

Addressing Trends... Sharing Solutions

THE WEB CONFERENCE SERIES FOR CORPORATE COUNSEL

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Resolving IP Disputes

The Web Conference Series for
Corporate Counsel

December 4, 2007



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- More information available at Foley.com/webconference
- Today's summary in *InsideCounsel*
- Advance copy for today's participants
- 2007 Year in Review available in January



Today's Panelists

Steve Becker

Partner, Foley & Lardner LLP

- Member of firm's Intellectual Property Department
- Works with firm's clients on strategic planning, design arounds, brainstorming, pre-litigation enforcement and defense, licensing matters, and non-infringement/invalidity studies
- Experience with electronics technologies such as automotive, medical imaging and telecommunications

Today's Panelists

Jackie Wright Bonilla

Senior Counsel, Foley & Lardner LLP

- Member of firm's Intellectual Property Department
- Counsels clients on patent prosecution, written/oral advice on patent validity, infringement, enforceability, IP portfolio management and due diligence
- Experience with patent interference and litigation involving intellectual property

Today's Panelists

Scott Coonan

Director of IP Litigation & Licensing, Juniper Networks, Inc.

- Since 2004, has managed all patent and other IP disputes for Juniper; previously was the head of IP for Thales North America
- Juniper principally has been a defendant, but, when appropriate, a plaintiff
- Has successfully used mediation as a tool for bringing about satisfactory resolution of a number of IP disputes

Today's Moderator

Robert Vosper

Editor, *InsideCounsel*

- *InsideCounsel* is the leading publication exclusively for general counsel and other in-house counsel
- Editorial mission – be the business and management tool for the corporate legal department
- Dedicated to the exploration of the relationship between in-house counsel and the law firms that serve them

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Live Meeting Poll

Polling Question

Is your client currently engaged in an intellectual property dispute?

- IP litigation
- IP dispute, but no litigation
- No IP disputes
- Do not know

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Before the Dispute: Improve Your Leverage

- Build your IP portfolio
- Mine your IP portfolio
- Track your IP portfolio
- Maintain old product development files
- Explore design-arounds early

Preparing for Settlement Negotiations

- High level meetings often settle lawsuits
- Assess other common business interests
- Look for opportunities to turn your misfortune into a positive

Negotiating a Resolution

- Resolving IP disputes requires concessions
- License, Cross-license, Joint Venture
 - License: Allow others to use the IP
 - Joint venture: Form a new corporate entity owned by both parties
 - Sell: Sell IP in its entirety for a payment

Negotiating a Resolution – License, Cross-License

- Most versatile
- Pros:
 - Expand profit base to new customers, markets, supply chains
 - Industry recognition as a technology company
 - Compensation for competitor's use of IP
 - No manufacturing, sales, administrative costs for earnings on competitor's sales
- Cons:
 - Competitor remains in the market with the patented feature
 - Potentially lower return than selling own product
- Licensee to sell its own product or patentee's product?
- Licensee to manufacture patentee's product or buy from patentee (supply arrangement)?

Negotiating a Resolution – Joint Venture

- Pros:
 - Allows equity stake in exploitation of your IP by others – can provide higher return than licensing
 - Gain access to expertise available from third party
 - Share risk/reward
- Cons:
 - Less control over commercialization of products and IP
 - Higher risk of loss of trade secret rights through disclosure by JV partner
- Can you put differences behind you?

Negotiating a Resolution – License Terms

- Exclusive/non-exclusive
- Fields of use
 - Products – defining “licensed products”
 - Purposes
 - Industries
- Technical support
- Improvements
- Payments
 - Up-front
 - Running
 - Commercialization milestones

Live Meeting Poll

Polling Question

Have you ever worked with a client to acquire patents or amend patent applications of your own to cover a specific competitor product?

- Yes
- No
- Do not know/understand

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Case Study: Garmin v. TomTom - Creative Dispute Resolution Strategy

- Garmin: large U.S. presence, over 200 U.S. patents
- TomTom: early 2006, entering U.S. market, no U.S. patent portfolio
- Garmin sued TomTom in W.D. Wisconsin on 5 patents
 - Rocket docket
 - Pro-patentee

Case Study: Garmin v. TomTom - Creative Dispute Resolution Strategy

- TomTom needed leverage
- TomTom researched and found 3 patents owned by Horizon Navigation
- In a matter of just a few months, TomTom found, negotiated, purchased and asserted patents in a counterclaim against Garmin
- After rulings against both sides, case settled

Resolving IP Disputes – USPTO Alternatives to Litigation

- Post-grant procedures at the USPTO
- Reexamination (versus reissue)
- Pros/cons of *ex parte* versus *inter partes* reexam
- Pros/cons of reexam versus litigation

Reexamination – What is it generally?

- Allows opportunity to engage in prosecution after patent has issued
- Addresses validity based on prior art patents or printed publications
- Two types:
 - *Ex parte*
 - *Inter partes*

Reexamination – What can you do?

- Address/overcome prior art patents and printed publications
- Amend/add (but not broaden) claims
 - For patentee - work around recently discovered prior art
 - For third party - change claims to allow design-around
- May result in canceling claims
 - For third party – get rid of problematic claims or patents in entirety

By contrast, what is Reissue?

- Also occurs after patent has issued
- Only available to patentee – not third party
- Patentee corrects an unintended error/defect in issued patent

By contrast, what is Reissue? - *cont.*

- Patentee must point out an unintended error/defect
 - 35 U.S.C. §251: “whenever any patent is, through error without any deceptive intention, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent”
- May broaden claims within 2 years of original issue date
- May amend/add/delete claims anytime (as long as not broadening)

Reexamination – Limits

- Limited to issues regarding novelty and obviousness, including double patenting – must be based on prior art patents or printed publications
- USPTO will not grant reexam based on:
 - Inequitable conduct
 - Patentable subject matter
 - Written description, enablement, indefiniteness, best mode (§112 issues)
 - Public use, on-sale bar
 - Inventorship
- Exception: may raise issues to question priority

Reexamination – Two types

- *Ex parte* (parties = patentee and USPTO)
 - Available since 1981
- *Inter partes* (parties = patentee, third party and USPTO)
 - Available since 1999
 - Statute amendments in 2002:
 - (1) USPTO may consider previously cited/considered art as long as related to a new question of patentability;
 - (2) third party requestors may appeal to Fed. Cir. and participate in appeal by patentee

Ex parte reexam

- Any party may file a request
- Examiner determines if there is a *substantially new question of patentability*
- Patentee may file a statement regarding new question, and file an amendment
- If patentee files a statement, a third party requester may file a response
- Third party does not participate further

Ex parte reexam – cont.

- Examiner issues an Office Action
- Examiner may examine all claims, including §112 issues
- Patentee may respond, propose amendments and submit new claims
- May not add new matter or enlarge scope of a claim
- Interviews are allowed

***Inter partes* reexam - similar to *ex parte*, except:**

- Limited to patents issued from applications filed in US on or after Nov. 29, 1999 (includes PCT designating US)
- Must identify requester/real party in interest
- Third party may file comments each time patentee files a response to an Office Action – limited to issues raised in OA or response
- No interviews permitted
- Estoppel against requester

Reexamination

- Mostly occur in electrical field (versus chem/biotech/mechanical)
- > 90% granted by Examiner
- *Ex parte*
 - 643 cases filed in 2007 (versus 392 in 2003)
 - 80% filed by third parties
- *Inter partes*
 - 126 cases filed in 2007 (versus 21 in 2003)
 - Litigation in ~70% of cases

Appeals

- In *ex parte*, patentee may appeal to BPAI and/or Fed. Cir.
- In *inter partes* reexam, patentee or third party requester may appeal to either

Inter partes reexam – estoppel provision

- After *inter partes* reexam, during litigation, third party is estopped from asserting invalidity of claim on any ground if the third party raised or **could have raised** it during reexam
- No case law interpretation on what “*could have been raised*” means
- Unclear exactly to which parties estoppel applies – estoppel situation might be different for unrelated parties
- Likewise, after litigation, a party may be precluded from seeking reexam if issue was raised or could have been raised during litigation

Inter partes reexam versus litigation

	<i>Inter partes</i> reexam	Litigation
Issues that may be raised	Only invalidity issues based on prior art patents and publications	Any invalidity issues; may also raise issues regarding infringement, etc.
Applies to	New patents (filed after 1999)	Any pending patent
Allowed to amend claims?	Yes	No
Role of non-patentee	Mostly reactive	Proactive and reactive

Inter partes reexam versus litigation – *cont.*

	<i>Inter partes</i> reexam	Litigation
Burden of proof regarding invalidity	On USPTO to show “preponderance of evidence”	On party to show “clear and convincing evidence”
Discovery?	No	Yes
Cross examination of witnesses?	No	Yes

Potential advantages of reexam

- May strengthen position during litigation
- May promote settlement
- USPTO has expertise and can clarify claim scope
- In nearly every case, claims are eventually amended or removed
 - 2005:
 - *Inter partes*: 71% rejected/cancelled; 28% amended
 - *Ex parte*: 10% rejected/cancelled; 64% amended

Potential advantages of reexam - *cont.*

- May be less expensive
 - e.g., \$8K to >\$100K versus millions for litigation
- May be faster – but careful
 - Generally, pendency is six mos. to 3.5 years (not including appeals) with average around 34 mos.
 - *Ex parte* cases with Fed. Cir. appeals = 7-10 years
 - No *inter partes* cases have reach Fed. Cir. and only few decided by Board
- May provide basis to avoid injunction

Potential disadvantages of reexam

- Estoppel applies to *inter partes* reexam (scope = unclear)
- May not raise other issues of patentability
- Procedural traps due to deadlines, especially for requester
- Duty of disclosure

Mediation Experiences

- Mediation statement
 - Important
 - Strong advocacy of client's positions
 - Whether mediator will have read it is a different story!
 - Mediators handle many cases
 - Be ready to make your points in person, and do not assume that the mediator is as familiar with the case as you
- It is still important, as plaintiff or defendant, to come prepared to justify your position

Mediation Experiences

- Be prepared to educate mediator about specifics of your case, but also know that some mediators may be less interested than others
- As a defendant, don't miss opportunity to point out mistaken assumptions of the plaintiff
 - May be successful in getting the plaintiffs to take certain products off the table for the purpose of the damages calculations (either by pointing out that the claim construction caused certain products to not be covered, or by highlighting other relevant sales information – e.g., that a particular product has been phased out, that sales are de minimus, or that manufacturing and sales occur exclusively outside of the U.S.)
 - Plaintiffs' counsel can be surprisingly receptive to this kind of information

Mediation Experiences

- Who should attend?
 - There are advantages to bringing as few people as possible
 - If there are multiple representatives in the room, make sure they are all speaking with a single voice
- Which party should open?
 - Often controlled by the mediator
 - Typical for plaintiff to present an opening offer

Mediation Experiences

- Have a plan, but don't be captive to it
- Build credibility with the mediator (and your opposition) by focusing on the objective strengths of your case
 - Avoid focusing on the subjective or personal
 - If the plaintiff, acknowledge probabilities of patent being deemed invalid and/or not infringed, and offer an appropriate settlement “discount”; these probabilities should be jurisdiction-specific

Mediation Experiences

- Timing is important
 - Three best times to hold a mediation session:
 - (a) right after the complaint is served;
 - (b) after the Markman opinion is issued;
 - (c) after summary judgment motions have been decided.
- Most patent “litigators” are not patent trial attorneys
 - Huge percentage of patent cases settle before trial
 - If you can show a commitment and capability to take the case through jury verdict, you can enhance your bargaining position

Mediation Experiences

- Understand what kind of mediator you are dealing with
 - Is he or she going to try to understand the merits and challenge the parties, or just lean on each party as much as possible?
 - You need to know what types of messages to give the mediator
- The client and lawyer must be on the same page
 - Sometimes mediators look for the weak link in the room
 - Some push on the party that seems more unreasonable, others press the party that appears more flexible

Mediation Experiences

- Know and understand your goals before you enter the mediation, and have a strategy for getting where you want to go
 - The mediator will try to push you off your position. Know that, and understand exactly when and how you will move.
- Assume that the mediation will end two hours after the scheduled end time, and consider your moves with that target in mind
- Mediation is a process
 - Failing to reach agreement at the first session is not failure

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Thank you for your participation

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