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Intellectual Property | Litigation | Corporate

Maximizing IP Value in an Economic Downturn

Presented by Gwilym Attwell, Gene Barton,
and Garland Stephens

December 16, 2008



Disclaimer

- FR *The material is presented for informational purposes only. Ideas and opinions are those of the speakers and not those of Fish & Richardson. Nothing contained in this presentation is offered as or can reasonably be construed to be legal advice. This presentation is not intended to create an attorney-client relationship nor does it create an attorney-client relationship between you and the presenters or Fish & Richardson where one did not previously exist.*



Gene Barton

- ❖ Boston University, B.A.; Boston University School of Law, J.D.
- ❖ Practice emphasizes financing and merger and acquisitions activity.
- ❖ Specializes in the representation of emerging companies and venture capital and other private equity funds. Also provides general corporate, business planning and financial advice to public and private companies.





Changing Obligations in Tough Economic Times

- ❖ Directors and officers owe a fiduciary duty to a corporation's shareholders
 - Duty of loyalty
 - Duty of due care
 - Duty of good faith
 - Normally duty does not extend to creditors
- ❖ Directors and officers duties extend to creditors when a corporation enters the “Zone of Insolvency”
 - Credit Lyonnais v. Pathe Communications
 - Shield vs. Sword
 - Potential Personal Liability



When is a corporation in the Zone of Insolvency?

- ❖ Balance sheet insolvency test
- ❖ Equitable insolvency test
- ❖ Cash flow and capital adequacy test





Recent Developments

- FR The End of Deepening Insolvency in Delaware
- FR Chancery court trends
- FR *North American Catholic Educational Programming v. Gheewella*
- FR *Stone v. Ritter*
- FR How will Nuclear Winter influence the courts?



Real World Problems

- FR Merger and acquisition considerations
- FR Licensing and other transactional considerations
- FR Down round and other financings
- FR Employment issues
- FR Tax issues



Real World Solutions – Must Do's

- FR Article and By-Law Review
- FR Directors and Officers Liability Insurance
- FR Due diligence



What to do with outside Counsel?

- FR Relationships
- FR Convergence
- FR Alternative fee arrangements
- FR Value added services



Gwilym Attwell

- ❖ Purdue University, B.S. Neurobiology and Animal Physiology; Miami University of Ohio M.S. Zoology; Temple University School of Law, J.D.
- ❖ Practice emphasizes U. S. and foreign patent prosecution, opinion work, due diligence studies, and client counseling in the fields of biotechnology and pharmaceuticals.





Almost 75 percent of 115 general counsel recently surveyed said their law department's budget would be cut in 2009 (IPLaw360, December 09, 2008).



What is one to do?



INNOVATIONS IN PILOT TRAINING

Faced with Congressional inaction on the military's budget, Air Force leaders try innovative solutions to ensure pilot training continues.



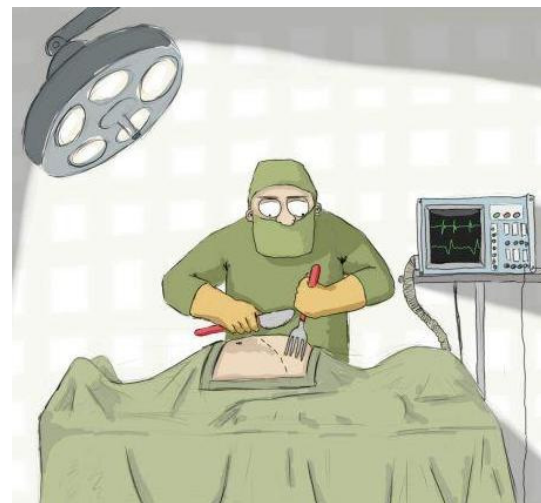
Options?



a.)



b.)



c.)



Maximizing IP Value in an Economic Downturn: Patent Prosecution and Counseling

- FR Portfolio management
- FR Invention disclosure
- FR Patent mining
- FR Due Diligence
- FR Strategy



Set up your IP program

Goals:

- protect your IP
- enforce your patent rights





Characteristics of an effective and strategic IP program

- ❖ Prompts the development, acquisition, maintenance, and licensing of IP assets
- ❖ Treats each piece of IP as something that furthers company goals -- confers value to its owners, shareholders, and customers.
- ❖ Minimize expenses in pursuing patents that will create no strategic value to the company.
- ❖ Focuses on quality instead of quantity.



Portfolio management – triage?

FR New applications

FR Pending applications

FR Issued patents



Patent prosecution/counseling

Are there any easy changes?

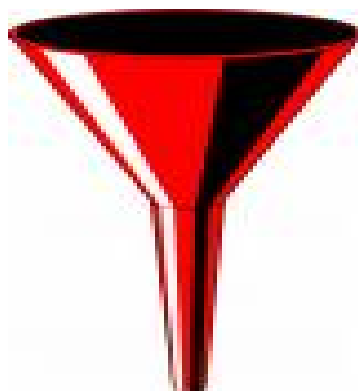
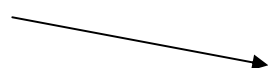
- Systems
- Standing instructions
- Electronic filing
- Paperless file wrappers
- Do the simple stuff yourself;
- Provisionals as place holders
- Filing strategies vs. importance of projects
- PCT instead of US as first non-provisional filing
- Work with counsel to take advantage of cost-effective measures
- Freebies
 - training
 - CLE



Invention intake process

Traditional innovators

Market innovators





The Jury?

FR Internal patent committee

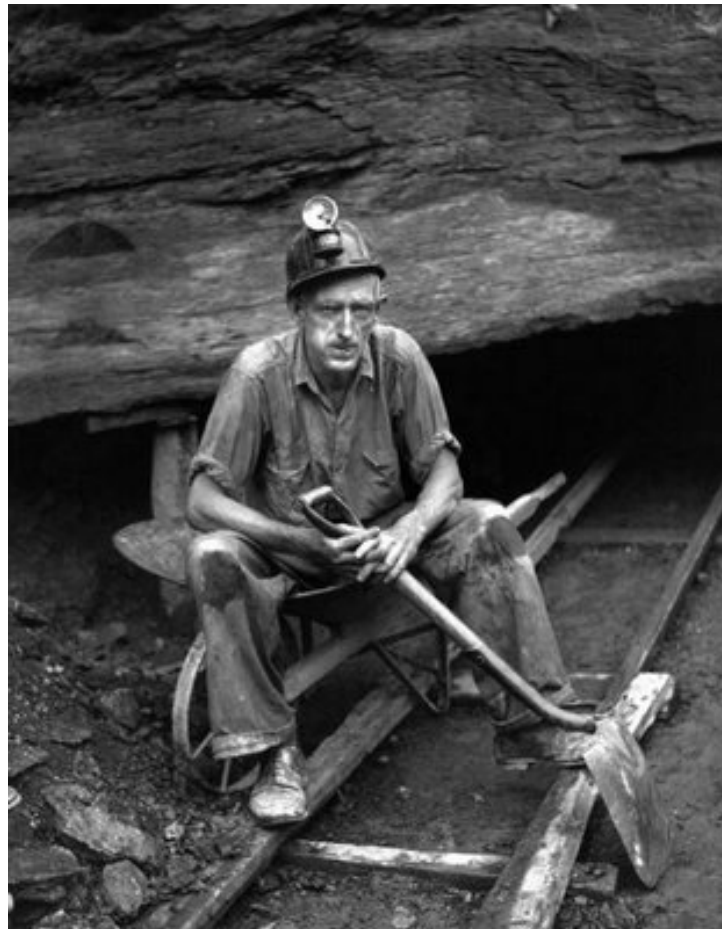
- Members
 - Senior technology manager
 - in-house counsel
 - Marketing/business development manager
 - Outside patent counsel?
- Procedure
- Allocate specific amounts to protect types of research,
- Exceptions to policy only on approval by a patent czar.



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Change (or add to) your job title - become a miner?





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Does your patent file room look like this?





What's in this patent?



We own this patent?



**I thought we needed
to license this technology
from our competitor.**





Lump of coal or diamond?



vs.



Do patents that are not being used have value?



Is the clock ticking on your unused patents?

Depreciation and Effective Life:

- Average *effective* life of patent—i.e., average time until product or feature covered by patent is replaced in marketplace by better product or feature—is only about five years from date patent issues.





FR Who acquires patent portfolios and why?

- Defensive measures
- Offensive measures
- Patent holding companies
- Investment vehicles



FR Which patent portfolios are most attractive to acquirers?

– Those that provide most opportunity with the least amount of risk

- Clear title?
- Size of portfolio
- Are there any applications in process?
- Is anyone potentially practicing the invention without a license?
- Foreign patents or pending applications?
- Broad vs. Narrow patents?
- Other licenses?



Due diligence

- ❖ A recent survey showed that 85 percent of corporate respondents said a target company's intellectual property assets had importance equal to or greater than other corporate assets when M&A deals were on the table.
- ❖ Most corporate respondents cited inadequate due diligence as the primary reason dealmakers fail to identify intellectual property risks like future litigation. Among corporate respondents that cited deficient due diligence, 56 percent cited lack of time as the main due diligence roadblock and 46 percent cited lack of resources.



Change in attitude

- ❖ Corporate legal departments should be seen as a potential profit center rather than a cost center.
 - Revenue from licensing
 - Access to other technologies through cross-licensing, and joint development agreements



vs.





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Focus on the key patents





Some closing thoughts

1. Establish a team of in-house cross-functional experts to analyze the value of patents before filing; identify holes in the portfolio.
2. Take inputs from legal, technical, and marketing in assessing patent strategy.
3. Senior Management should get involved early in critical IP matters and should be responsible for IP strategy and valuation.
4. Establish IP policies and procedures.
5. Focus on quality not quantity.
6. Protect Core IP Assets and Inventions.
7. Be aware of IP in your space.
8. Plan for patent filings.
9. Remember that your junk might be someone else's jewel.



Garland Stephens

- ❖ Courtroom lawyer specializing in high-stakes patent litigation in the electronic and computer industries
- ❖ Extensive experience defending well-known products from charges of patent infringement
- ❖ University of Chicago, B.S. Mathematics; Columbia University, M.S. Electrical Engineering; University of Missouri, J.D.





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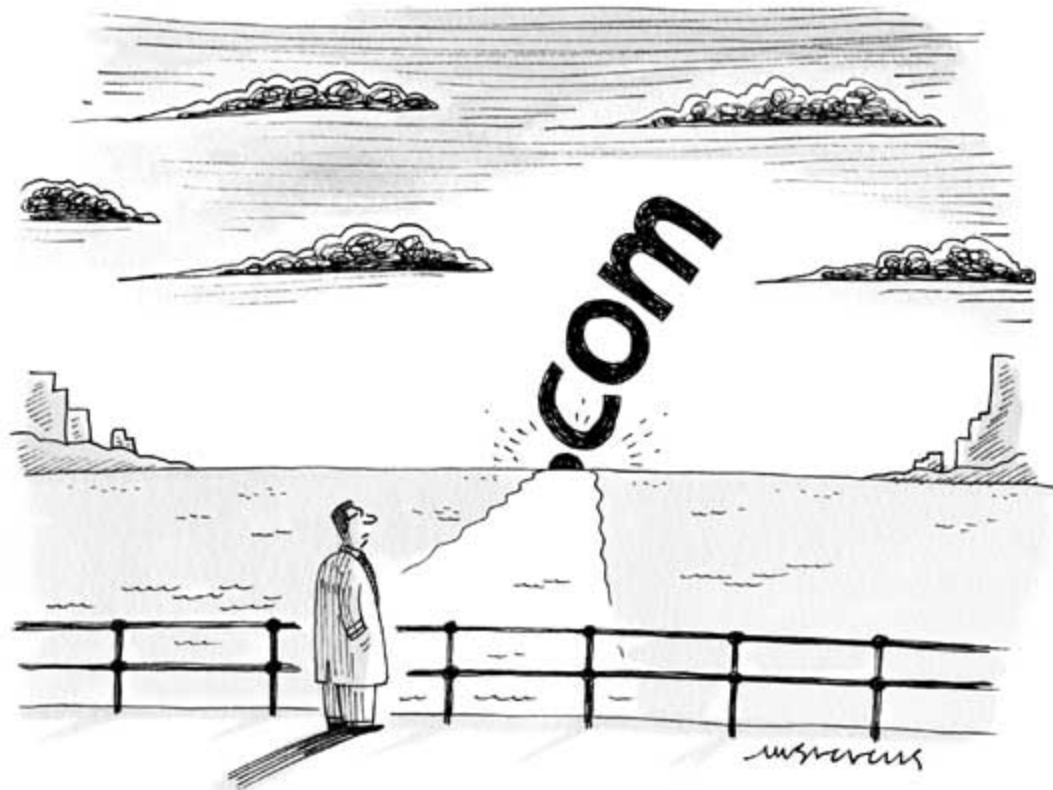


"We must never take for granted the precious gift of hindsight."

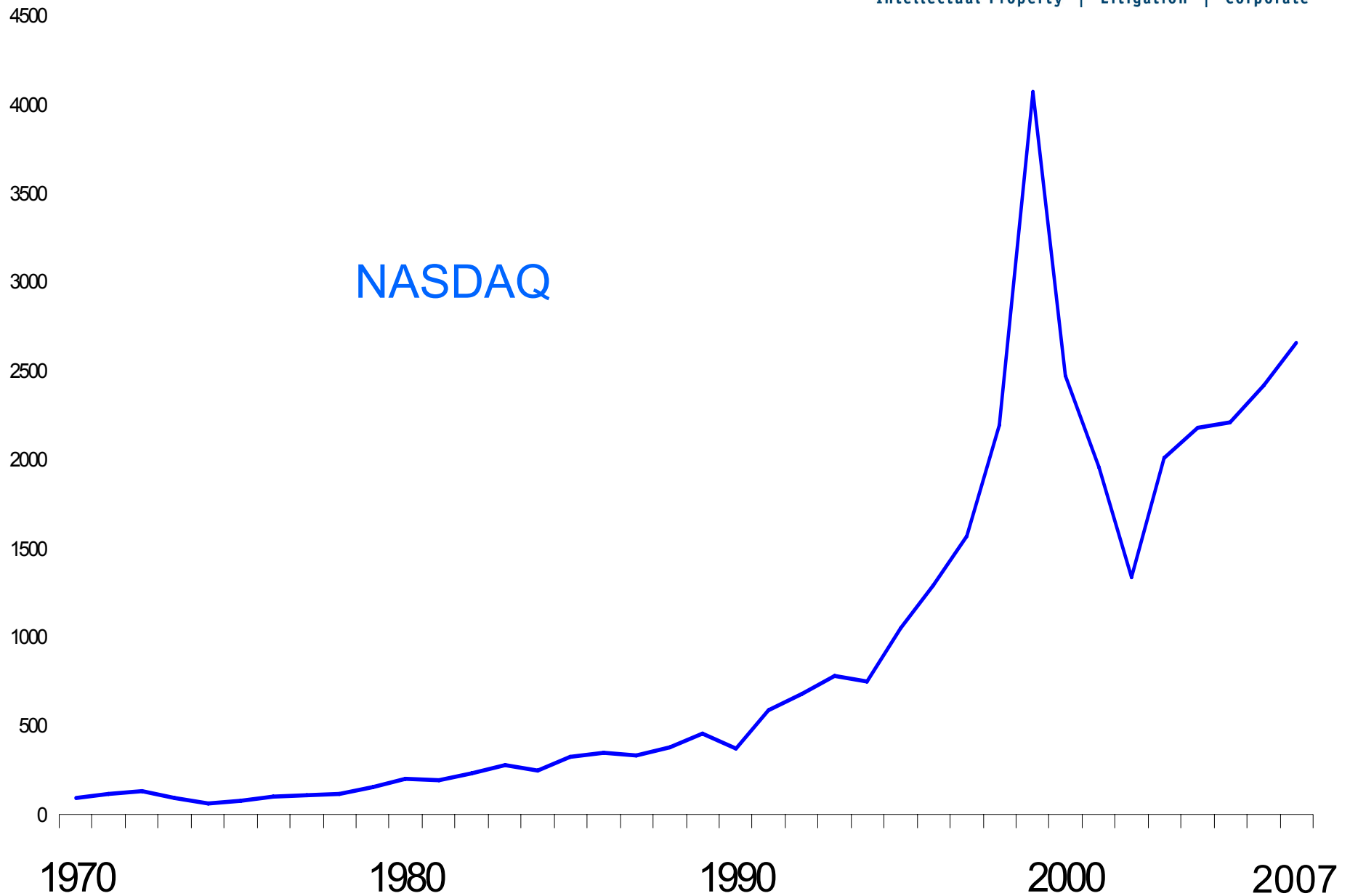


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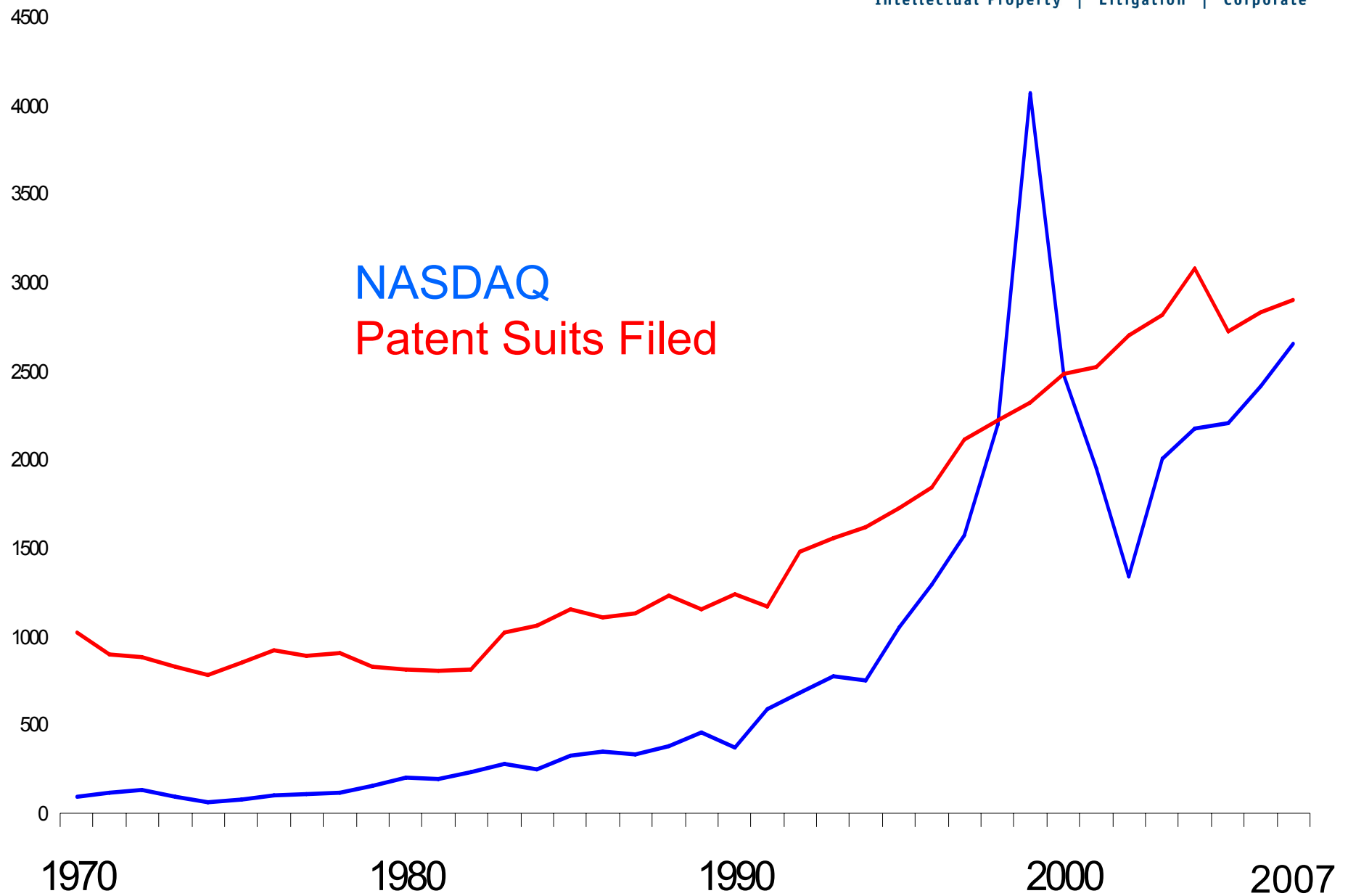


Slide 35

GTS1

make these into builds

gts, 12/15/2008

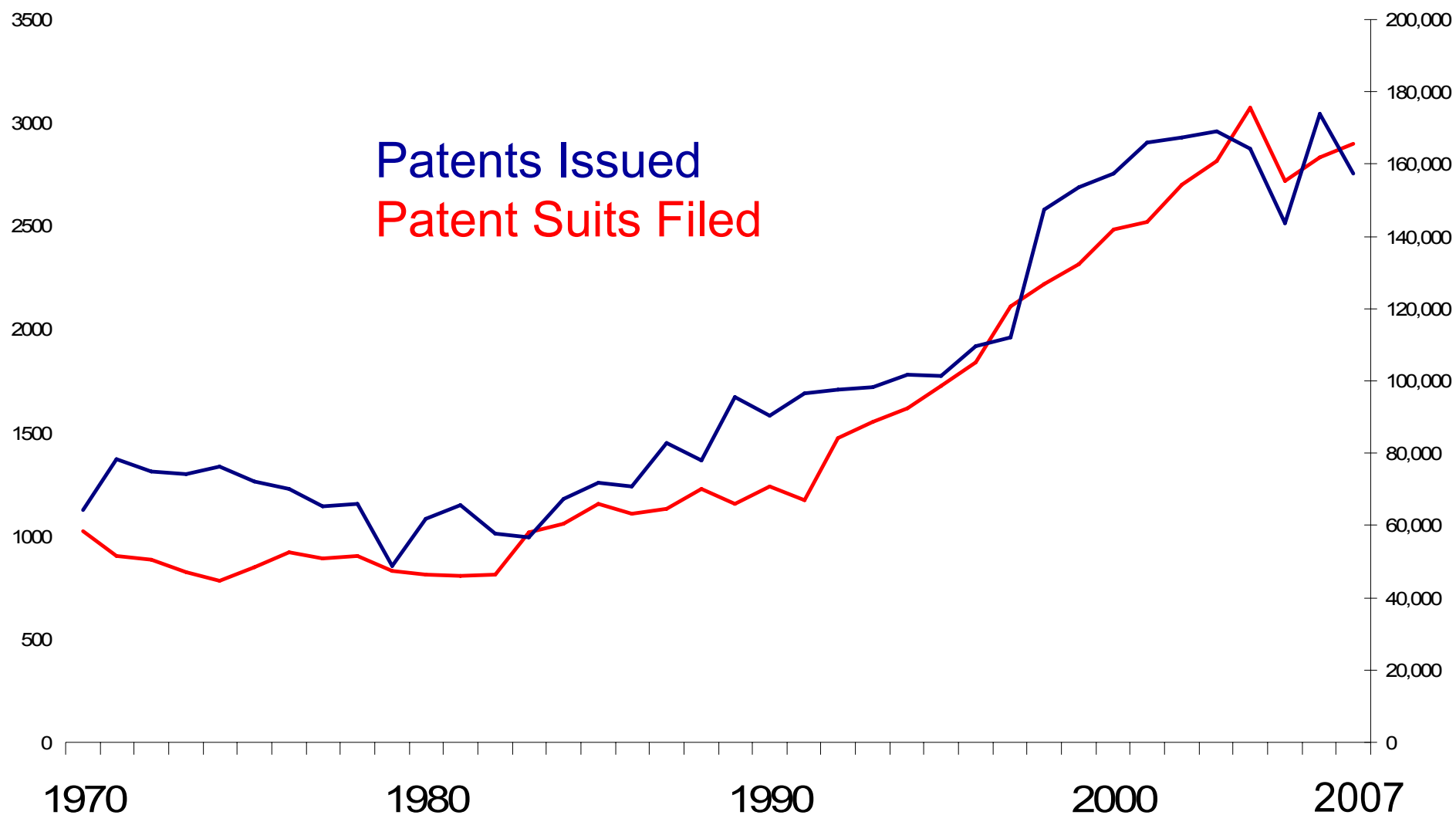


Slide 36

GTS2

make these into builds

gts, 12/15/2008





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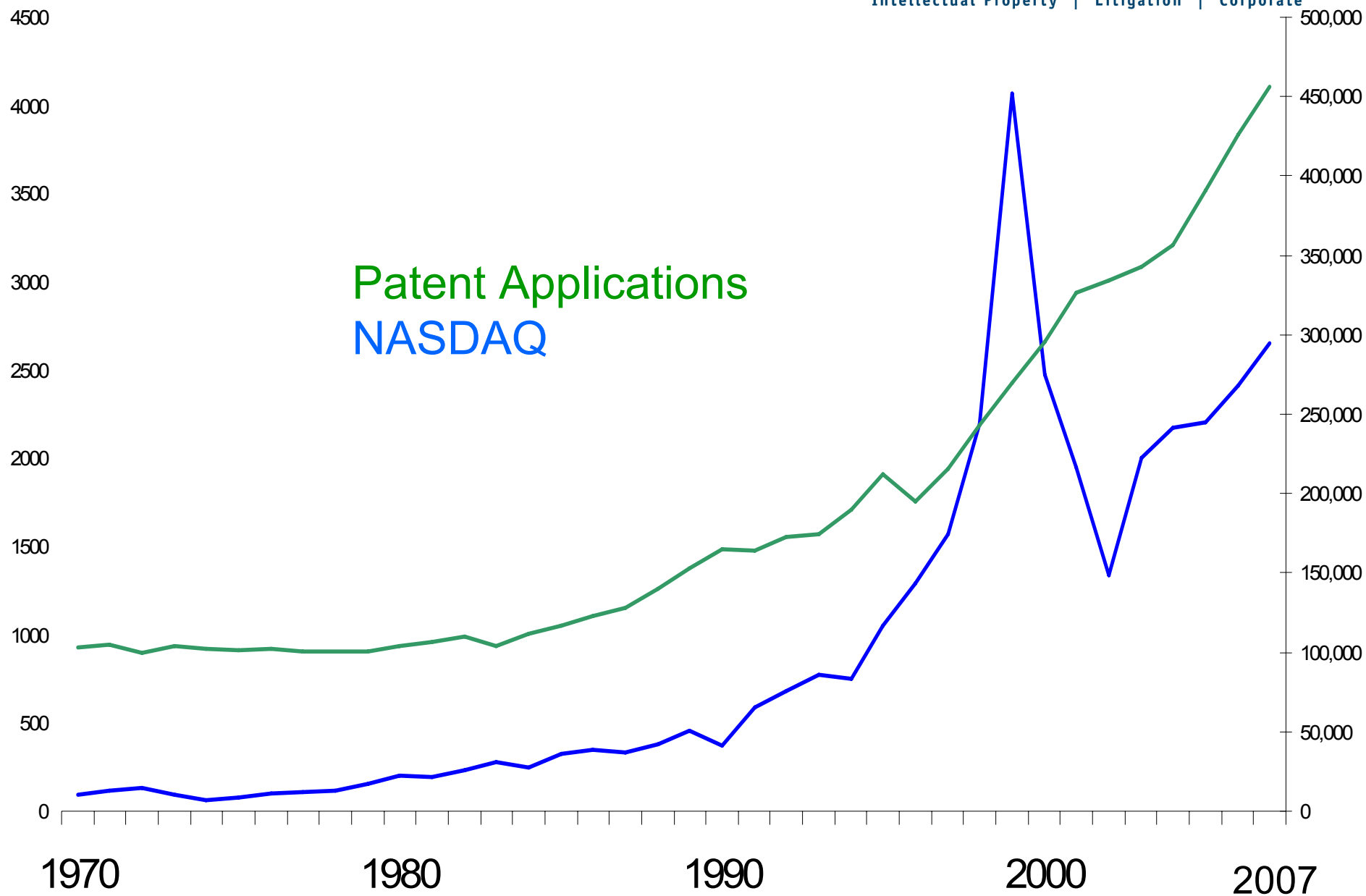
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**Patent Suits Are
Driven By Patents**

**NOT The Price of
Shares**



<http://mioaklandcounty.com/blog/2007/10/04/this-is-not-a-buyers-market/>





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"We're going to try to negotiate first."



Sue First, Talk Later

Venue Matters

District	Median time to trial	Median Award	Trial Success	SJ Success
EDVa	0.88	\$25 million	68%	26%
EDMi	2.03	\$650,000	50%	0%

After *Medimmune*, Plaintiffs may lose their choice of forum by talking first



~3.5 % of patent suits get to trial



High Risk for Both Sides Low Median/High Deviation

Industry	Median Damages Awarded '95-'07
Automotive	\$34,000
Biotechnology	\$4.9 million
Medical Devices	\$6 million
Software	\$8.5 million
Telecom	\$31 million

Pricewaterhouse Coopers 2008 Patent Litigation Study



Median Patent Litigation Costs

At Risk	Close of Discovery	Through Trial
<\$1 million	\$350,000	\$600,000
\$1-\$25 million	\$1.25 million	\$2.5 million
>\$25 million	\$3 million	\$5 million

AIPLA Economic Survey 2007



One million \$1 bills

Library of Congress Photo



350 tons of \$100 bills (\$12 billion) were distributed in Iraq by the US



<http://www.guardian.co.uk/world/2007/feb/08/usa.iraq1>



“War is a continuation of
politics by other means.”

Clausewitz, On War.



Carl von Clausewitz
1780-1831

Wikimedia photo



Cost/Benefit Case Management

- FR Know your opponent
- FR Treat them with respect
- FR Engage on the merits early
- FR Avoid pointless aggression



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*"Just because you're Attila the Hun, Dad, doesn't mean
I have to be Attila the Hun."*



Cost/Benefit Case Management

- ❖ Initial Case Management Conference is crucial
- ❖ eDiscovery costs can dominate a case
- ❖ Negotiate with your opponent BEFORE the CMC



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"Dude! I am so not prepared for this!"



Cost/Benefit Case Management

- ❖ Come prepared to Rule 26(f) conference
 - Determine products at risk
 - Conduct telephone interviews with potential key witnesses
 - Locate prior art
 - Formulate a discovery plan you can live with



Cost/Benefit Case Management

- ❖ Strategies to reduce discovery costs:
 - No emails
 - Privilege claw-back provision
 - Keyword screening, limited review
 - Native format production
 - Limit expert discovery (materials relied on)



Cost/Benefit Case Management

- ❖ Avoid scorched-earth tactics
 - Do not file unnecessary motions
 - Defendants frequently file SJs that are sure losers, and give the other side a roadmap
 - Consider not taking some expert depositions



Reexamination

	Reexam Declared	Average Pendency	All claims confirmed	All claims canceled	Claims changed
<i>Inter Partes</i>	95%	32.6 months	12%	67%	21%
<i>Ex Parte</i> ¹	92%	24.5 months	28%	13%	59%

¹ statistics for third-party requests

Source USPTO website

Since 2005, PTO Central Reexamination Unit has improved PTO reexamination practice



Reexamination

Average costs for <i>Inter Partes</i>	Through filing request	Through first office action responses	Through close of prosecution	With Board appeal	With Fed. Cir. Appeal
	\$30,000	\$50,000	\$91,000	\$123,000	\$279,000

AIPLA Economic Survey 2007



Reexamination

- ❖ Patent owner's admissions, and its experts', may be considered by examiner
- ❖ Examiner must apply "broadest reasonable construction"
- ❖ Amendments
 - give rise to intervening rights
 - are strong reasons to stay pending litigation



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"What's your exit strategy?"



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Questions?



Thank you

❖ Gwilym Attwell, Principal, Patent Group

E: attwell@fr.com T: (302) 778-8458

❖ Gene Barton, Principal, Corporate Group

E: barton@fr.com T: (617) 368-2194

❖ Garland Stephens, Principal, Litigation Group

E: stephens@fr.com T: (713) 654-5306

❖ www.fr.com



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