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Intel's $2.18 Billion Patent Infringement Verdict – How to Avoid it Happening to Your Company

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In view of the $2.18 billion jury verdict against Intel for patent infringement, in-house counsel may wonder how to keep that from happening to them (*see VLSI Technology LLC v. Intel Corp.*, 21-57, U.S. District Court for the Western District of Texas). One's own patent portfolio won't help against an NPE. Avoiding willful infringement wouldn't have helped Intel – no willful infringement by Intel was found. The good news is that most jaw-dropping, headline-grabbing verdicts like this are substantially reduced on appeal, although that may still be a big number. Such reductions are common for computer chips where the feature is one of thousands that could be covered by patents, indicating a much lower royalty rate is appropriate.

One takeaway is to file an *Inter-Partes* Review (IPR) challenging validity early. Here, Intel waited until 10 months after the complaint was served. The Patent Trial and Appeal Board (PTAB) used its discretion under *Fintiv* (*Apple v. Fintiv, Inc*, IPR2020-00019) to deny institution of the IPR because a trial was scheduled in Texas 10 months before the PTAB would reach a final decision. *Fintiv* held that the PTAB could deny institution of an IPR, even within the one year statutory bar, if (1) district court litigation has progressed sufficiently and (2) there are similar claims and arguments (there are 6 factors, but those are the top two). Filing in 2 months wouldn't have guaranteed success, but would have greatly improved the odds.

Of course, the litigation strategy would include transferring to a non-rocket-docket court. Unfortunately, that often isn't possible.

Lobbying Congress to require stays for IPRs, or other measures, may eventually prove fruitful. Juries don't understand technology, and anyone in the jury pool who does is excused. Juries often don't want to second-guess the experts at the Patent Office on validity, which is exactly why validity based on new evidence should be determined by the Patent Office technical experts.

One option is to monitor suits against competitors. Whomever is sued first, such as Intel was, is blindsided. However, competitors could file an IPR before they get sued, greatly increasing the odds of IPR institution. Of course, the cost, and the likelihood your company will be a subsequent target, need to be considered.

Another option is a clearance review (also known as a right-to-use or freedom-to-operate review). Some counsel don't do clearances for fear of being put on notice for a willful infringement charge. However, as *VLSI v. Intel* illustrated, there is a big risk without willfulness, and willfulness is much less common than a basic infringement finding. Note that VLSI alleged that Intel had a corporate policy forbidding its employees from reading patents, but this "willful blindness" attack was unsuccessful. Also, most problematic patents found in a clearance review can be dealt with, or insulated from a willfulness charge with an opinion of counsel.

Unfortunately, a clearance review may not spot many NPE patents, since they often use a twisted interpretation of ambiguous words that may not be found in a key word clearance search. In addition, clearance reviews can be very expensive, especially if a lot of new features are constantly being developed by your company. However, an efficient approach is only doing clearances for the highest risk and most valuable features, and scaling back the scope of the clearance budget where appropriate. A scaled back clearance will often follow the 80-20 rule – 80% of the patent risks will be found with 20% of the budget. Below are examples of where a clearance should be considered:

1. Acquisition. For the acquirer, a big risk is that the target company hasn't been sued yet because it is too small, but will be targeted after acquisition. At least a basic clearance looking for litigation against larger competitors is appropriate. For the acquired company, buyers will ask about risks and whether any clearance review was done. A review in advance enables the acquired company to deal with issues ahead of time and frame the inquiry, maximizing purchase value.
2. Entering a New Market. At a minimum, determine if this market is a litigation minefield with a patent litigation search.
3. New Product or Feature. It is especially important to do a clearance in this situation if competitors already have a similar product or feature. If someone else marketed the feature or product first, they may have a patent.