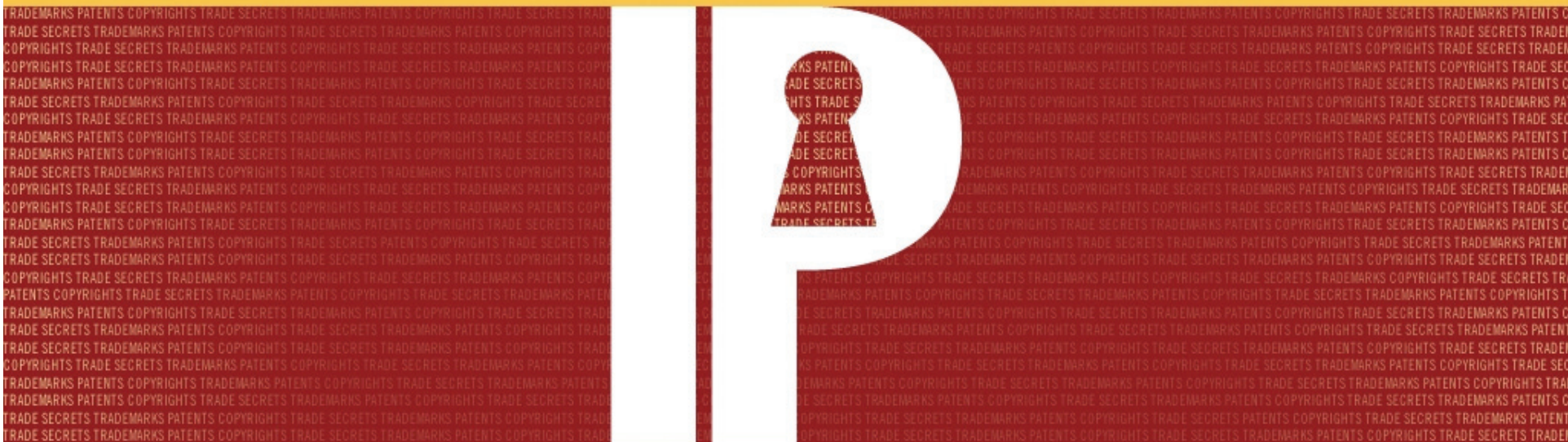


GUARDING THE TREASURE: IP VALUATION & REMEDIES

NEW YORK, NEW YORK • 10.29.07



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Views From The Bench: Remedies In IP Litigation Cases

Panel Members:

The Honorable Loretta A. Preska (S.D.N.Y.)

The Honorable Barbara S. Jones (S.D.N.Y.)

The Honorable P. Kevin Castel (S.D.N.Y.)

Peter N. Wang, Foley
Jeanne M. Gills, Foley



Overview Of Topics

- Comments On IP Cases
- Damages Experts In IP Cases
- Injunctive Relief In Patent Cases
- Willful Infringement, Damages, And Attorneys' Fees
- Damages In Cases Involving Multiple IP Claims For One Product
- Patent Reform 2007 Legislation

Damages Experts In IP Cases



- General Comments
- Are Damages Experts Always Needed?
 - Bench Trial
 - Jury Trial
- What Are The Most Effective Ways To Use Damages Experts?
- Dos And Don'ts For Damages Experts



Injunctive Relief In Patent Cases

- *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006)
 - MercExchange Owned A Business Method Patent For Providing An Auction Service Akin To eBay’s “Buy It Now” Feature Which Enabled Users To Buy An Item For A Set Price Without Having To Go Through The Bidding Process
 - Prior To *eBay*, Prevailing Patent Owners Were Routinely Granted Injunctions
 - The Supreme Court Held That The Decision To Grant Or Deny An Injunction Rested Solely Within The Equitable Discretion Of The Court And Set Forth A Four Part Test To Determine If Equitable Relief Should Be Granted

The Four Part *eBay* Test



- A Plaintiff Must Demonstrate:
 1. Irreparable Harm
 2. Inadequacies Of Remedies At Law
 3. Considering The Balance Of Hardships Between The Plaintiff And The Defendant An Equitable Remedy Is Warranted
 4. The Public interest Would Not Be Disserved By Entry Of A Permanent injunction

eBay—Practical Effects



- The Statistics In General
 - 28 Post *eBay* Decisions From May 2006-September 17, 2007
 - Rate Of Denial Of Permanent Injunctions Prior To *eBay* Was 16.1%
 - Current Rate Of Denial Of Permanent Injunctions After *eBay* Is 25.1%*
 - Post *eBay* Statistics In The Eastern District Of Texas
 - Judge Ward Has Granted Three Permanent Injunctions
 - Judges Davis And Folsom Have Each Granted One Permanent Injunction
 - Judges Davis, Clark, And Folsom Have Each Denied A Permanent injunction In One Case.
- * Sources—P. Janicke “Patent Litigation Remedies: Some Statistical Observations”; Westlaw And Lexis Docket Sheets

eBay—Practical Effects *Ct'd*



- Did It Really Change Anything For The Long Term?
 - How Will The Four Part Test Play Out In Patent Litigation?
 - What, If Any, Are The Practical Implications?
- Will Permanent Injunctions Now Be Routinely Denied In Cases Where The Patent Owner Is Not Using Or Licensing The Patented Invention, *e.g.*, Patent Trolls Or Patent Holding Companies?
- Will *eBay* Lead To Forum Shopping?

eBay—Practical Effects Ct'd



- What Are The Most Important Factors To Consider When Determining Whether To Grant An Injunction And How Are They Weighed?
 - Patent Owner Practicing The Claimed Invention
 - Direct Competition
 - Willful Infringement
 - Patent Owner's Lost Market Share
 - Patent Owner's Reputation
 - Impact On Infringer's Business
 - Other Factors

eBay—Practical Effects Ct'd



- Footnote 12 Of The Federal Circuit's Recent Decision In *Verizon Servs. v. Vonage Holding*, 2007 WL 2781869 (Fed. Cir. Sept. 26, 2007)
 - Raised The Issue Of Whether A District Court Should Allow Time For An Infringer To Implement A Workaround That Would Avoid Continued Infringement?
 - Does This Create An Additional Defense?
 - How Long Should The Infringer Be Given To Implement The Workaround?

eBay—Practical Effects Ct'd



- *Paice LLC v. Toyota Motor Corp.*, 2007 WL 3024994 (Fed. Cir. Oct. 18, 2007)
 - Trial Court Denied A Permanent Injunction After Considering The *eBay* Factors And Imposed An Ongoing Royalty Of \$25/Infringing Product
 - The Federal Circuit Stated That The Denial Of A Permanent Injunction Does Not Warrant An Award Of An Ongoing Royalty As A Matter Of Course
 - The Federal Circuit Vacated And Remanded The District Court's Order With Respect To The Royalty Rate, Finding No Indication In The Record As To Why That Rate Was Appropriate
 - The Federal Circuit Recognized That The Parties Could Set Their Own Royalty Rate

eBay—Practical Effects Ct'd



- Concurrence By Judge Rader
 - Calling A Compulsory License An Ongoing Royalty Does Not Make It Any Less A Compulsory License
 - If An Injunction Is Denied, The Parties Should Be Allowed To Negotiate A Royalty Rate
 - The District Court Should Only Become Involved On Consent Of The Parties Or When The Parties Cannot Agree On A Rate



eBay—Practical Effects Ct'd

- As A Practical Matter, Will Ongoing Royalties Be Routinely Awarded When Permanent Injunctions Are Denied?
 - What Are The Other Forms Of Relief That Could Be Awarded?
- Should The Parties Automatically Be Required To Negotiate A Royalty Rate If A Permanent Injunction Is Denied?
 - How Long Would The Parties Have To Negotiate Before Judicial Intervention?

Willful Infringement, Damages, And Attorneys' Fees



- *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.* 383 F.3d 1387 (Fed. Cir. 2004) (*en banc*)
 - No Requirement To Obtain An Opinion Of Counsel And No Adverse Inference If One Is Not Obtained Or Not Produced
 - No Adverse Inference If Accused Infringer Invokes The Attorney-Client Privilege

Willful Infringement *Ct'd*



- *In Re Seagate*, 497 F.3d 1360 (Fed. Cir. 2007)
 - Convolve And MIT Sued Seagate And Alleged Willful Infringement
 - Prior To Being Sued, Seagate Obtained An Opinion Of Counsel That The Claims Were Invalid Or Not Infringed
 - Seagate Relied On Its Opinion Of Counsel

Seagate—New Willfulness Test



- The Federal Circuit Overruled Longstanding Precedent And Set Forth A New Two Part Test For Determining Willfulness
 - First, “[t]he Patent Owner Must Establish By Clear And Convincing Evidence That The Infringer Acted Despite An Objectively High Likelihood That Its Actions Constituted Infringement Of A Valid Patent.”
 - “The State Of Mind Of The Accused Infringer Is **Not** relevant To This Objective Inquiry.”
 - Second, “[i]f This Threshold Objective Standard Is Satisfied, The Patentee Must Also Demonstrate That This Objectively-Defined Risk (developed by the record in the infringement proceeding) Was Either Known Or So Obvious That It Should Have Been Known To The Accused Infringer.”

Seagate—Practical Effects



- What Are The Practical Effects Of *Seagate*?
 - Does Willfulness Now Need To Be Pled In More Detail?
 - Will There Be An Increase In The Number of Motions To Dismiss or Strike?
 - Is Bifurcation Of Discovery And/Or Trial More Appropriate Or Likely Given The *Seagate* Test?



Seagate—Unanswered Questions

- In Light Of *Knorr-Bremse* And *Seagate*, Should Companies Still Obtain Opinions Of Counsel?
 - Why Or Why Not?
 - Does It Make A Difference If It Is A Bench Or Jury Trial?
- How Will Objectivity Be Established Without Knowing The Infringer's State Of Mind?
- How Or Will *Seagate's* New Test Effect The Award Of Increased Damages and Attorneys' Fees Once The Patent Owner Establishes Willful Infringement?

Damages In Cases Involving Multiple IP Claims And One Product



- *Aero Prods. Int'l, Inc. v. Intex Recreation Corp.*, 466 F.3d 1000 (Fed. Cir. 2006)
 - Patent Owner Accused Defendants Of Infringing A Patent Claiming An Inflatable Mattress And The Trademark ONE TOUCH
 - Jury Found For Patent Owner And Awarded \$2.95 Million In Damages On The Patent Claim And \$1 Million In Damages On The Trademark Claim
 - The Federal Circuit Held That The District Court Erred In Allowing The Trademark Damages To Stand As An Impermissible Double Recovery. The Federal Circuit Noted That The Patent Owner Failed To Introduce Evidence That The Accused Infringer Used The ONE TOUCH Mark Other Than In Connection With Sale Of The Infringing Mattresses

Multiple IP Claims Cases *Ct'd*



- Is It Possible to Recover Damages On Multiple IP Claims If Only One Product Is At Issue?
- What Type Of Evidence Would Be Needed To Do So?

Patent Reform Act Of 2007



- On September 11, 2007, The House Of Representatives Passed The “Patent Reform Act Of 2007”
- The Act Significantly Modifies The Existing Law As It Pertains To Willful Infringement
- The Senate Also Has A Version, S. 1145, Which Is Still Waiting On A Vote

Patent Reform *Ct'd*



- Willful Infringement Can Only Be Found If The Patent Owner Presents Clear And Convincing Evidence That:
 - It Provided Written Notice To The Accused Infringer, Including An Identification Of The Accused Claims; OR
 - The Accused Infringer Intentionally Copied The Patented Invention With Knowledge That It Was Patented; OR
 - The Accused Infringer Previously Was Found To Infringe The Same Patent

Patent Reform Ct'd



- Limitations On Willfulness
 - A Court Cannot Find Willfulness For Any Period Of Time In Which The Accused Infringer Had A Good Faith Belief That The Claims Of The Patent Are Invalid, Unenforceable, Or Not Infringed
 - To Determine Good Faith Must Consider
 - Reasonable Reliance On Advice Of Counsel
 - Evidence That The Accused Infringer Sought To Modify Its Conduct Once It Discovered The Patent
 - Other Evidence The Court Finds Sufficient

Patent Reform Ct'd



- If Passed In Its Current Form, How Will The Act Impact Patent Litigation?
 - Practically Speaking Will Patent Owners Ever Be Able To Prove Willful Infringement?
 - How Can The Patent Owner Prove Willful Infringement?
 - What Type Of Evidence Will Patent Owners Need To Show Intentional Copying?
 - What Are The “Other” Types Of Evidence A Court May Rely On To Find That The Accused Infringer Acted On a Good Faith Belief?

Questions?



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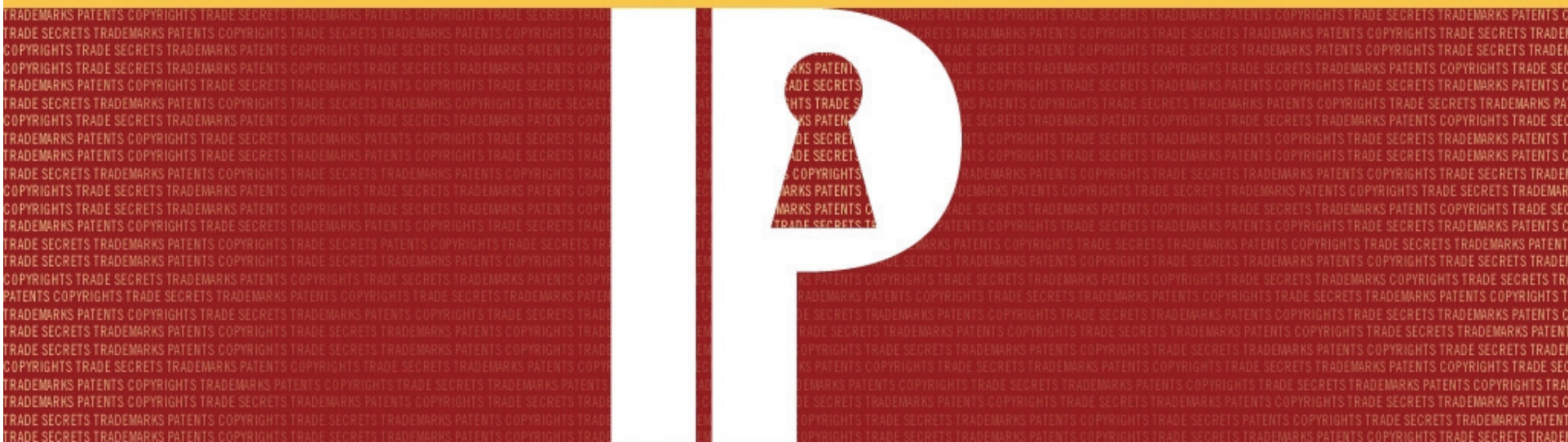
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