The Exponential Speed of Innovation: Is IP Driving Your Business?
Evolution of NPEs: Advanced Strategies to Minimize Nuisance Suits to Your Bottom-Line
Panelists

- Tanja de Coster, Director, International Corporate Counsel, eBay Inc.
- Victor de Gyarfas, Partner, IP Litigation Practice
- Brian Fogarty, Assistant General Counsel, IP Litigation, Nike, Inc.
- Maxine Graham, Chief IP Counsel, American Express Company
- John Lanza, Partner, Electronics Practice
- Rafael Rosado, Intellectual Property Counsel, UTC Fire & Security

[Assisted by: Rebecca (Jan) Pirozzolo-Mellowes, Associate, IP Litigation Practice]
Current NPE Landscape

- **Patent Trolls**
  - How has the growing marketplace for patents and corporate participation therein impacted the number of NPE suits?
  - Pre-lawsuit tactics for minimizing expenses
  - Post-lawsuit tactics for cost efficient resolution of cases

- **False Marking Lawsuits** – (largely eviscerated by America Invents Act)

- **Cybersquatters**
  - Are cybersquatters and Internet IP thieves still a threat?
  - The interplay between new gTLDs and cybersquatters
Patent Trolls

- The growing marketplace for patents and corporate participation and the resulting impact on the number of NPE suits
  - Effect of venture capital funding

- Problems for targets of NPEs
  - Competition for internal resources
  - Not all NPEs are rational
  - Expense of legal proceedings
  - Identification of accused products
Trolls – Pre-lawsuit tactics

- Paying
  - How much is nuisance really worth?
- NPE Monitoring Program
- Lobbying Efforts
- Hiding
  - How much does uncertainty cost?
- Reexamination
  - Really a middle ground between paying and litigating?
- Proposals for Modifications of Rules for Patent Cases
### Monitor and Track NPEs

- **Compile database of known NPE threats**
- **Assess risk to client**
- **Perform ongoing monthly review**

<table>
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<tr>
<th>Matter Name</th>
<th>Case Number</th>
<th>Jurisdiction</th>
<th>Filed</th>
<th>Plaintiff/NPE</th>
<th>Plaintiff's Counsel</th>
<th>Asserted Patents</th>
<th>Technology</th>
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<td>2:10-cv-</td>
<td>EDTX, Marshall</td>
<td>May 28, 2010</td>
<td>Actus, LLC</td>
<td>William Davis The Davis Firm, PC 111 W. Tyler St., Longview, TX 75601 903-230-9090</td>
<td>7,328,189,</td>
<td>methods and apparatuses for conducting electronic commerce transactions</td>
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<td>EDTX, Tyler</td>
<td>Jul 2, 2010</td>
<td>Adjustacam LLC</td>
<td>John Edmonds Collins, Edmonds &amp; Pogorzelski, PLLC 709 Sabine St., Houston, TX 77007</td>
<td>5,855,343</td>
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<td>Actus, LLC</td>
<td>Adam Floyd F&amp;B LLP 5118 Southwest Parkway, Austin, TX 78735</td>
<td>5,796,978; 6,047,354</td>
<td>data processors with memory management units (MMUs); processors operable</td>
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<td>NDIL, Eastern</td>
<td>Dec 10, 2009</td>
<td>Armin Rudd db/a ABT</td>
<td>Michael Mazza Michael P. Mazza, LLC 606 Crescent Blvd., Glen Ellyn, IL 60137-4281</td>
<td>5,547,017; 6,431,268</td>
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Reexamination Statistics

![Bar chart showing reexamination statistics for Inter Partes Reexam and Ex Parte Reexam. The chart shows that Inter Partes Reexam has a 95% granted percentage, while Ex Parte Reexam has a 92% granted percentage. Litigation shows 71% and 33% for Inter Partes Reexam and Ex Parte Reexam, respectively.]
Reexamination Statistics

Percentage (%)

- Inter Partes Reexam:
  - Canceled: 13%
  - Changed: 43%
  - Confirmed: 44%

- Ex Parte Reexam:
  - Canceled: 13%
  - Changed: 63%
  - Confirmed: 24%
Strategies for Managing After (or just before) A Lawsuit Has Been Filed

- Goals
  - Early settlement rather than protracted litigation
  - Settlement costs should be less than cost of litigation

- Approaches
  - Declaratory judgment action in favorable venue
  - Transfer to favorable venue
  - Severance
  - Aggressively attack pleadings
  - Consider reexamination
  - Develop settlement strategy
NPE Statistics

- 600 patent infringement suits filed by NPEs in 2010 (4,000 defendants comprising 2,000 unique companies – some companies sued in multiple cases)[1]

- Study of 1,587 final decisions at summary judgment and trial since 1995 showed NPEs successful 31% of time v. 40% for practicing entities; NPEs successful at summary judgment stage only 13% of the time whereas practicing entities were successful 20% of the time. Success rates at trial are nearly identical.

- 60% of NPE final decisions are at summary judgment v. 52% for practicing entities

- NPEs annual median damages awards range from $2.4 million to $10.5 million between 1995 and 2009 (overall median award of $5.2 million over the last 15 years)

- NPE success rate has increased in recent years (48% in 2009; 23% in 2005)

- Practicing entity success rate has decreased (34% in 2009; 54% in 2005)
NPE Statistics

- Since 1995 alleged infringers more successful in declaratory judgment actions against NPEs than against practicing entities – 55% v. 43%
- Alleged infringers more successful at trial as defendants against NPEs than against practicing entities (46% v. 41% success rate)
- Beneficial to be plaintiff against NPE (file declaratory judgment action) – success rate is 55% as plaintiff against NPE v. 46% as defendant against NPE
- Median damages award for NPE is triple that for practicing entities between 2002 and 2009 – median for NPE is $12.9 million as compared to $3.9 million for practicing entities (from 1995-2001 NPEs were 20% more)
- 35% of NPE decisions in 5 judicial districts (N.D. Ill., E.D. Tex., S.D.N.Y., N.D. Cal., D. Del.)

Patent Trolls – Litigation Strategies

- Declaratory Judgment Action in Favorable Venue
  - Examples:
    - Webvention hit with more than 2 dozen DJ actions in Delaware in response to its offer letters
  - Downsides of DJ Actions
    - Buying a lawsuit
    - Cost of lawsuit may be more than settlement
Transfer to Favorable Venue

- *E.g.*, Transfers from E.D. Tex.
  - Perception that claim construction and other pre-trial rulings will be more defendant-favorable in other forums
  - More common after *In re TS Tech*, 551 F.3d 1315 (Fed. Cir. 2008).
    - *TS Tech* court determined that the E.D. Texas abused its discretion when it denied a motion to transfer the case to the S.D. Ohio
    - NPEs have developed strategies to avoid transfers in some cases
  - NPEs appear to be increasingly using varied forums
    - C.D. Cal.
    - N.D. Ill.
Patent Trolls – Litigation Strategies

  - Legal Standards
  - Complicates case for NPEs
    - Increases filing fees
    - Increases case management for NPEs
  - Allows defendants to cooperate, but allows for more flexibility in discovery
  - Sometimes NPEs give up against certain defendants
  - Potential downsides:
    - Other defendants may take the lead on claim construction
    - If other defendants who took the lead settle, remaining defendants may be left unprepared
Patent Trolls – Litigation Strategies

- Aggressively Attack Pleadings
  - Request extension of time to respond
  - Move to dismiss / or for more definite statement
    - Many cases dismissed indirect infringement claims
    - Post-McZeal, most courts allowed pleading of direct infringement by copying Form 18
    - Recent cases from C.D. Cal., post-Iqbal require more than just copying Form 18 for direct infringement allegations

- Seek Early Claim Construction Rulings

- Limit Discovery
Patent Trolls – Litigation Strategies

- Settlement Strategies
  - Show willingness to defend case
  - Threaten invalidity attack based on prior art not disclosed to other defendants
  - Wait plaintiff out without spending much
  - Cooperate with joint defense group to divide work
  - Obtain bottom-line settlement number from plaintiff and balance cost of certainty against cost of litigation and risk
False Marking

- **Legal Standards – 35 U.S.C. § 292**
  - Plaintiff must show intent to deceive public
  - Up to $500 per offense
  - Any person may sue

- **Attacks on Pleadings**
  - Inadequate pleading of intent
  - Unconstitutionality

- **Effect of Patent Reform – America Invents Act** effectively eviscerates NPE false marking cases
Cybersquatting and gTLDs

- Diverts traffic for profit based on goodwill of trademarks

- Typical cybersquatters
  - Parties seeking to sell domain names to trademark owner
  - Direct competitors
  - Third party websites linking to competitors
  - Related goods or services offered to targeted class of consumers
  - Other content
Cybersquatting and gTLDs

- Anticybersquatting Consumer Protection Act (ACPA)
  - Bad Faith Analysis
    - Examples
  - In Rem Jurisdiction (§ 1125(d)(2))

- UDRP Proceedings (UDRP ¶ 4(a))
  - Domain names identical or confusingly similar to trademark
  - Respondent has no rights or legitimate interest in domain name
  - Domain was registered and is being used in bad faith
Cybersquatting and gTLDs

- **gTLDs**
  - New Internet domain name, .xxx, launches this fall as a place to locate adult entertainment
  - ICANN passed a resolution allowing for the creating of new generic top-level domain names (such as .ebay, .london, .coca-cola)
    - candidates will be able to apply for such gTLDs during a short three-month window that starts on January 12, 2012
  - New concerns about cybersquatting
  - Defensive measures under UDRP