



210:Internet Patents: Coming Soon to a Lawsuit Against You

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Faculty Biographies

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Jonathan Hangartner is special counsel in the Intellectual Property Practice Group of Sheppard, Mullin, Richter & Hampton LLP in San Diego. His practice is focused on intellectual property litigation, with a particular emphasis on high tech patent litigation. Mr. Hangartner has served as lead litigation and appellate counsel, successfully representing clients in cases involving claims of patent, trademark, and copyright infringement, misappropriation of trade secrets, unfair competition, and antitrust violations in federal courts throughout California and New York. *California Law Business* magazine selected Mr. Hangartner as one of the "Top 20 Lawyers Under 40" in California.

After law school, Mr. Hangartner served as law clerk to United States District Judge Gerard L. Goettel in the U.S. District Court for the Southern District of New York.

Mr. Hangartner writes extensively on intellectual property issues, and recently published articles on patent litigation in *California Law Business* and *Cyber Lawyer* magazines. He also provides regular expert analysis and commentary on patent litigation for the Bloomberg/AP Wire Service.

Mr. Hangartner received a BS, *cum laude*, from Tufts University. He received a JD, *magna cum laude*, from Pace University, where he served on the editorial board of the law review.

Hisao Kushi

Hisao Kushi is the general counsel of Citysearch, a premiere provider of local information. As general counsel, Mr. Kushi is responsible for all legal issues related to Citysearch's businesses. Citysearch is a division of USA Interactive.

Prior to his current position, Mr. Kushi served as assistant general counsel for Ticketmaster, where he oversaw a broad range of corporate development and strategic transactional relationships, including acquisitions and large commercial arrangements. Prior to that he held various roles at Universal Studios and the Boston based law office, Lemelman & Lemelman.

Mr. Kushi holds a BA from the University of Massachusetts and is a graduate of Boston College Law School.

Internet Patents: Coming Soon To A Lawsuit Against You!

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What is happening?

- Lots of patents
- Lots of lawsuits
- Lots of money/market share at stake

Some numbers

- > 11,000 patents on e-commerce and related technologies
- Dozens of lawsuits filed in the U.S.
- \$521 million judgment (Microsoft)
- \$29.5 million judgment (Ebay)
- \$1 million per patent

Why now?

- Technological breakthrough
- Rapid adoption
- Complexity of systems
- Institutional constraints at USPTO
- Rise of IP contingency litigation
- Rise of IP licensing firms

Holy #@*! Technologies in litigation

- Electronic shopping carts (divine)
- E-commerce transactions (PanIP)
- Electronic catalogs (Charles E. Hill)
- Framing (SBC)
- Document transfer by URL (Tumbleweed)
- Fixed price auctions (MercExchange)
- Video downloads (Acacia Media Tech)
- Video on demand (USA Video)
- Co-branding on Internet

What is at stake?

- Control of key technologies
- Market share
- Cash
- Combination of all three

Types of cases

- Independent inventor v. anyone
- Market share struggle
- Market leader protecting turf
- Contingency cases

How do I avoid the problem?

- Stop doing business using the Internet

How can I limit my exposure?

- Choose vendors wisely
- Negotiate protection (if possible)
- Stay informed
 - industry news
 - outside counsel

Typical sequence of events

- Cease and desist letter
- Negotiations/informal discovery
- Complaint filed (Infringement or DJ)
- Discovery
- Markman Hearing
- Summary judgment
- Trial (very rare)

Case #1

Lone Wolf LLC v. Big Co.

- Cease and desist letter
- 3 related pre-Internet "submarine" patents
- Asserts infringement by internal page links on web site
- Unknown resources
- Plaintiff in Fairfax, VA
- Defendant in San Francisco, CA

Cease and desist letters

- Don't throw it away
- Don't pretend it doesn't exist
- Let your business side know

Cease and desist checklist

- Find litigation counsel
- Find "opinion" counsel
- Order prosecution history
- Scope liability
- Evaluate DJ action
- Gather information about plaintiff
 - other lawsuits
 - resources
 - motivation/goals
- Review relevant patent space

Opinion letters

- Critical to protect against willful infringement (treble damages)
- Must be thorough and objective
- Use separate counsel
 - complex privilege issues
 - independent analysis of case
 - potential role as witness

Declaratory judgment actions

- Seize control of forum
- Control timing
- Set tone for litigation

Evaluate patent space

- Research patents in field at issue
- Review your own portfolio
- Identify potential acquisitions

Negotiations - the initial dance

- Opportunity for informal discovery
- Ask for claim charts
- Scope out royalty/settlement positions
- Evaluate adversary

Complaint filed

- Choose among procedural options
 - forum
 - pleading battle
- Counterclaims/Defenses
 - declaratory judgment
 - antitrust issues
 - standard setting organization

Markman hearing

- Court construes patent claims
- Outcome determinative
- Highly unpredictable
- Complex legal standard
- Procedural variation

Summary judgment

- Invalidity and/or non-infringement
- Almost always **after** Markman decision
- Often multiple motions/cross-motions
- Most cases decided on SJ

Trial

- Jury issues
- Technology tutorials
- Role of experts

Case #2

Market Leader Inc. v. Newby Co.

- Both sell database management tools
- 7 patents on database mgmt operations
- Plaintiff controls 80% of market
- Plaintiff involved in setting industry standards
- Plaintiff in Los Angeles, CA
- Defendant in San Francisco, CA