:52):**

I think I'll start on that Bill. This is Greg again. I think as you mentioned, the energy and battery storage industry is on the rise in general, not only from the side of investments pouring into the industry, but also just we're seeing changes in technology and changes in the market and requirements of the market. And in several different areas, if we look at electric vehicles, for example, not only are we having to source more newer batteries with more range, but also we have to have the infrastructure in charging capabilities to service those new electric vehicles and those batteries.

It's a huge change in technology that's coming or already here. Then if we look at energy and green and renewable energy such as solar and wind, those increase the need for grid storage and whatever technology, whether it's battery or otherwise. And even if you look at energy providers or grid management companies, they're also facing new challenges and new risks from such things as demand response programs and internet connected devices, which we'll touch on a little bit later in our discussion.

But we think we've seen that with this change in technology coupled with this influx in money and investment, but we've seen is historically there's going to be an associated rise with this influx and investment in patent filings. And then the result in ultimate conflicts and result in litigation when you're in a fierce competition in a changing market. And I think thinking about that in the market, as it is today, the market conditions of 2022, Frank, what do you see as this providing unique characteristics for patent litigation in this market?

**Frank (04:24):**

Yeah. I think particularly in the battery and energy space and storage space, there's been a lot of investments over the past decade or so with all the pushes for everyone to become more green. So there has been a lot more investments in research and development, and that naturally resulted in increased filings and patents. And so more and more companies are getting patents in this space. It's become a relatively crowded field. There's a lot of startup companies. There's also a lot more traditional historic players that are all angling to push into the space.

And as people are competing for a part of the pie, obviously, technology becomes an important part of it. And a lot of times that results in patent litigation. Another part of the economic outlook also has a general relationship to patent litigation. Historically, when there's been an economic downturn or economic recession, we've traditionally seen an increase in patent litigation related filings. And that's primarily driven by the fact that companies are trying to find new ways to generate additional revenue sources when their primary revenue source lines start drawing up or going down.

**Bill (05:34):**

Speak to me for a second about the different forums for litigating patents.

**Gregory (05:38):**

What we see is that... First off, before you even touch on that, is that companies need to be prepared, either on the offensive side or the defensive side for these inevitable patent

disputes that may come through. And for example, you may be named as a defendant in a patent case, and you're going to need to know the basics about whatever court you've been sued in, or alternatively, on the other side, you might have been at a trade show in which one of your biggest competitors has launched a new product that's almost an exact copy of your patent protected product. And now your CEO needs to know what your company can do. Frank, I think as Bill mentioned about the different forums, what would you say you most often tell clients are the options?

**Frank (06:25):**

Yeah. There're several forms which you can potentially litigate in or try to resolve your disputes in. There's the public forums, which are generally your courts and there's your private forms, which is private arbitration. And the arbitration aspect that really comes into play when you've got parties in privity where there's some kind of contractual dispute. But I'll touch on the public forms first. The most notable forms are the federal district courts. That's where you see a lot of patent litigation going on.

In there patent owners will go and enforce their rights against accused infringers. The typical Remy that you'll get there is a monetary damages for the patent infringement. And in some limited circumstances, you can get injunctive relief against the accused infringers. The location of the forms, there's district courts spread out throughout each of the states. Some states have a single form if they're small, like the district of Delaware. Others, where you have large states, Texas, you'll have multiple districts like the Northern district, the Southern district, Eastern district and whatnot.

So the choice of the form largely depends on who you're suing. So if you're suing someone that's based in the United States and they have some physical presence, usually you'll be stuck suing in the form in which they reside. Otherwise, if you have a purely foreign based defendant, you can haul them into court for alleged acts of infringement anywhere, in any of the district courts.

**Bill (07:53):**

Aside from the courts, what are some of the other forums?

**Gregory (07:56):**

One thing that Frank didn't mention is he talked about the federal courts, didn't mention state court. And the reason for that is because a patent is granted by a federal administrative agency, the patent office. So its exclusive jurisdiction of a federal court. In terms of... We'll move on to the trade commission. But even before we get there, I just wanted to bring it back to something that Frank said about different districts and different locations. Frank, what if anything, you can tell us about, are there certain hotspots of districts that are more favored than others for patent savvy judges?

**Frank (08:33):**

Sure. And in terms of districts that are hotspots for patent litigation, most typically were a lot of tech companies are based. So popular districts are Northern District of California, which covers the Bay Area. You'll have the District of Delaware, which is where a lot of corporations are typically established. And so there's a lot of litigation that goes on at the District of Delaware. And then there's also other forms like the Eastern district of Texas, which captures part of the Dallas suburbs, where some companies are based.

And then you'll have Western district in Texas, which is where the big city is, Austin. And so these have become relatively popular patent forms. So the judges there are pretty familiar with the course of a patent litigation. And they actually have certain rules around patent litigation to try to run these cases more efficiently. So they've become relatively popular for people to file cases in.

One of the districts in particular, that's become relatively popular really over the past three years, is the Western District of Texas. There's a judge sitting in Waco, Judge Albright, who has really established a form where it's relatively patent friendly, so to speak. And as a result, a large number of patent cases have actually ended up there in Waco, Texas. Recent statistics have shown about 20 to 25% of all patent cases are in Western District of Texas.

That's drawn the ire of some folks. And recently, last week, there was new rules put into place. Instead of Judge Albright, getting all the cases filed in Waco. It's now circulated through 12 of the other judges in Western District of Texas randomly. And so you file patent case in Western District of Texas, there's no guarantee now that you'll get Judge Albright.

**Gregory (10:23):**

Before we go on some of the characteristics or the benefits of certain forms versus the others. What, if anything, can you tell us about the time to trial or the relative length of how the time schedule of district court cases and whether or not they'd be stayed?

**Frank (10:38):**

Yeah. So in terms of district court cases, they generally take around three to four years. Those are the average statistics. On the fast end of things some cases get to trial in two years. One of the things that can slow things down in the district court case is if one of the accused infringer files a proceeding before the patent office called a Post Grant Review or a inter parte those reviews are to challenge the validity of a patent that's been issued. And so the whole idea is that if they can succeed in canceling the claims that the patent office, they can then go back to the district court and say, "Hey, look, the patent claims are invalid." And so therefore you can't get any remedy based off of that.

**Gregory (11:23):**

And that would happen faster than the jury trial in the federal district court?

**Frank (11:28):**

Yeah. And so these parallel proceedings at the patent office, they usually take place over the course of 18 months. And you would get a decision as the validity of the patent before any decision, before you get to any jury trial.

**Gregory (11:42):**

And that's pretty interesting. And I think because in our experience that the judges will often, for reasons of judicial efficiency, just preemptively stay proceeding in federal district court to wait and see what happens at the patent office. They won't even allow both actions to track in a parallel manner. They'll just stay the district court case, which can push out the timetables for a federal district court patent case even farther.

**Frank (12:05):**

Yeah, that's right. And so if you're a patent owner seeking to enforce your rights, your remedy may be delayed quite a bit if you're just litigating in the district court. So you may have to wait awhile before you succeed on action there.

**Gregory (12:19):**

One of the things that we often talk about with clients, that's an alternative to the federal courts, is something called the International Trade Commission, which both Frank and I have a lot of experience with over the year. And the International Trade Commission, we call it the ITC for short, is an administrative agency based in Washington, DC. And it resolves trades disputes related to the importation of goods into the contiguous borders of the United States.

And that's important for a couple reasons. But just first, I'll talk a little bit about the history of what the trade commission is. And it originally, back in like the 1930s, it was really directed towards agricultural products. And looking at cotton or grain that was unfairly dumped on our shores at subsidized prices, it would hurt American farmers. So this trade statute has been updated in modern era to stop unfair acts relating to importation of goods.

And those unfair acts can include infringing someone's valid US patent. And so the ITC, since it's a trade act, is really trying to help US industry, domestic industry, become more competitive, and that's stopping unfair acts like patent infringement. So this ITC forum can litigate and resolve patent infringement issues with respect to imported goods, but it has these two kind of unique identifying characteristics. One is that it's limited to imported goods. It can't just be something theoretical just to litigate over a patent. It has to be goods crossing the border.

Second, since we're trying to protect domestic industries, there actually has to be a domestic industry to protect. Meaning either you as the patent holder or your licensee have to have products that practice the patent, and you have to have investments within the United States, either in plant and capital equipment or labor.

And so if you clear those hurdles, then you can avail yourself of this trade commission forum. And there's a couple reasons why you might want to do that. Number one, first and foremost is Frank was just talking about a couple minutes ago, is the district court cases can be slow. ITC is statutorily mandated to be fast. And when we say fast, we mean you're in trial within 12 months and maybe a resolution within 12 to 18 months. And so it's required to be done that quickly. And because of that, there's really no ability to stay an ITC case. There are in some rare instances, but most likely if the defendants try to file actions, parallel proceedings at the patent office, those will track in parallel with your ITC investigation and won't, in most cases, stay in the case.

The other reason, I think Frank may have touched on it, that district courts are really only available remedies to order monetary damages that injunctions in district court cases now are very rare. And in ITC, it's exactly the opposite, because it's a trade commission in its administrative agency, it has no power ability to award monetary damages as a remedy for some defendant being found guilty infringing a US patent. The only thing the ITC can do is block products at the border with a customs and border patrol enforcement.

And so it's the exact inverse of what happens in a district court case. In a district court case, a plaintiff will very likely get, if they win, they could get a monetary damages award, a reasonable royalty or lump sum for back damages. Whereas in the ITC, they're going to get

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an exclusion order explicitly preventing the defending company or infringing company from importing those products across border.

**Frank (15:58):**

Greg, you raise an interesting point there. Let's say I have a big competitor that's importing goods from overseas into the United States, and I think that they're infringing my patent, and I file a case over at the ITC, if I'm successful there, does that mean I can keep out my competitor's products at the border?

**Gregory (16:19):**

Not always. And so what's very interesting is because ITC is really an administrative agency that's created for the public good and the public interest and its goals and missions are to defend domestic industry. It also has to look at the public interests. So there're factors in which there can even be a third party at the ITC. You could have the plaintiff, defendant and then a staff attorney from the administrative agency that's there to represent, protect the public interests. And they go through and can be a third party that picks sides on each issue throughout the case.

But the ultimate point, I think, Frank, that you were getting to is even after, let's say, the judge finds that, "We were right, a competitor is infringing our patent, and we want to keep it out." If the judge recommends it, it doesn't necessarily go into effect. There's something called a 60 Day Presidential Review Period, in which balancing the public interest factors, if it's medical life saving devices, the president could veto this potential exclusion order. So you're not guaranteed it going through. There's a lot of balancing factors, but in general, as long as you're not trying to keep cancer drugs out of patient's hands, I think a lot of practical things could be affected in terms of devices.

And also, the agency looks at ability to replace the displaced products. So if you're a manufacturer, if you have large licensees in the country that can manufacture and replace those goods or products, then you would not run afoul of that issue, if that's what you're referring to Frank.

**Frank (17:51):**

Yeah. That answers the question quite well. And I think, historically, from what I've seen, that if a patent owner is successful in asserting their patents at the ITC, generally these public interest factors, I think in most cases, have generally weighed in favor of the patent owner. And so I haven't seen many cases where ability to exclude competitors imported products into the United States has been suspended because of these public interest concerns.

**Bill (18:19):**

Frank, we just talked through the district court cases and ITC cases. But at the beginning you mentioned something about private venues of private forums and arbitration clauses. What if I want to sue somebody either district court or the ITC, but I have a contract with the other party, what happens to that?

**Frank (18:37):**

Yeah. So you're definitely going to want to, if you're in privity with another party in which you're contemplating on suing, you're definitely going to want to review through your contracts and make sure that there's not any kind of arbitration clause, mandatory arbitration clause, which forces you to bring your case before an arbitrator. A lot of times, what I've seen before,



is someone goes and files their patent dispute in district court. And then the other side raises the issue of this arbitration clause and then forces the case into arbitration and taken out of district court. So that's definitely one thing you want to consider if you're looking to bring a patent suit.

**Gregory (19:15):**

We've talked through some of the various forms and options for patent owners or what would happen to you if you're potentially having to defend a patent. What we've seen is that there's some real world examples of what Frank and I are talking about, specifically in the battery and energy storage industry of patents becoming really high profile cases. And the first one I want to highlight for the audience is a battery case that just wrapped up last year at the ITC that involved LG Chem and SK Innovations. And this was actually a series of two investigations or two cases at the ITC.

And the first case involved patents. And it went through and the administrative law judge at the ITC found no violation. So there was no harm, no foul. And the second case, instead of involving patents, it involved trade secrets. In which LG alleged the SK Innovation stole trade secrets, it's a well-publicized case and we won't go into those details, but I think the end result and the takeaway of that case, the LG, SK case at the ITC is that the judge and the commission found a violation. And this violation, as Frank mentioned earlier, could have resulted in the exclusion of imported SK batteries.

And this could have had a profound effect on the electric vehicle industry because several manufacturers and domestic manufacturers are relying on SK Innovations to supply batteries for their electric vehicles. Now, ultimately this didn't get put to the public interest tests that Frank and I were discussing, and it was up before President Biden to decide that issue. But right before the deadline SK settled ultimately for \$1.8 billion. But it really could have profoundly affected the landscape of the electric vehicle industry, if that had gone in the far reaching effects from one single case at the trade commission.

Another real world examples that we were wanting to highlight would be more for energy providers. And I mentioned earlier some potential issues with demand response and smart thermostats. And there's been a series of cases that involve smart thermostats recently, both at the ITC and at district court. And these smart thermostats, as people may have seen of Google Nest or other brand names, they often allow a consumer, and this is critical, or a utility to control a building's HVAC system remotely. And optimize the ability to control that system more than a traditional thermostat.

And so in these cases, these smart thermostat cases, the plaintiff was a company called EcoFactor, and they sued several defendants, including a company named Ecobee, Google Nest, Schneider Electric, Vivint, as well as others. And in the ITC cases, they were ultimately unsuccessful, but they were successful in one of the patent forms that we mentioned earlier, the Western District of Texas. A jury found that Google Nest devices, smart thermostat devices, did infringe two of the EcoFactor patents directed to changing thermostat settings remotely, through the internet.

And I think the real takeaway that we want to highlight for the audience is that this verdict in the Western District of Texas, and it's being appealed, because of the nature of how these devices interact, traditional energy utilities that could utilize these internet connected devices to do such things as demand response. And when I say demand response, we mean as the peak of demand in the afternoon for air conditioning goes up, electricity usage goes up. The

energy provider either provides more electricity or tries to shave down the peak of the demand.

And one great way to do that would be by remotely controlling smart connected devices to turn down the energy demand. But I think the verdict in Texas is indicative of the type of liability or tricky issues that traditional energy utilities providers or grid management companies could run into through internet connected devices, which really weren't prevalent just a few years ago. So with that real world example, Frank, what are your thoughts for takeaways to sum it up?

**Frank (23:26):**

Yeah, so I think in view of those cases, I think companies that are in the battery and energy storage space should be aware about potential patent litigation in this industry with the increase in the amount of research and development dollars there, the increased number of patent filings, the general expectation is that there's going to be an increased amount of patent and litigation in this space. Especially if we see an economic recession take hold, given the historical factors, it seems like that's most likely the likely trend going forward.

And so companies should be making sure to take care of their patent portfolios, making sure that they're taking the right steps to make sure that their proprietary technologies are being covered. And then also making sure that they get good patents that may be used against other competitors to the extent that they get sued by them. And so it's a very important thing to keep in consideration going forward, especially as the push towards green energy continues.

**Bill (24:28):**

Appreciate the discussion guys. There's a lot of information that you have packed into a short amount of time. So we really appreciate everything that you walked through. And like I said, I think it's a very timely discussion to have, because you can go back through most of the previous episodes of the podcast and chances are, you're going to come across a discussion that involves a proprietary technology for most of the guests.

We really appreciate you guys, everything you walk through. And I would just put a plug in to say that if there are companies out there, if you're listening, if you've got intellectual property issues or you think you may have an issue, you should definitely go ahead and just contact Gregory or Frank, and they will be able to work with you on whatever the issue is.

**Gregory (25:12):**

Thanks again, Bill for having us on. It's been great.

**Frank (25:15):**

Yeah. Thank you, Bill.

**Bill (25:16):**

Thanks for coming on guys. And until next time, thanks everyone for listening. And we will see you on the next episode.



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