

FOLEY EXECUTIVE BRIEFING SERIES



Striking a Balance With a Reduced IP Legal Budget

September 15, 2009



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Panelists

- **Alexander Arato**, Vice President, Associate General Counsel, CA
- **Steven Rizzi**, Partner - Patent Litigation and Counseling, Foley & Lardner
- **Karin Segall**, Partner – Trademark, Foley & Lardner



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Reality: Between a Rock and a Hard Place

- Almost 75% of general counsel surveyed said their legal department's budget would be cut in 2009. -IP Law 360, 12/9/08 survey of US general counsel
- 41% of respondents said their new patent applications will decrease in 2009 (Unchanged -30% and Increase 29%) -IPO April 2009 survey of members

- 79% of companies thought IP was more important than usual in the economic downturn. -Price Waterhouse Study of 11/2008 of companies in UK, Germany, and France
- IP – Possibly your most significant business assets



Discussion Topics

- Patent Portfolio Management
 - Portfolio Audits
 - Workflow Process
 - Controlling Prosecution Costs
- Managing IP Legal Costs
 - Alternative Fee Arrangements
 - Cost Reduction Measures
- Trademark Portfolio Management
- Opinions of Counsel Post-Seagate



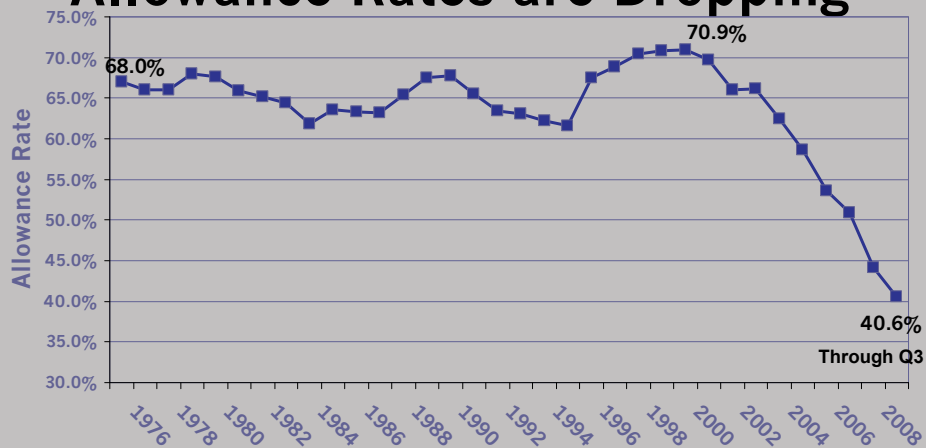
The Shifting Landscape

- Patent filings are dropping in the US and throughout the world.
- Allowance rates continue to drop.
- Strategic companies are focusing on quality and efficiency rather than quantity.
- There are many strategies that will save dramatic costs down the line.

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Allowance Rates are Dropping



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Patent Portfolio Management

Perform Regular IP audit:

- **Identify core technologies**
 - Support patent families covering active research programs and commercial products
 - Identify scope of coverage and potential gaps in core technologies
 - Develop or in-license to cover gaps
- **Reduce investment in non-core technologies**
 - Prune back patent families covering non-core technologies/products
 - License patents outside of company's commercial activities
 - Sell future revenues from existing royalty streams



Workflow Process: Achieve Cost Savings and Improve Quality

- IP goals should support business goals
 - Patent portfolio should be in alignment with current and projected future business strategy
 - Secure freedom of action
 - Cross Licensing
 - Picket fence/minefield around areas of interest
 - Patent covering competitor may be more valuable than patent covering own products
 - Abandon/Lapse/Sell IP assets no longer in alignment with business strategy



Workflow Process: Achieve Cost Savings and Improve Quality

- Develop a patent quality program to increase patent quality and provide a more cost effective end product
 - Increased involvement saves costs during preparation and prosecution
 - A better quality patent is more cost effective in litigation
- Review claim scope with eye toward implementation/enforcement
- Set detailed requirements for invention disclosures
- Establish criteria to measure outside counsel performance
- Filing decisions should be made by unbiased internal team with technical expertise in the subject matter and familiarity with the business objectives and product plans



International Filing Factors

- Population
- GDP per capita
- Enforcement Issues
- Type of Products
- Marketing and Sales
- Product Manufacture
- Location of Company and Competitors
- Valuation out to 5 - 10 years from filing
- Costs: Filing fees, translation fees, prosecution fees, annuities & grant fees



Countries: 3-Tiers

- **First Tier Countries:** US, Australia, Canada, China, Japan, EP (Switzerland, France, Germany and UK)
- **Second Tier Countries:** 1st Tier Plus: EP (Austria, Belgium, Italy, Ireland, Spain, Sweden) Brazil, India, Israel, Korea, Mexico and New Zealand
- **Third Tier Countries:** 2nd Tier Plus: Hong Kong, Hungary, Malaysia, Norway, Philippines, Russia, Singapore and South Africa



Patent Application Cost Controls

- **Limit size of application: Fonts, Figures and Elimination of Redundancies**
 - Excess fees apply to longer applications in US and EPO
- **Limit Number of claims: significant excess claims fees now in effect in EPO**
- **Defer prosecution costs through use of PCT application and foreign search authority**



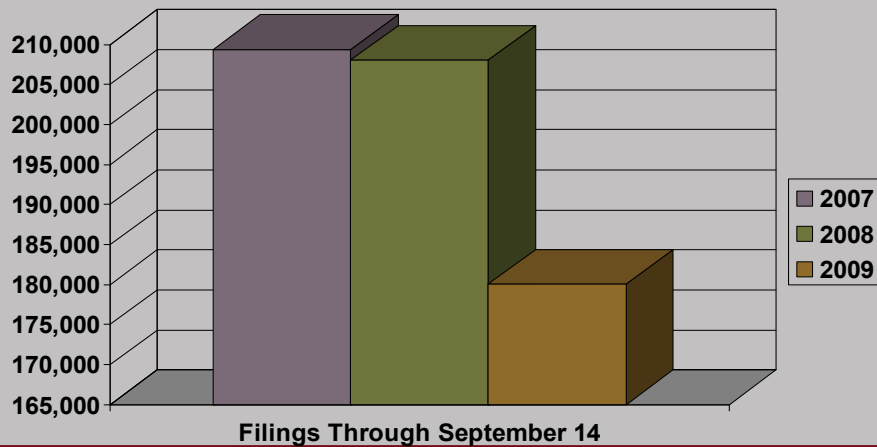
Alternative Fee Arrangements

- What Structures Work
- Effect of Recent Developments in the Law on Viability of Alternative Pricing
- Risk-sharing Arrangements
- Importance of:
 - Predictability
 - Communication
 - Trust

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Decline in U.S. Trademark Filings



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Cost Effective Trademark Portfolio Management

Look for “Freebies”

Educate Your Team/Client

Trim the Fat

Develop Strategies and Procedures

Embrace Technology



“Freebies”

Take Advantage of Value Added Services from Outside Counsel

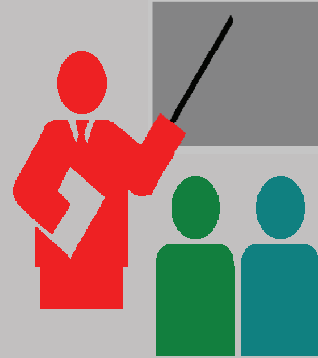
- Onsite Education of Personnel
- Intranet Access to Documents and Docket
- Watch Notice Review
- Development and Implementation of Efficient Processes





Education

- Selection of Strong Marks
- Importance of Early Involvement of Legal and of Clearance
- Basics of Application (Scope of Goods, Nature of Mark, Specimens)



Trim The Fat

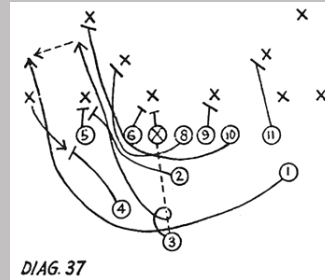
- Audit Your TM Portfolio for unused marks, scope of identification and/or geographic coverage
- Review Your Watch List
- Anticipate Upcoming Maintenance Deadlines for Marks (both in use and dead)





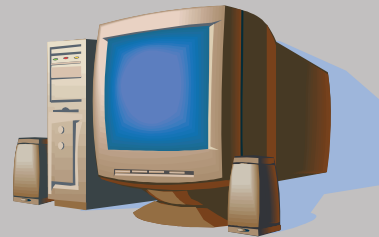
Develop Strategies and Procedures

- Streamline the Process for Selection and Protection of New Marks
- Know the Jurisdictions of Interest
- Use Economical Filing Strategies
- Respond Promptly



Embrace Technology

- Online Portfolio Access
- PTO Search Database
- Docketing Systems





Opinions of Counsel – Still Necessary?

- Post-*Seagate* Willfulness Standard: objective recklessness plus subjective knowledge of high likelihood of infringement
- Opinion of counsel not required to defeat willfulness
- Judge decides whether to enhance damages
- Trebling of damages was very rare – even under former “affirmative duty of care standard”
- Reliance on opinions increases litigation costs and could prejudice defenses at trial
- Opinions can cost > \$50K or more and are often flawed



Opinions of Counsel - Factors

- Who is patent owner – NPE v. Competitor?
 - Case by NPE typically involves lower risk of willfulness because no products to copy and high likelihood of settlement
- How much is at stake?
- What is budget?
 - Do it right or don't do it at all
- Inducement of infringement at issue?