

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.
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- Maxine Graham, Chief IP Counsel, American Express Company
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Current NPE Landscape

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■ 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

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- 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

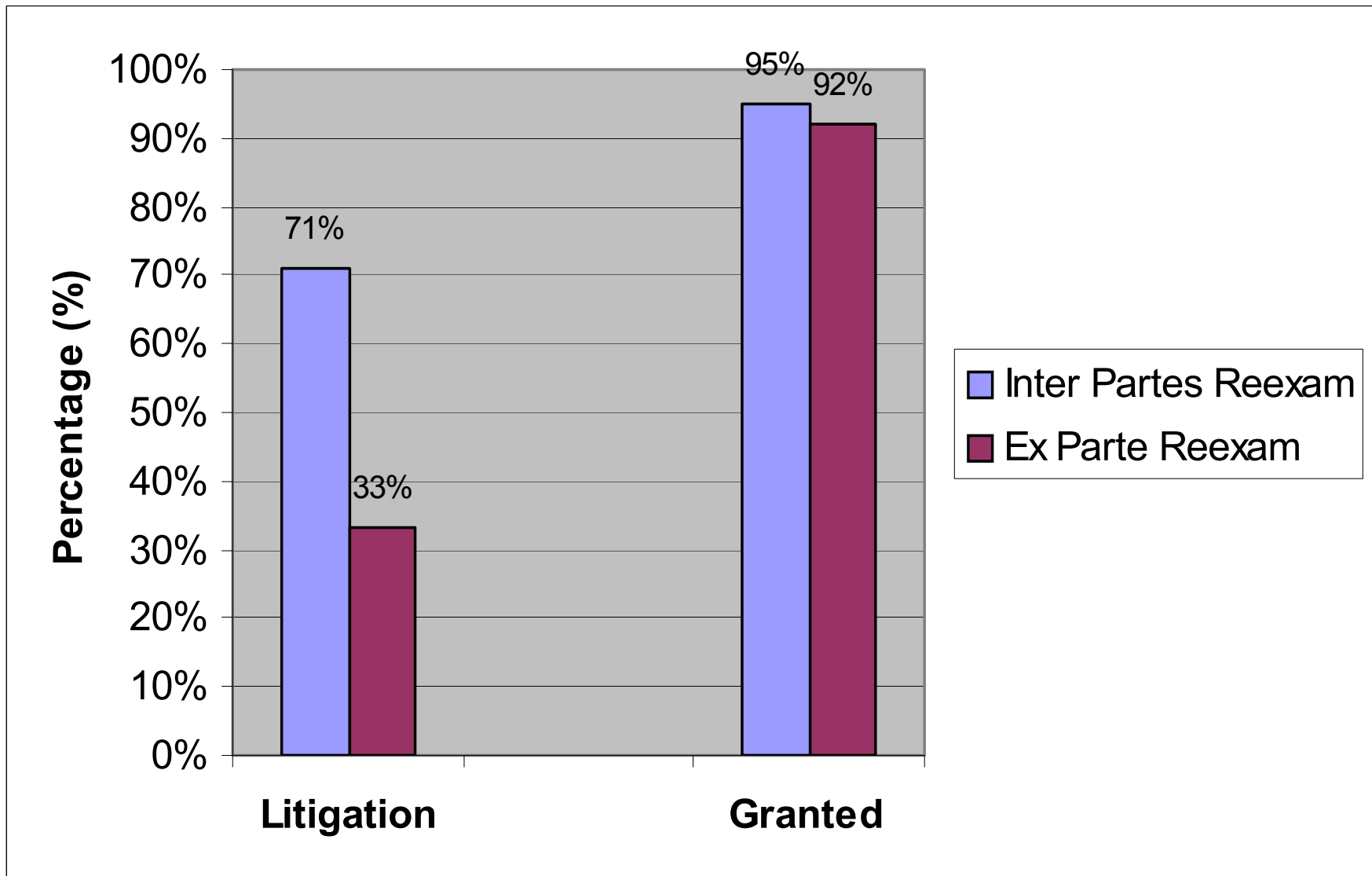
- Paying
 - How much is nuisance really worth?
- NPE Monitoring Program
- Lobbying Efforts
- Hiding
 - How much does uncertainty cost?
- Reexamination
 - Really a middle ground between paying and litigating?
- Proposals for Modifications of Rules for Patent Cases

Monitor and Track NPEs

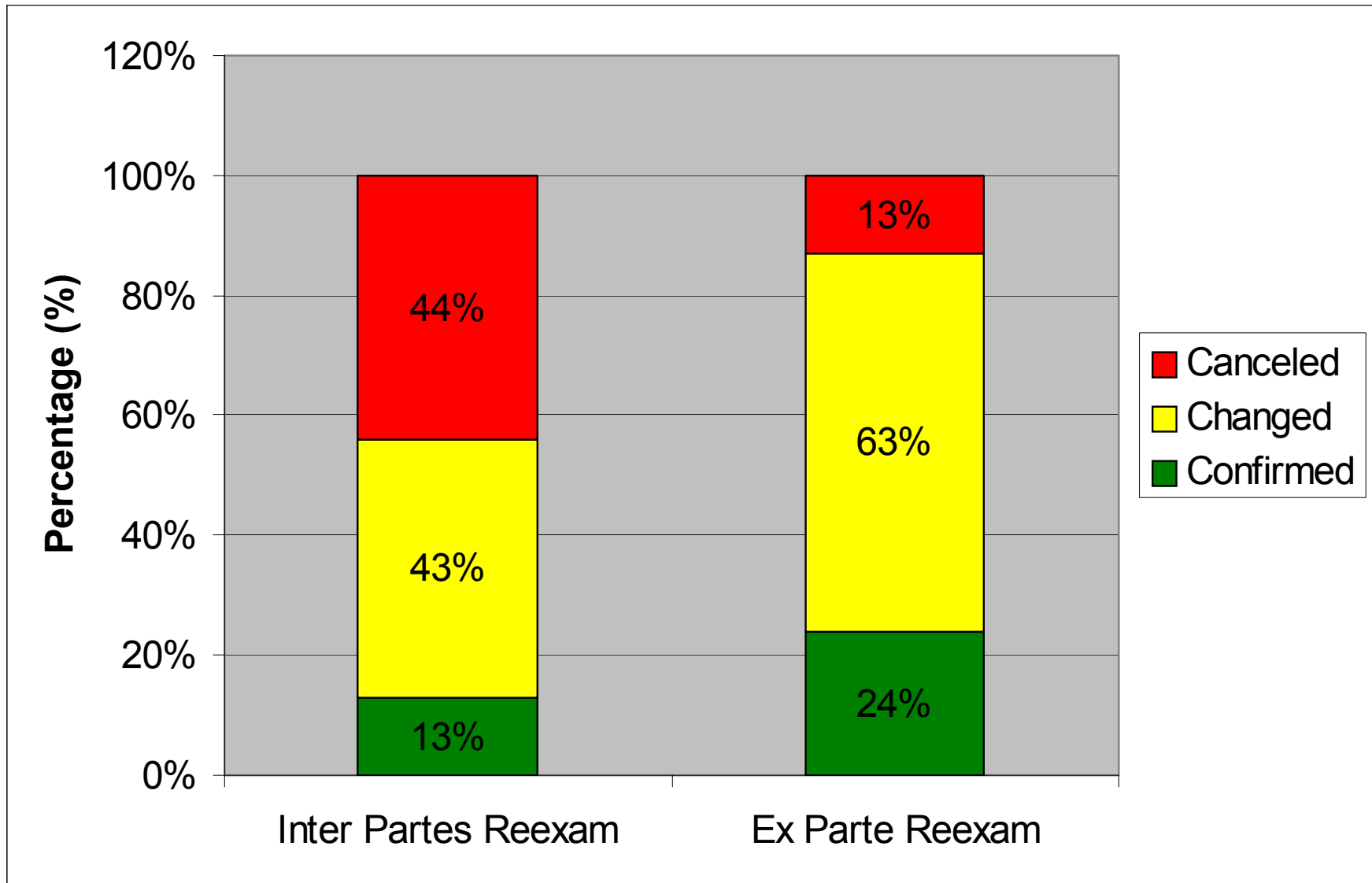
Matter Name	Case Number	Jurisdiction	Filed	Plaintiff/NPE	Plaintiff's Counsel	entity or competitor	Asserted Patents	Technology	Priority
Actus, LLC v. Discover Financial Services et al.	2:10-cv-00177-TJW	EDTX, Marshall Division	May 28 2010 12:00AM	Actus, LLC	William Davis The Davis Firm, PC 111 W. Tyler St., Longview, TX 75601 903-230-9090		7,328,189; 7,249,099; 7,177,838; 7,376,621	methods and apparatuses for conducting electronic commerce transactions through the use of tokens; the use of prepaid tokens or gift cards for electronic transactions on the internet	
Adjustacam LLC v. Amazon.com, Inc. et al. (Kmart/Sears)	6:10-cv-00329-LED	EDTX, Tyler Division	Jul 2 2010 12:00AM	Adjustacam LLC	John Edmonds Collins, Edmonds & Pogorzelski, PLLC 709 Sabine St., Houston, TX 77007 281-501-3425		5,855,343	apparatus for supporting cameras	
Advanced Processor Technologies LLC v. Analog Devices, Inc. et al.	2:11-cv-00019-TJW	EDTX, Marshall Division	Jan 18 2011 12:00AM	Actus, LLC	Adam Floyd F&B LLP 5113 Southwest Parkway, Austin, TX 78735		5,796,978; 6,047,354	data processors with memory management units (MMUs); processors operable with a buffer memory having a plurality of page sizes	
Armin Rudd d/b/a ABT Systems, LLC et al. v. Lux Products Corp., et al.	1:09-cv-06957	NDIL, Eastern Division	Dec 10 2009 12:00AM	Armin Rudd d/b/a ABT Systems LLC	Michael Mazza Michael P. Mazza, LLC 686 Crescent Blvd., Glen Ellyn, IL 60137-4281 630-858-5071 mazza@mazzallic.com		5,547,017; 6,431,268	thermostats for controlling and utilizing a fan recycling control	
Bed Bath & Beyond Inc. v. Sears Holding Corporation and Sears Brands, LLC	2:08-cv-05839-SDW-MCA	District of New Jersey	Nov 26 2008 12:00AM	Bed Bath & Beyond Inc. Plaintiff	Charles Kennedy Lerner, David, Littenberg, Krumholz & Mentlik LLP 600 S. Avenue West, Westfield, NJ 07090-1497 908-654-5000		5,970,474	bridal and gift registry system	

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

Reexamination Statistics



Reexamination Statistics



- 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.)

[1] This first statistic is from <http://fosspatents.blogspot.com/2011/05/data-points-on-us-patent-litigation-and.html> (referencing RPX Corp. study). All other statistics are from 2010 Patent Litigation Study “The continued evolution of patent damages law: Patent litigation trends 1995-2009 and the impact of recent court decisions on damages,” by PricewaterhouseCoopers.

- 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

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- Severance – Fed. R. Civ. P. 20 (and similar to America Invents Act § 299 – Joinder of Parties)
 - 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

- 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

■ 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

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- 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

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- 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

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- Anticybersquatting Consumer Protection Act (ACPA)
 - Legal Standards – 15 U.S.C. § 1125(d)(1)(A)
 - 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

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■ 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