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NOTES

Dispute Resolution Tools in Patent Infringement Cases

AOKI V. GILBERT, No. 2:11-CV02787-TLN-CND, 2015 WL 5734626 (E.D. Cal. 2015)

BRANDON CRAIG*

I. INTRODUCTION

While arbitration has become a widely accepted alternative to litigation, the role it should play in patent disputes has been widely debated. Issued by the federal government, patents confer a temporary monopoly on the production, use, and sale of new innovations. The government may have an interest in keeping such disputes out of the private realm of arbitration, at least when the dispute is over the validity of the patent. For other patent issues such as licensing, which is essentially a private contract, arbitration may serve as a useful and cost-effective alternative. Even when arbitration is not warranted, other useful strategies such as bifurcation of issues can make the dispute resolution process more efficient. *Aoki v. Gilbert*, a case coming out of the Eastern District of California, however, is a prime example of how those strategies can backfire when not executed properly. After laying out the factual and legal background of the case, this note will examine the effectiveness of bifurcation and arbitration as dispute resolution tools in patent disputes. This note concludes that while bifurcation and arbitration may not have been appropriate in this case, they nevertheless can be an effective option in most patent licensing disputes.

II. FACTS AND HOLDING

For twenty-seven years, Gregory Gilbert worked as an attorney and the Chief Executive Officer of a medical research company in California.¹ Then, his two year-old daughter was diagnosed with Type I diabetes.² Gilbert focused his company's attention on diabetes research, eventually developing an innovative new insulin pump for patients like his daughter.³ As he continued delving into the field of diabetes research, Gilbert came into contact with Dr. Thomas Aoki, a specialist in the study of diabetes and the human metabolism, and the two formed a partnership.⁴ In 1986, with Gilbert acting as personal counsel, Dr. Aoki founded Aoki Diabetes Research Institute (ADRI), a non-profit research company, and AMSys, a for-profit

* B.A., Vanderbilt University 2014, J.D. Candidate, University of Missouri School of Law 2017. I would like to thank the staff of the *Journal of Dispute Resolution* for selecting this case note for publication and for the time and help spent editing it.

1. *Aoki v. Gilbert*, No. 2:11-CV02787-TLN-CND, 2015 WL 5734626, at *3 (E.D. Cal. 2015).

2. *Id.*

3. *Id.*

4. *Id.* at *2.

company to raise funds for additional research.⁵ Gilbert served as a director, officer, and chief counsel for both companies, as well as CEO of AMSys.⁶

This professional relationship bore fruit when Dr. Aoki was granted a patent in 1989 on an intravenous insulin therapy regime called metabolic activation therapy, or “MAT.”⁷ In addition to diabetes, MAT has shown to be effective in treating patients with heart and cardiovascular disease, kidney disease, and optic nerve diseases.⁸ MAT was administered by doctors affiliated with ADRI, which held an exclusive license to use Dr. Aoki’s patent on the treatment.⁹ The professional relationship came to an end in the early 2000s, and Gilbert went on to become President and CEO of another research company, Bionica, Inc.¹⁰

In 2007, Dr. Aoki and ADRI discovered that Gilbert, Bionica, and a number of other medical facilities were treating patients with the MAT process.¹¹ The original patent license authorizing ADRI became the center of attention. Gilbert claimed that the license agreement extended to AMSys as well as ADRI, and that AMSys had conveyed its license rights to two other companies in a settlement agreement.¹² Gilbert in turn personally received that license right when those companies conveyed it to him.¹³ At the same time, Bionica claimed that a 1992 amendment to the original agreement granted a non-exclusive, royalty-free license to Connecticut Innovations Incorporated (CII), and that in 2005 Bionica purchased that license from CII.¹⁴ Gilbert and Bionica then sublicensed the MAT treatment to several other medical facilities.¹⁵

Dr. Aoki sued Gilbert, Bionica, and the other medical facilities using MAT, arguing that ADRI is the only entity authorized to use the MAT technology.¹⁶ After several years of pretrial motions, the defendants in the case moved to bifurcate the proceedings and to compel arbitration under the terms of the original patent license agreement.¹⁷ Judge Nunley of the District Court for the Eastern District of California denied both motions.¹⁸ In doing so, Judge Nunley held that the Defendants had failed to provide any evidence that bifurcation would promote judicial economy and efficiency.¹⁹ Furthermore, arbitration could not be compelled because a genuine issue of fact existed as to whether the Defendants were parties to valid arbitration agreements.²⁰ Additionally, the motion to compel was raised three years after the start of litigation, so that granting it would result in a delay in proceedings so unreasonable as to prejudice the Plaintiffs’ case.²¹

5. *Id.* at *3.

6. *Id.*

7. *Aoki*, 2015 WL 5734626, at *2.

8. *Id.*

9. *Id.*

10. *Id.* at *3.

11. *Id.* at *4.

12. *Id.*

13. *Aoki*, 2015 WL 5734626, at *4.

14. *Id.*

15. *Id.*

16. *Id.* at *1.

17. *Id.*

18. *Id.*

19. *Aoki*, 2015 WL 5734626, at *5-6.

20. *Id.* at *8.

21. *Id.* at* 6, *9.

III. LEGAL BACKGROUND

This case presents two distinct legal issues, each with their own backgrounds: bifurcation, and compelling arbitration. For simplicity and clarity, these two issues will be examined separately.

A. Bifurcation

The modern process of bifurcating, or separating, trials has its roots in the Federal Rules of Civil Procedure.²² Specifically, Rule 42(b) states that “[f]or convenience, to avoid prejudice, or to expedite and economize, the court may order a separate trial of one or more separate issues, claims, crossclaims, counterclaims, or third-party claims.”²³ As the rule’s text states, the primary purpose of allowing separate trials is to promote efficiency in the court system.²⁴ Efficiency, however, can connote a number of different things. The Ninth Circuit has held that “[o]ne of the purposes of Rule 42(b) is to permit deferral of costly and possibly unnecessary discovery proceedings pending resolution of potentially dispositive preliminary issues.”²⁵ In *Ellingson Timber Co. v. Great Northern Ry. Co.*, the Ninth Circuit upheld a trial court’s decision to bifurcate a case into two discrete issues and to limit discovery to only facts directly involving those two issues.²⁶ In so holding, the Ninth Circuit concluded that “[i]t is implicit that the court also had power to limit discovery to the segregated issues,” despite no such language being found in the rule itself.²⁷

Limiting discovery costs is not the only way courts have sought to use Rule 42(b) to increase efficiency. Saving time at trial by reducing the issues parties must prove has also been a favored tactic of trial courts.²⁸ In a complex antitrust case, the District Court for the Southern District of New York allowed a separate trial to determine whether a purchaser-distributor relationship existed between the parties.²⁹ This was the threshold element required for the plaintiffs to prove their antitrust claim.³⁰ The court reasoned if the parties were required to put on proof of this element along with the remaining elements of price discrimination, competition, and damages, the parties would be forced to offer cumulative and confusing evidence on a complex topic to the jury.³¹ The court reasoned that bifurcation was appropriate “[b]ecause of the possibility of simplifying fact presentation, reducing costs, [and] saving trial time....”³²

In the context of patent law cases, bifurcation has been a useful tool when it is questionable whether the patent at issue is valid. Because one of the elements the plaintiff must prove in a patent infringement case is that the patent itself is valid,³³

22. See FED. R. CIV. P. 42(b).

23. *Id.*

24. *Id.*

25. *Ellingson Timber Co. v. Great N. Ry. Co.* 424 F.2d. 497, 499 (9th Cir. 1970).

26. *Id.*

27. *Id.*

28. See *Reines Distributors, Inc. v. Admiral Corp.*, 257 F.Supp. 619, 620 (S.D.N.Y. 1965).

29. *Id.* at 622.

30. *Id.* at 620.

31. *Id.* at 621.

32. *Id.* at 622.

33. *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 607 (1950).

complicated disputes can arise over validity even before the defendant's actions ever become relevant. In *Woburn Degreasing Co. of New Jersey v. Spencer Kellogg & Sons*, the court ordered bifurcation to determine the issue of validity before considering the defendant's other claims and defenses.³⁴ Since determining whether the patent in that case was valid would require substantial examination of the prior art (i.e. other similar inventions already on the market), requiring the whole case to go to trial would effectively create a mini-trial on just one element before any of the other substantive matters could even be evaluated.³⁵ Specifically, the court was concerned that "...expert testimony will be required to prove or disprove the equivalency of chemical terms and an interpretation of the applications and patents in other respects."³⁶

Though Rule 42(b)'s text appears to give courts wide discretion on when bifurcation is appropriate,³⁷ several cases have attempted to craft guidelines on when that discretion should be exercised. With only slight variations in wording, federal courts have consistently expounded three factors to consider: "1) whether significant resources would be saved by bifurcation, 2) whether bifurcation will increase juror comprehension, and 3) whether bifurcation will lead to repeat presentations of the same evidence and witnesses."³⁸ Additionally, many courts will also consider whether the issues under consideration are clearly separable.³⁹ Finally, courts agree that "[t]he party seeking bifurcation has the burden of demonstrating that judicial economy would be promoted and that no party would be prejudiced by separate trials."⁴⁰ Despite these factors, courts retain broad latitude in making the decision to bifurcate that can only be overturned for abuse of discretion.⁴¹

B. Compelling Arbitration

While arbitration has existed in some form in the English common law system for centuries,⁴² the modern American arbitration regime traces its origin to the Federal Arbitration Act of 1925 (FAA).⁴³ Responding to the hostility toward arbitration felt in the legal community, the act declared that any contractual agreement to arbitrate would be "valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract."⁴⁴ The Supreme Court has consistently held that by enacting the FAA, Congress created a "liberal federal policy favoring arbitration agreements, ... [t]he effect of the section is to create a body

34. *Woburn Degreasing Co. of New Jersey v. Spencer Kellogg & Sons*, 37 F. Supp. 311, 314 (W.D.N.Y. 1941).

35. *Id.* at 313.

36. *Id.*

37. FED. R. CIV. P. 42(b) ([T]he court *may* order a separate trial)(emphasis added).

38. *Gaus v. Conair Corp.*, No. 94 CIV. 5693 KTD, 2000 WL 1277365, at *3 (S.D.N.Y. 2000).

39. *Aoki v. Gilbert*, No. 2:11-CV02787-TLN-CND, 2015 WL 5734626, at *4 (E.D. Cal. 2015).

40. *Princeton Biochemicals Inc. v. Beckman Instruments Inc.*, 180 F.R.D. 254, 256 (D.N.J. 1997).

41. *Hirst v. Gertzen*, 676 F.2d 1252, 1261 (9th Cir. 1982) ("This bifurcation was within the sound discretion of the district court. We must uphold the court's decision absent an abuse of discretion").

42. See generally Carli N. Conklin, *A Variety of State-Level Procedures, Practices, and Policies: Arbitration in Early America*, 2016 J. DISP. RESOL. 55 (2016)(discussing history of arbitration in the early United States); see also Francis Calvert Boorman, *Arbitration and Elite Honour in Elizabethan England: A Case Study of Bess of Hardwick*, 2016 J. DISP. RESOL. 19 (2016)(discussing history of arbitration in early modern England).

43. *AT&T Mobility LLC v. Concepcion*, 563 U.S. 333, 339 (2011).

44. 9 U.S.C. § 2 (2012).

of federal substantive law of arbitrability, applicable to any arbitration agreement within the coverage of the Act.”⁴⁵

Despite this general mandate that arbitration agreements should be enforced, some situations are recognized as creating an exception to this rule. Section 3 of the FAA requires a court “upon being satisfied that the issue involved in such suit or proceeding is preferable to arbitration...shall...stay the trial of the action until such arbitration has been had...”⁴⁶ This section provides limited grounds on which arbitration can be denied. Since arbitration agreements are generally contractual provisions, courts turn to contract law to determine whether such agreements are valid. For example, “[u]nder California law, courts may refuse to enforce any contract found ‘to have been unconscionable at the time it was made,’ or may ‘limit the application of any unconscionable clause.’”⁴⁷

In evaluating unconscionability, California courts look to both the substance of the agreement and the procedures used to implement the agreement.⁴⁸ In the arbitration context, substantive unconscionability can be deemed to arise from a number of different provisions, including lack of mutuality in compelling arbitration, limited discovery, limited judicial review, or limited procedural protections.⁴⁹ Procedural unconscionability can also come about in several ways, but the most common method is an imbalance in bargaining power between the parties.⁵⁰

Another contract principle courts use to evaluate the enforceability of arbitration agreements is the concept of waiver.⁵¹ However, showing that one party has waived a contractual right to arbitrate is a heavy burden.⁵² This is because the Supreme Court in *Scherk v. Alberto-Culver Co.* held that arbitration agreements are analogous to forum-selection clauses and should be enforced “absent a strong showing that it should be set aside.”⁵³ In an increasingly global economy, agreements about where and in what type of tribunal disputes are to be resolved become even more important to parties entering into contracts.⁵⁴ The Court reasoned that it would be “it would be unrealistic to think that the parties did not conduct their negotiations, including fixing the monetary terms, with the consequences of the forum clause figuring prominently in their calculations.”⁵⁵

With this commercial justification in mind, courts have required three elements be proven before allowing a party to waive an arbitration right: “(1) knowledge of an existing right to compel arbitration; (2) acts inconsistent with that existing right; and (3) prejudice to the party opposing arbitration resulting from such inconsistent

45. *Moses H. Cone Memorial Hosp. v. Mercury Constr. Corp.*, 460 US 1, 24 (1982).

46. 9 U.S.C. § 3 (2012).

47. *Concepcion*, 563 U.S. at 340.

48. See *Armendariz v. Found. Health Psychcare Servs., Inc.*, 6 P.3d 669, 690 (Cal. 2000) (“[U]nconscionability has both a ‘procedural’ and a ‘substantive’ element”).

49. *Id.* at 691.

50. *Id.* at 690.

51. *Aoki v. Gilbert*, No. 2:11-CV02787-TLN-CND, 2015 WL 5734626, at *8 (E.D. Cal. 2015).

52. See *United States v. Park Place Assocs., Ltd.*, 563 F.3d 907, 921 (9th Cir. 2009) (“[A]ny party arguing waiver of arbitration bears a heavy burden of proof.”).

53. *Scherk v. Alberto-Culver Co.*, 417 U.S. 506, 518 (1974)(quoting *Bremen v. Zapata Off-Shore Co.*, 407 U.S. 1, 15 (1972)).

54. *Scherk*, 417 U.S. at 518.

55. *Smith-Johnson Motor Corp. v. Hoffman Motors Corp.*, 411 F. Supp. 670, 676 (E.D. Va. 1975).

acts.”⁵⁶ Delaying filing a motion to compel arbitration absent extenuating circumstances has consistently been held to satisfy the inconsistent acts prong of this test.⁵⁷ Prejudice is assessed by whether the parties would have to incur significant costs in both time and money in preparing for arbitration.⁵⁸

IV. INSTANT DECISION

The District Court assessed the bifurcation and arbitration arguments separately for clarity and simplicity. The same will be done here.

A. Bifurcation

The court begins its analysis by reiterating that Gilbert and his associated defendants bear the burden of proving that bifurcation is desirable in this case.⁵⁹ The court then proceeded to reject defendants’ motion for four reasons.

First, the court found that defendants have failed to provide more than a conclusory statement that bifurcation would promote judicial economy.⁶⁰ Defendants did not specify which issues should be separated, let alone provide a reason for why some issues should be separated.⁶¹ Instead, defendants claimed that “that arbitration would be ‘obviously’ more convenient than trial, because ‘such is the purpose of arbitration.’”⁶² The court notes that such a statement confuses separating issues into multiple trials with compelling arbitration: only the former is an effect of bifurcation.⁶³

Next, the court examined whether bifurcation would result in prejudice to either party.⁶⁴ Again, defendants offered no more than a conclusory statement that “there is no prejudice against the plaintiffs at issue here.”⁶⁵ The court, however, disagreed. The court found that plaintiffs had been prejudiced because “[p]rejudice ... may simply amount to unfair delay of the final disposition of the matter.”⁶⁶ The court reasoned that a three year delay in filing the motion for bifurcation, especially after several judgments on dispositive motions, amounted to unfair prejudice against the plaintiffs.⁶⁷

Third, the court held that defendants had failed to explain how and why bifurcation would decrease the possibility of jury confusion.⁶⁸ As with the judicial economy argument, defendants failed to specify any particular issues they thought would

56. Fisher v. A.G. Becker Paribas Inc., 791 F.2d 691, 694 (9th Cir. 1986).

57. See *id.* at 694-7. (holding that declining to move to compel arbitration out of a good faith belief that such a motion was legally futile is not an inconsistent act, and thus an exception to the general rule).

58. *Id.*

59. Aoki v. Gilbert, No. 2:11-CV02787-TLN-CND, 2015 WL 5734626, at *5 (E.D. Cal. 2015).

60. *Id.* at *6.

61. *Id.*

62. *Id.*

63. *Id.*

64. *Id.*

65. Aoki, 2015 WL 5734626, at *6.

66. *Id.* (quoting Willemijn Houdstermaatschaap BV v. Apollo Computer Inc., 707 F. Supp. 1429, 1435 (D. Del 1989)).

67. *Id.*

68. *Id.*

likely be confusing.⁶⁹ Additionally, the court noted that as a matter of judicial policy, “[i]n patent cases, as in others, separate trials should be the exception, not the rule.”⁷⁰

Finally, the court looked to whether the issues in the case were easily separable. Once again, the court noted that the defendants offered no more than a conclusory statement supporting their position.⁷¹ Though defendants attempted to argue that bifurcation was warranted because some issues were matters of statutory interpretation and others were derived from the common law, the court disagreed.⁷² The court held that when such issues were so factually and legally interwoven that they could not be presented to the jury separately without risking confusion and uncertainty.⁷³ In addition, the court found that there was no way to tell how much the issues would overlap if separated, such that the same proof would be required at multiple trials.⁷⁴ In the court’s judgment, all four of these factors weighed against defendants; the motion to bifurcate was therefore denied.⁷⁵

B. Compelling Arbitration

The court held that the defendants could not compel arbitration for two reasons: a previous motion to compel had already been denied, and the defendants had waived their right to arbitration by delaying filing the motion.⁷⁶

i. Previous Denied Motion

First, the court reiterated the decision of Judge Morrison England in one of defendants’ previous motions, made in 2013, to deny arbitration.⁷⁷ In 2013, some of the defendants (referred to by the court as “the Hayward Defendants”), sought to enforce the 1987 Agreement’s arbitration clause as successors in interest to the original parties to the agreement.⁷⁸ Judge England found that there was a genuine issue of material fact over whether the Hayward Defendants actually were successors in interest, and that the motion should therefore be denied.⁷⁹

The court applied the same reasoning as Judge England in reaching its decision, as the 2015 motion rested on “identical grounds.”⁸⁰ Like the Hayward Defendants, the defendants raising the current motion were not signatories of the original 1987 Agreement.⁸¹ They therefore bear the burden of proving “[they are] a party to the arbitration agreement/provision covering the dispute.”⁸²

69. *Id.*

70. *Id.* (quoting *Laitram Corp. v. Hewlett-Packard Co.*, 791 F. Supp. 113, 114 (E.D. La. 1992)).

71. *Aoki*, 2015 WL 5734626, at *6.

72. *Id.*

73. *United Air Lines, Inc. v. Wiener*, 286 F.2d 302, 305 (9th Cir. 1961).

74. *Aoki*, 2015 WL 5734626, at *6.

75. *Id.*

76. *Id.* at *7.

77. *Id.*

78. *Id.*

79. *Id.* (“Only when there is no genuine issue of material fact concerning the formation of an agreement should a court decide as a matter of law that the parties in the litigation are also parties to the agreement.”).

80. *Aoki*, 2015 WL 5734626, at *7.

81. *Id.*

82. *Id.* (quoting *Jones v. Jacobson*, 125 Cal.App. 3d 522, 534 (Cal. Ct. App. 2011)).

The defendants argued that Gilbert and Bionica received their sublicenses for the patent through separate transactions in 2001 and 2005, respectively.⁸³ All other defendants' sublicenses derive from one of those two transactions.⁸⁴ Their validity thus depends on the validity of the 2001 and 2005 sublicenses. However, as in the motion to bifurcate, defendants failed to provide a reason for why the current motion should be treated as any different from the motion before Judge England.⁸⁵ The original motion contained no more than a conclusory statement that Gilbert's sublicense is valid.⁸⁶ Judge England previously held that this alone could not show that there was no genuine issue of material fact about validity; the court here did the same.⁸⁷

ii. Waiver

The court applied the three-part test described above in reaching the determination that defendants had waived their right to arbitration.⁸⁸ This test requires a showing of knowledge of an arbitration agreement, acts inconsistent with that agreement, and prejudice to the party opposing arbitration.⁸⁹ The first element of knowledge was the clearly established: all the defendants had at least constructive notice of the arbitration clause from the time the first motion to compel arbitration was filed before Judge England.⁹⁰

In satisfaction of the second element of inconsistent acts, the court pointed to the multitude of motions filed by defendants.⁹¹ Among these motions were the previous motion to compel arbitration and two motions for summary judgment.⁹² These motions are dispositive—granting any one of them would bring the case to a close. Just as important is the fact that the summary judgment motions both dealt “specifically on the licensing rights arising from the 1987 Agreement—the same licensing rights that they now argue should be the subject of compelled arbitration.”⁹³ By seeking summary judgment before compelling arbitration, the court reasoned, defendants chose to settle their dispute through the judicial system rather than through private arbitration.⁹⁴ The 2015 motion therefore is no more than an attempt to find a more favorable outcome in a different forum.⁹⁵

Finally, in assessing prejudice the court held that defendants' three year delay in bringing the motion was “egregious.”⁹⁶ The court held that this delay heaped costs on plaintiffs, as they had to respond to all motions filed in the intervening

83. *Aoki*, 2015 WL 5734626, at *7.

84. *Id.* at *8.

85. *Id.* at *7.

86. *Id.* (“The only evidence before the Court regarding the Hayward Clinic Defendants' status as sublicensees is Gilbert's declaration.”).

87. *Id.* at *8.

88. *Id.*

89. *Aoki*, 2015 WL 5734626, at *8 (quoting *United States v. Park Place Assoc., Ltd.*, 563 F.3d 907, 921 (9th Cir. 2009)).

90. *Aoki*, 2015 WL 5734626, at *8.

91. *Id.*

92. *Id.*

93. *Id.*

94. *Id.*

95. *Aoki*, 2015 WL 5734626, at *8.

96. *Id.* at *9.

time.⁹⁷ Additionally, the delay undermined one of the principal advantages of arbitration—that of “speedy and relatively inexpensive dispute resolution.”⁹⁸ For these reasons, the court held that defendants were not entitled to arbitration.

V. COMMENT

In many ways, this case is very conventional: it is a dispute about a licensing agreement, a simple contract case. The outcome of the case and the court’s reasoning in reaching that outcome reinforce this view. The subject matter of the contract at issue, however, is a patent, a temporary, government-approved monopoly on the use of a scientific process. The significance of this type of property interest could arguably have justified a less-contract friendly analysis. The court, however, decided the case exactly as it should have, though if defendants had provided adequate arguments, particularly on the bifurcation motion, a different outcome may have been warranted.

A. Bifurcation

The defendants’ failure to provide adequate arguments in support of their motion to bifurcate is especially unfortunate because it was the motion most likely to succeed. Courts have noted that patent cases are “often uniquely amenable to bifurcation because of the complex nature of the damages determination and the extensive discovery that is often necessary to prove the nature and extent of those damages.”⁹⁹

In this case, defendants would have had a strong argument for bifurcating the trial into liability and damages trials. In the liability phase, plaintiffs would have to prove the traditional elements of patent infringement. First, plaintiffs would need to prove that they held a valid patent. Next, plaintiffs would have to show that defendants’ method of treating diabetes either literally copied every element of plaintiffs’ patent, or else was infringing under the doctrine of equivalents.¹⁰⁰ Since defendants were using the MAT process in exactly the same way as plaintiffs, plaintiffs should be able to make out a prima facie case of literal infringement.

The real crux of the trial would be defendants’ claim that they hold a valid license to use the patented MAT process. Evidence about the relationships between individual defendants and plaintiffs (including those between individual defendants and other individual defendants) would need to be presented to show which parties used the process, which parties were actually licensed to use the process, and which parties granted those licenses.

A separate trial to calculate damages would only be necessary if defendants were found to lack valid licenses to use the MAT process. At the most basic level, this requires answering the question: had the infringement never happened, how

97. *Id.*

98. *Id.* (internal quotation marks omitted).

99. *Novopharm Ltd. v. Torpharm, Inc.*, 181 F.R.D. 308, 310 (E.D.N.C. 2007).

100. *See Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 608 (1950) (holding that infringement occurs when “two devices do the same work in substantially the same way, and accomplish substantially the same result”)(internal quotation marks omitted).

much money would plaintiff had made from the invention?¹⁰¹ Answering this question frequently requires reference to reasonable royalty rates, market values, and lost profits.¹⁰² It also requires attributing to each infringing defendant their share of the damages. This is made substantially easier if the jury does not have to decide which defendants are infringers in addition to how much money they should pay. This case ultimately involves two complicated issues: the validity of defendants' licenses, and what damages, if any, arise from their invalidity. Having separate trials for each of these two issues can cut down on juror confusion, since each jury will only have to address one of those issues.

B. Appropriateness of Arbitration in Patent Cases

There has been much scholarly debate on whether patent disputes are proper subject matter for arbitration.¹⁰³ Critics of patent arbitration have sometimes argued that since the federal government issues patents, any dispute about the patent's validity must somehow include the government.¹⁰⁴ However, as other commentators have pointed out, many countries' patent laws allow fairly broad discretion in patent ownership once the patent has issued.¹⁰⁵ The United States, for example, confers a freely assignable personal property right to holders of issued patents.¹⁰⁶ Such a provision grants wide latitude to the private holder to dispose of the patent as he or she chooses. It also signals that the government is relinquishing any interest it has in the patent process that may have justified keeping any dispute that may arise out of the private arena of arbitration.¹⁰⁷ If the government ever had an interest in subsequent infringement suits, it effectively waived that interest by statute.

The sovereign power argument is particularly unpersuasive in this case. At issue is not the validity of the patent, but the validity of a license to use the patent. Even in many jurisdictions that do not allow patent validity to be arbitrated, such licensing agreements are still seen as proper subject matter to arbitrate.¹⁰⁸ Allowing arbitration makes sense under the regime created by 35 U.S.C. § 261 in the United States. The statute allows a patent holder to transfer his or her interest in the patent to anyone as long as certain procedural requirements (e.g. a written instrument, timely recording) are met.¹⁰⁹ Any transfer of the patent is a private transaction. It should therefore be arbitrable just like any other private transaction. Indeed, to hold otherwise would be to call into question the legitimacy of arbitration in general.¹¹⁰

101. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964).

102. See generally *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1323 (Fed. Cir. 2009)(discussing damages calculations).

103. See generally M.A. Smith et al., *Arbitration of Patent Infringement and Validity Issues Worldwide*, 19 Harv. J.L. & TECH. 299, 305-314 (2006) (setting out general legal and policy arguments for and against arbitrating patent disputes).

104. *Id.* at 306. ("A second and more abstract legal argument against the objective arbitrability of patent validity concerns the sovereign nature of the patent grant: if a sovereign grants a right, only the same sovereign can extinguish that right").

105. *Id.*

106. 35 U.S.C. § 261 (2012).

107. Smith et al., *supra* note 103 at 307.

108. *Id.* at 308 ("Countries making such a choice usually enforce arbitral awards concerned with the patent as property -- patent licensing or patent infringement -- but will not enforce awards related to the validity of a patent").

109. 35 U.S.C. § 261 (2012).

110. Smith et al., *supra* note 103 at 307.

If this type of transaction is not fit for arbitration purely because of its subject matter, then one would have to provide separate justifications for the arbitrability of other types of transactions. No compelling justification comes to mind.

VI. CONCLUSION

This case is simple. Defendants' failed to make any substantial arguments in support of their motions to bifurcate and compel arbitration, so the court had little choice but to deny them. If they had, however, the court may have been faced with difficult questions about how patent litigation should fit into the alternative dispute resolution scheme. Though federal statute and case law has made arbitration an available avenue for many patent disputes, some questions remain as to the extent courts are prepared to allow bifurcation. Given the factual complexity that is often inherent in patent disputes, bifurcation should be seen as a useful tool, but must be properly invoked for parties to avail themselves of its benefits.