Haven’t Got Time for the Pain: Resolving IP Rights Without Damage

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1. PowerPoint
The Financial Pain of Patent and Trademark Cases

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<thead>
<tr>
<th></th>
<th>Patent Costs</th>
<th>TM Costs</th>
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<tr>
<td><strong>Less than $1 million at stake</strong></td>
<td></td>
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<tr>
<td>Through discovery</td>
<td>$442,000</td>
<td>$199,000</td>
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<tr>
<td>Through trial</td>
<td>$873,000</td>
<td>$354,000</td>
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<tr>
<td><strong>$1 million to $10 million at stake</strong></td>
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<tr>
<td>Through discovery</td>
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<td>$403,000</td>
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<tr>
<td>Through trial</td>
<td>$2,164,000</td>
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2015 AIPLA Statistics
Haven’t Got Time for the Pain: Patents

• Alice Corp. Ltd. v. CLS Bank International – Reducing the pain through early dismissals

• The Effects of the America Invents Act – Reducing the pain through administrative review processes

• Avoiding Litigation Before It Starts – Cross licenses, patent pools, and others

Alice Corp. v. CLS Bank (2014)

• Holds that computer implementation does not turn abstract ideas into inventions

• Builds on established law that laws of nature, natural phenomena, and abstract ideas are not patentable, through prior Bilski and Mayo v. Prometheus Laboratories decisions

• Heightens scrutiny of software and business method patents

• Presents opportunities for litigation resolution without discovery or formal claim construction
A Year of Post-Alice Decisions

• District Court Results
  – 73% of summary judgment motions have been successful
  – 70% of motions to dismiss have been successful

• Court of Appeals Results
  – All but one of invalidity rulings have been affirmed
  – Over 90% (317 of 344) of invalidated claims have been affirmed
  – The Federal Circuit has approved early dismissals, even before claim construction (e.g., Ultramercial, Inc. v. Hulu LLC, 772 F.3d 709, 714–15 (Fed. Cir. 2014))

The America Invents Act and Its Acronyms

• AIA: The 2011 America Invents Act created new forms of expedited patent review to enhance speed, certainty, and efficiency

• Three new processes:
  – PGR: Post Grant Review
  – IPR: Inter Partes Review
  – CBM: Covered Business Methods Review

• PTAB: The Patent Trial and Appeal Board, the body deciding the new cases
Using The AIA Procedures

- Avoid court litigation by arguing the validity of a patent at the PTAB rather than a court
- Stay district court litigation while challenging the patent at the PTAB
- Include Alice challenges in PTAB proceedings

Patent Office Consequences of Alice

- In the first two months, 830 patent applications were withdrawn from prosecution
- Over 90% (404 of 448) of claims challenged under §101 have been found unpatentable
- Allowance rate in Patent Office group addressing internet and software inventions fell from 47% to 3.6%
Costs of IPR Challenges

Petition Filing: $125,000
Through Hearing: $334,000

2015 AIPLA Statistics

Avoiding Litigation Completely: Stopping the Fight Before It Starts

- Consider (cautiously) cross-licensing
  - Anti-trust issues
  - Disagreements over valuation of licensed patents
  - Quanta exhaustion issues
- Consider “licenses on transfers” when cross-licensing not possible
  - Receive a license only when licensing entity sells its patents to a NPE
  - Avoids Quanta issues and mitigates antitrust issues
Stopping the Fight Before It Starts:
University Subscriptions

• Focus on universities that assert their patents and demonstrate their value
  – 2010 – Cornell obtains $184 million judgment against HP
  – 2014 – Carnegie Mellon obtains $278 million judgment against Marvell
  – 2015 – WARF obtains $234 million verdict against Apple

• Process
  – Pay annual subscription fee to buy right to disclosure of university’s patents
  – Obtain an option to license patents at an agreed-upon rate

• Benefits
  – Income to university; increase licensing of useful innovations; avoid non-academic NPEs; reduce transaction costs

Patent Aggregators

“Patent Aggregators” acquire or license patents for group benefit

Examples:
  – RPX
    • Sets annual subscription fee based on member revenue generally provides licenses to all patents acquired
  – AST
    • Offers low annual fee plus additional fee for each license sought by member
Opportunistic Licensing

• Monitor distressed companies that may want to monetize their patents
  – Higher likelihood of bankruptcy, requiring careful protections
  – Greater willingness to sell patents
  – Lower costs

B&B Hardware Inc. v. Hargis Industries

• B&B, owner of SEALTIGHT registration, opposed registration of SEALTITE designation

• The question: does an issue decided by the Trademark Trial and Appeal Board have preclusive effect in federal court?
B&B Hardware: The Results

- Agency decisions can establish issue preclusion
- Same likelihood of confusion standard applies to registration and infringement
- Different procedures in the TTAB suggest only that sometimes issue preclusion might be inappropriate, not that it always is

The Practical Effects of B&B Hardware

- Raises importance of taking administrative litigation seriously
- May result in more resources being devoted to TTAB proceedings
- Increases possibility of declaratory judgment actions from defendants
- May affect numbers of TTAB filings
Injunctive Relief in Trademark and Unfair Competition Cases

- An injunction is often the lead, or even sole, remedy sought in trademark infringement cases
- Damages are often hard to prove

Injunctive Relief: What Is the Test?

- In intellectual property cases, courts traditionally presumed irreparable harm following proof of likely success on the merits
  - The Court held that patent law does not support special rules
  - Instead, “the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts.”
Do eBay Rules Apply In Trademark Cases?


- The Second Circuit: eBay rules apply in copyright cases and likely other intellectual property cases (*Salinger v. Colting*, 607 F.3d 68 (2d Cir. 2010))

- The First Circuit: eBay rules apply (*Swarovski Aktiengesellschaft v. Bldg. #19, Inc.*, 704 F.3d 44, 54 (1st Cir. 2013))


- The Ninth Circuit: eBay rules apply (*Herb Reed Enterprises v. Florida Entertainment Mgmt.*, 736 F.3d 1239 (9th Cir. 2013), *cert. denied* (2014))

- The Third Circuit: eBay rules apply (*Ferring Pharmaceuticals, Inc. v. Watson Pharmaceuticals, Inc.*, 765 F.3d 205, 206 (3d Cir. 2014))