



501 Avoiding Patent Litigation

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Faculty Biographies

N. Thane Bauz

N. Thane Bauz is currently counsel to Boeing's intellectual property business in Irvine, California. His concentration is strategic counseling, assertion, and licensing of key Boeing patented technologies, including composites, networking equipment, computers, avionics, manufacturing technologies, electronic circuitry, and metallurgy.

Mr. Bauz was previously a principal of a national law firm and a law clerk to the Honorable Wilson Cowen of the United States Court of Appeals for the Federal Circuit. He is registered to practice before the United States Patent and Trademark Office.

Mr. Bauz received a B.S. from the Illinois Institute of Technology (highest honors), a J.D. from Chicago-Kent College of Law (Centennial Scholar), and a LL.M. from the George Washington University (highest honors).

Keith Chanroo

Keith A. Chanroo is the director of intellectual property for Xilinx, Inc. in San Jose, California. He has worldwide responsibility for the procurement, protection, and enforcement of the company's intellectual property rights. He is also responsible for setting the strategic direction for the company relating to intellectual property.

Prior to joining Xilinx, Mr. Chanroo was an intellectual property counsel with Motorola, Inc., where he began his career as an applied research engineer before he transitioned to intellectual property law.

Mr. Chanroo received his M.S.E.E. and B.S.E.E. at Howard University and his law degree at the University of Miami.

Siegmund Y. Gutman

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Taraneh Maghamé

Taraneh Maghamé is vice president, emerging technologies counsel at Tessera, Inc. in San Jose, California. Her responsibilities include advising company management regarding various IP and patent-related issues, including issues relating to patent licensing and litigation. She is also responsible for IP due diligence and strategic IP counseling relating to development and acquisition of IP assets. Ms. Maghamé came to Tessera from Hewlett-Packard Company (HP), where she was senior counsel in its intellectual property group. At HP, her practice focused on IP licensing and transactions as well as patent dispute and litigation management. Before the merger between HP

and Compaq Computer Corporation, Ms. Maghamé was responsible for managing all IP litigation for Compaq.

Prior to joining Compaq, Ms. Maghamé was associated with the law firms of Brobeck, Phleger & Harrison in Palo Alto and Perkins Coie in Seattle, where she specialized in intellectual property litigation, licensing, and counseling.

Ms. Maghamé is an active member of ACC and currently serves as program chair of the Intellectual Property Committee.

She is a graduate of Georgetown University Law Center.



Session 501 Avoiding Patent Litigation

Keith Chanroo

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October 17-19, Marriott Wardman Park Hotel



Avoiding Patent Litigation

- The only guarantee to “Avoiding Patent Litigation” is to cease doing business
- If you have a successful business, the question is not if you will be sued, it is when!
- Let's look at some best practices to prepare your company for the future

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Agenda

- Universe of Patent Claimants
- Prioritize Claimants, they are not equal
- Attributes that encourage Litigation
- Who has the incentive to sue?
- Next Step to “Avoid Patent Litigation”

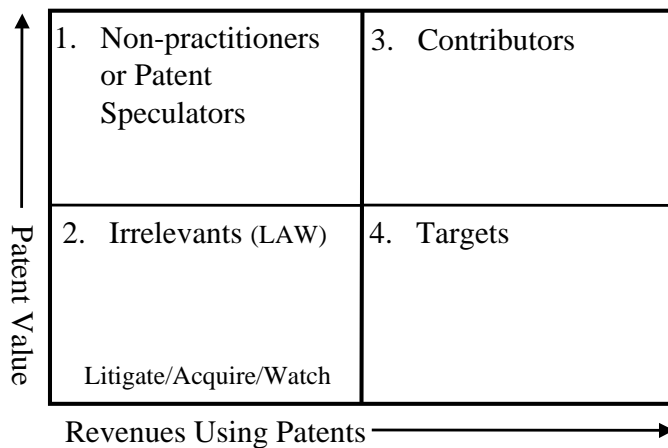


Universe of Patent Claimants

- Non-Practitioner: Patent owner not making or selling products and has no intention of doing so
- Irrelevant: Company, such as start-up, with no patents (applications) and no meaningful revenue
 - Don't ignored; likely to develop disruptive technology
- Contributor: Company with similar products or technologies with revenue protected by patents
- Target: Company with meaningful revenue on similar products or technologies, but no patents



Universe of Patent Claimants



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Prioritize Claimants

- Irrelevants and Targets: No immediate risk
- Non-Practitioners or Patent Speculators: High risk
 - License or acquire (reexam/oppose) their patents early
- Contributors: Manageably high risk
 - Know your competitors and their competing products and technologies

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Competitors' Business

- Identify and list the competitors' products
- Determine the revenue from those products
- Understand your competitors' patent portfolio
- List the patents on competing products
- Does the competitors have patents related to any of your non-competing products?



Your Business

- Identify and list your competing products
- Determine the revenue from those products
- Identify your related patents & applications
- Do you have patents on any non-competing products of your competitor?



Compare Products and Patents

- Who has more revenue and/or more patents?
- Who is more likely to be successful, and on which products or technology?
- Prepare claim charts on your competitors' product but focus on the higher revenue products
 - Claim charts may be discoverable
- Identify the competitors' patents that may cover your products
 - Prepare claim charts
 - Claim charts may also be discoverable and may be used for enhanced damages (willful infringement)



Incentives To Litigate

- Estimate the revenues from the competitor's products covered by your patents
- Estimate the revenue from your products covered by the competitor's patents
- If your revenue is greater and/or the competitor has more patents, competitor may have an incentive to sue
 - Consider redesigning your product to avoid the competitor's patent
 - Look at your pending patent applications to draft claims that cover your competitor's products
 - Remember your competitor may also have patent applications not yet issued
 - Consider if a patent cross license is appropriate



Proactively Avoid Patent Litigation

- **Shift 1:** Encourage, expect, and reward your people for submitting patentable ideas
- **Shift 2:** Be proactive in patenting your innovations and protecting your products
- **Shift 3:** Actively manage your patent portfolio
- **Shift 4:** Institute patent design review for new products
- **Shift 5:** Develop a patent cross licensing strategy
- **Shift 6:** Prepare for litigation

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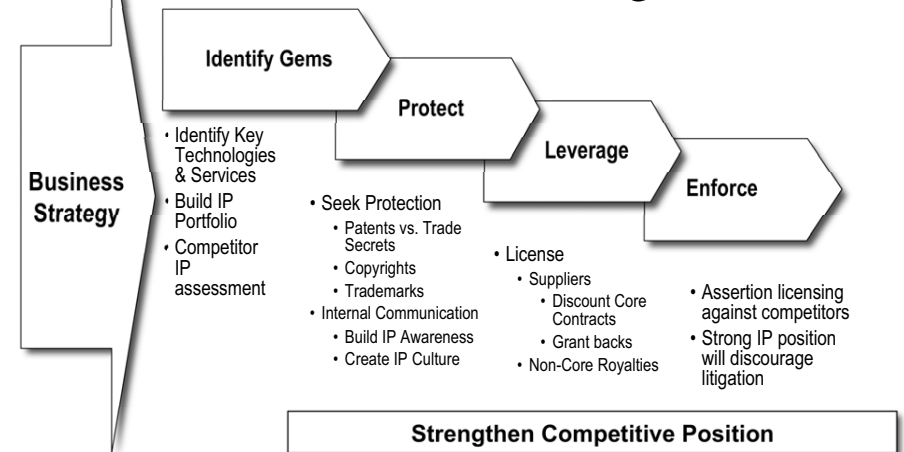


Avoiding Litigation Is Not Just Luck

- Understand your portfolio – Others do
 - Competitors will examine your portfolio
 - Litigants will examine your portfolio
 - Why don't you?
- Know your IP Portfolio
 - Proactive management of your IP Portfolio
 - Knowledge will help avoiding litigation



Proactive IP Management



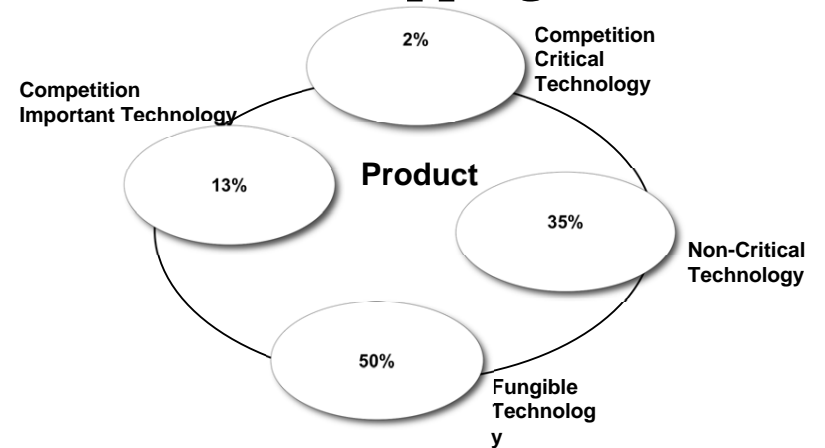


Best Defense is An Offense

- What are your client's key competitive technologies and products?
- How does the portfolio map onto the key competitive technologies?
- How does that portfolio map onto the competition's products and technologies?



Portfolio Mapping



Does Your Portfolio Protect Your Competitive Position?



Patent Pre-suit Dynamics – Offensive Play

- Notice Letter* – Is it a good idea?
 - Should you identify patents?
 - Should you identify products?
 - Should you attach claim charts?
 - How likely is a Declaratory Judgment action?
- Be Prepared to Litigate!

* Sample Notice Letter included



Patent Pre-suit Dynamics – Defensive Play

- Notice Letter Response* is Fact Dependent
 - Is this a strong case on damages?
 - Is this a strong case on the merits?
 - Yes – negotiate license . . . (counter assertion?)
- If Answer is No
 - Debate merits – maybe patentees go away
 - Benign Neglect – maybe patentees won't sue
- Either way, knowing your portfolio can help

* Two Sample Notice Letter Responses included



Can you Shift the Responsibility?

- Does accusation result from use of component or technology supplied by a third party?
 - Review purchase agreement
 - Do you have indemnification?
 - Provide timely notice to supplier*
- Who is in the best position to defend against accusation?
 - Is accuser willing to negotiate directly with supplier?
 - What are the risks of giving up control?
 - Who has the most leverage to negotiate a settlement?

* Sample Letter requesting indemnification included

So what can you expect if you have to litigate?



Offensive Play

Taraneh, the VP of R&D at Corp A, has been notified by one of her engineers that a product being sold by a competitor, Corp B, may infringe one or more of Corp A's patents.

After discussing the matter with the management of the company, a decision has been made to get Corp B to license take a license under Corp A's patents and pay royalties to Corp A.

Taraneh is now consulting with her in-house patent attorney, Thane, to determine how to approach Corp B to initiate licensing discussions. In particular, Taraneh would like to know how to conduct such discussions in a manner which will minimize the risk of Corp A getting involved in litigation against Corp B.



Defensive Play

Thane, the President of Corp B, has just received a letter from the General Counsel of Corp A, accusing Corp B of infringing Corp A's patents. No specific products of Corp B, and no specific patents of Corp A, are identified in the letter.

The letter states that Corp B needs to take a license under Corp A's patents and pay reasonable royalties to Corp A. No specific royalty rate is identified. A response is requested within 14 days.

Thane is now consulting with Corp B's in-house patent attorney, Taraneh, to determine how to respond to Corp A's accusations. In particular, Thane would like to know how to avoid getting sued by Corp A since Corp B is operating on a very tight budget and may become bankrupt if it incurs significant attorneys' fees.

Sample Letter A**Notice of a Patent & Request for License**

Dear _____:

We represent the ABC Corporation in matters concerning intellectual property, including but not limited to patent licensing. As you may know, many companies in the widget industry have recognized the strength of ABC Corporation's patent portfolio and have obtained patent licenses to practice the widget technology and know how.

We believe that XYZ Corporation may be interested in obtaining a license to one or more of ABC Corporation's patents relating to widgets, including, *e.g.*, U.S. Patent Nos. 1,234,567, 2,234,567 and 3,234,567 which specifically relate to titanium widgets. Toward that end, I have enclosed copies of the above mentioned patents as well as a list of additional ABC Corporation patents relating more generally to widget technology.

We have also enclosed a sample non-disclosure agreement for your review. Once executed, we can more freely exchange information concerning XYZ Corporation's widget technology and further discuss the possibility of entering into a mutually beneficial license agreement, preferably within the next months.

Sincerely,

Encl.

Sample Letter B**Response to Notice of a Patent & Request for Information**

Dear _____:

Your letter of [date] regarding U.S. Patent No. 1,234,567 has been forwarded to me for response. Please direct all future correspondence and telephone calls regarding this matter to me.

[Option A]

In order to evaluate this matter we need to understand your position and request the following information from you:

1. Claim charts detailing which claims you allege read on which Corp B products;
2. A detailed explanation as to why you believe the elements and limitations of these allegedly infringed claims are present in Corp B products;
3. Any licensing and settlement terms you would like to propose; and
4. The identity of any other licensees.

[Option A]

I look forward to receiving this information from you in the near future. Once I receive it, I can begin to evaluate it and advise my client how best to proceed. In the meantime, if you have any questions or concerns, please do not hesitate to contact me.

[Option B]

If there is any other information that you believe would be helpful in conducting my investigation, please send it to me. Such information might include claim charts, standard license and settlement terms, and the identity of other licensees.

Sincerely,

Sample Letter C

Simple Response to Notice of a Patent

Dear _____,

Thank you for your letter dated _____, notifying Corp B of the existence of US Patent number 1,234,567, and offering us the opportunity to study the patent. I will be the attorney handling this matter for Corp B and will advise you regarding our interest in the patent once we have had the opportunity to evaluate it.

In the future, please direct all communications and correspondence regarding this patent to my attention.

Sincerely,

Sample Letter D

Request for Indemnification for Patent Infringement

Re: Notice of Claim of Patent Infringement – XYZ Electronics, Inc. (US Patent No's. 6,123,456; 6,123,457; and 5,123,456)

Dear _____:

Pursuant to Section X.xx of the ABC Company/Corp B Purchase Agreement dated _____, 200X, between ABC Company ("ABC") and Corp B, this letter is our notice to ABC that a claim of patent infringement has been made against certain products ABC provides to Corp B. In this regard, enclosed is a copy of the letters dated _____, 200x to Corp B from XYZ, Inc. alleged owner of the above referenced US patents. All of these patents relate to the ABC component used in widgets sold by Corp B.

Would you please let me know whether the above referenced ABC products are already licensed under the above-referenced XYZ patents. If not, Corp B requests that ABC defend, indemnify and hold Corp B harmless with respect to this claim of patent infringement and to pay all costs associated with such defense. Furthermore, to the extent that ABC's products have been accused of infringement by XYZ, ABC is liable to Corp B for breach of the warranty set forth in Section X.0 of the Purchase Agreement.

We look forward to your prompt response as to how ABC will fulfill its obligations to indemnify and defend Corp B in this matter.

Sincerely,

Encl.



Session 501
Avoiding Patent Litigation
(Introduction—Variables Affecting
Amount of Patent Litigation)

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What Industry?

- For example, Biotech vs. Software

- Litigation History

	Calendar Year				
	2000	2001	2002	2003	2004
Total Number of Patent Cases Commenced	2486	2653	2706	2880	2973

Source: Administrative Office of the U.S. Courts

- Industry Culture Regarding Litigation

- Length of product development cycle
- General ease of design-around
- Protect market position vs. seeking royalties



Patent Landscape

- Number of Patents Issued

- Total number of U.S. Utility Patents issued in 2002: 167,333

Source: United States Patent and Trademark Office.

- Number of Software Patents issued in 2002: Nearly 15% or approx. 25,000

Source: James Besson and Robert M. Hunt, The Software Patent Experiment, www.researchoninnovation.org (2004).

- Number of Biotechnology Patents issued in 2002: Approx. 5,000

Source: David E. Adelman and Kathryn DeAngelis, Grasping the Slim Tail of Innovative Success: Biotechnology Patenting from 1990 to 2004 (2005) (in progress) (on file with author).

- “First-to-Market” vs. Non-Patent IP Protection vs. Patent Protection

- Innovation

- Cost
- Ease/Rate



Regulatory Landscape

- Regulatory Approval?
 - Hatch-Waxman
- 35 U.S.C. § 271(e)(1)
 - Merck KGaA v. Integra Lifesciences I, Ltd., et al., 125 S.Ct. 2372, 2383 (2005)
 - "...the use of patented compounds in preclinical studies is protected under § 271(e)(1) as long as there is a reasonable basis for believing that the experiments will produce the types of information that are relevant to an IND or NDA."



Economic Landscape

- Barriers to Market Entry
 - Cost of market entry
 - Ease of market entry
- Ability to Price or Otherwise Compete
- Existence of Foreign Competition
- Elasticity in Market
 - Ease of product substitution



Current Events

- Recent patent litigation successes
 - Similar product?
 - Similar patent?
- Change in patentee's circumstances
 - Economic
 - Market
- Change in potential litigation target's circumstances
 - Economic
 - Market