

*Strategies and Current Trends for
Policing, Enforcing and Resolving Disputes about
Intellectual Property Assets*

Presented by

Harrie Samaras

for

The American Institute of Chemical Engineers

November 18, 2008

INTELLECTUAL PROPERTY ASSETS



PATENTS

**UNFAIR
COMPETITION**

COPYRIGHTS



**TRADE
SECRETS**

TRADEMARKS

©

®

What is policing, enforcing and resolving?

- **Policing:** monitoring/vigilance to see if others are using your company's IP and having some strategy in mind if they are (e.g., licensing, enjoining, acquiring their rights).



- **Enforcing:** taking some action to prevent the accused infringers from further infringement (e.g., cease and desist letter, court proceeding, administrative proceeding (ITC), UDRP proceeding (domain names)).



- **Resolving:** taking some action to settle the dispute (e.g., jury verdict, court judgment, arbitration, mediation, negotiation)



Why police and enforce?

- IP is an investment (time and money) for a company.
- IP is an asset, thus the potential is there for a return on that investment.
- How can a company leverage the asset and obtain a worthwhile return?
 - Licensing royalties
 - Damages for infringement
 - Injunction (stop) infringers
 - Cross-licensing
 - Selling/assigning the IP
 - Contribution to a joint venture
 - Enhance the value of a business
 - Leverage in settlements
- You snooze, you lose. Policing and enforcing preserves rights/increases the value of an IP asset.

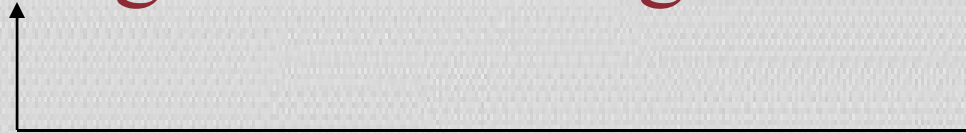


Costs to Litigate

- According to the 2005 Economic Survey of the AIPLA, the average cost of bringing a patent infringement suit (regardless of how much is at stake) through trial is about \$2.5 million.
 - When the amount at risk is less than \$1M, the cost through discovery is about \$350,000 and through trial is about \$650,000.
 - When the amount at risk is between \$1M and \$25M, the cost through discovery is about \$1.25M and through trial is about \$2M.
 - When the amount at risk is more than \$25M, the cost through discovery is about \$3M and through trial is about \$4.5M.
- In 2007, the median time from filing a civil action (including patent cases) in federal district court through disposition by trial was about 24 months, but it can take up to 3 years to get to trial in a patent case.
- E-discovery: Involves ancillary personnel, extensive documents, severe penalties for not complying
- The real costs of a dispute: disruption to the business; loss of personnel resources (corporate employees' ongoing assistance, document gathering, "e-discovery," depositions, settlement conferences, trial); costs of litigation \$\$\$\$.

Time, Money, Resources, Consistency

Policing >> enforcing >> resolving



Policing and Enforcing Trends

- Policing needs support from all sectors of an organization. More companies are getting personnel from all areas involved in monitoring trade shows and trade periodicals, automatic watch services, periodic searches (e.g., internet, TM search firms).
- Assistance of Others (e.g., Internet Service Provider, Customs Agents, Private Investigators, U.S. Marshals)
- Since 1991, the number of patent litigation suits has grown at a rate of 5.8%.*
- The annual median patent damages award, when adjusted for inflation, has remained fairly consistent since 1995 (about \$3.9M through 2000) and near \$3.8M from 2001-07.*
- Patent damages awards vary sharply by industry. Since 1995: Telecommunications had the highest exposure to damages at a median award of over \$31M based on 37 decisions; Software had the next highest exposure, at a median award of \$8.5M based on 11 decisions; Pharmaceuticals had a median award of \$1.3 M based on 17 decisions.*

*Pricewaterhouse Coopers 2008 Patent Litigation Study

Policing and Enforcing Trends (cont'd)

- Patent plaintiffs generally enjoy higher success rates before juries.*
- Jury awards have been higher than bench trials in patent cases possibly contributing to the significant increase in jury trials since 1995.*
- Reasonable royalties has supplanted lost profits as the more frequently used basis for patent damages awards (easier to prove, holding company plaintiffs who cannot account for lost sales, patent troll suits).*
- Suits brought by entities owning patents but not making or selling products (patent trolls).*
- Time to trial varies based upon jurisdiction: E.D. Va. and W.D. Wisconsin (under a year); Connecticut (close to 5 years); and Massachusetts (close to 4 years).*

*Pricewaterhouse Coopers 2008 Patent Litigation Study

Policing and Enforcing Trends

- *MedImmune v. Genentech* (Supreme Court decision), followed by *SanDisk Corporation v. ST Microelectronics, Inc., et al.* and *Sony Electronics, Inc. v. Guardian Media Technologies Ltd.* (letters written to alleged infringers) :
 - lowered threshold for accused infringers to bring a declaratory judgment action
 - increased risk of lawsuit against patent (IP) holder seeking to license/enforce
- *eBay, Inc. v. MercExchange* - The Supreme Court rejected the “general rule” of issuing a permanent injunction where a patent is found infringed, holding whether to issue an injunction in a patent infringement case is no different than any other case.
 - direct competitors + irreparable harm + inadequacy of money damages, more likely to obtain permanent injunction
 - not direct competitors or only hold patents + no irreparable harm + history of licensing, less likely to obtain a permanent injunction
- Legislative Initiatives – Criminalize use of intellectual property and impose penalties

Trends in Resolving IP Disputes

- **Patent Rules**
 - Determine claim interpretation sooner
 - Determine infringement and invalidity sooner
- **ITC (International Trade Commission) Proceedings**
 - To block infringing imports coming into the U.S.
 - 14 months from beginning to end
- **Alternatives to Litigation (“ADR”)**
 - Growing use in IP cases
 - Being used at all stages of an IP case (enforcement to appeal)
 - ADR is being considered at the policing and enforcement stages
 - U.S. Court of Appeals for the Federal Circuit now has an active mediation program (includes patent appeals)
 - Arbitration and mediation used the most (can combine these)

Why ADR for IP Cases?

- In 2007, the percentages of IP cases tried: Patent (3.7% - 99 cases); Trademark (1.3% - 49 cases; Copyright (1.1% - 54 cases)
- High costs of litigation (*e.g.*, monetary and non-monetary)
- Shrinking corporate budgets
- Life of technology and/or patent
- Confidentiality
- Changes in corporations (*e.g.*, mergers/acquisitions; change in philosophy; change in leadership; change in product or asset focus)
- Value of IP asset (*e.g.*, cost/benefit)
- Remedies more varied and in accord with the business
- Preserve relationships (*e.g.*, licensor/licensee, companies competing in one area of their business but working together in other areas)

Trends in Resolving IP Disputes

- ADR Organizations/IP Panels (*e.g.*)
 - AAA; CPR; WIPO; JAMS; INTA
- ADR Rules for IP Disputes
 - CPR Rules for Non-Administered Arbitration of Patent and Trade Secret Disputes
 - AAA's Commercial Arbitration Rules and Mediation Procedures + Supplementary Rules for the Resolution of Patent Disputes
 - WIPO Arbitration and Mediation Rules
- Cyber-ADR: On-line resolution
- Use of Special Masters
- Court-encouraged ADR
- Voluntary Mediation in the Delaware Court of Chancery
- Maryland's Business and Technology Track
 - 2003, Maryland first state to create specialized trial court
 - Resolves business disputes that involve technology issues
 - Trained ADR Professionals
- Federal legislation: Ten-year pilot program for patent trial judges
- Three-arbitrator appeal panels (*e.g.*)
 - CPR (former federal judges)
 - JAMS Optional appeal procedure

