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Protecting IP Innovation in the Financial Services Sector

MCC interviews Michael T. Zoppo, a principal in Fish & Richardson's New York City office, about his active patent litigation practice and unique expertise in financial services technology and patents.

MCC: Share a little bit with us about your practice at Fish & Richardson and some of your most recent successes.

Zoppo: Although I focus on intellectual property matters, my practice is fairly broad within that area. I work with clients to obtain patents and help them turn those patents into revenue streams, whether through licensing or litigation strategies. In that role, I work closely with client development teams and in-house counsel to develop protocols for mining intellectual property and finding the right place for patents in the overall corporate strategy. I also help clients who are faced with accusations of infringement, whether it requires negotiation or litigation all the way through trial and appeal.

My client focus is the financial services sector. I have represented national exchanges, banks, insurance companies, broker-dealers and software providers. For some of those clients, I have gotten so familiar with their businesses that my representation goes beyond patent matters and into general commercial matters, like contract disputes and executive mobility issues.

One recent success on the litigation side was a case about using a cell phone camera to photograph and deposit a check. I served as lead patent counsel for USAA – which was the first bank with such technology – and defended them against allegations that they infringed five patents. I obtained complete summary judgment of non-infringement. On the non-litigation side, recent successes include continuing to obtain new patents for financial services clients, despite some recent headwinds in the law. I'm also especially proud of a recent pro bono victory

helping an indigent client obtain a patent on a rescue device to save people who fall onto subway tracks. That client is now in negotiations with the New York MTA.

MCC: You were tapped to lead the Financial/Business Services Thought Leadership Initiative at Fish. What is this initiative all about, and how does it add value to your clients?

Zoppo: At Fish, we have a deep understanding that financial services and financial technology clients are in a very unique position from an IP perspective because their technological revolution is ongoing and rapid. Not long ago, most trading activity was handled by pit traders who used quick thinking and good instincts to represent trades. Now, most trades are computer executed instantaneously, using algorithms designed by teams of Ph.D. computer scientists and mathematicians. Some of the most advanced IT technology is now in the financial services industry – and there is a ton of intellectual property held by clients who, until relatively recently, thought their business was outside the realm of patents. By assembling teams that have real-world experience in areas where our financial services clients work, we are able to walk into a client that has no patent policy whatsoever and set them on a course that identifies the IP in their organization and converts that IP into valuable business assets.

MCC: Fish was recently awarded attorneys' fees in the eight-year, billion dollar patent dispute you won for the Chicago Board Options Exchange, Inc. Tell us more about this significant case.



Michael T. Zoppo

Zoppo: I often refer to that case as a “saga” because it’s been with me nearly my entire career. I represented the Chicago Board Options Exchange, which operated an exchange that combined open outcry with computerized execution. It was sued for infringement by the International Securities Exchange on a patent concerning a fully computerized exchange. The District Court and Federal Circuit agreed with us that ISE’s patent was limited to an exchange that had only computerized execution. However, when the case went up for trial, ISE wanted to tell the jury that its patent was not limited in the way the Federal Circuit said. We made pretrial motions to prevent ISE from making those improper arguments and prevailed. The District Court found that ISE ignored crucial rulings concerning the scope of its patent and thus wasted the court’s and CBOE’s resources. Getting my client its attorneys’ fees back was the best vindication of the faith we always had in our position.

MCC: What other financial services cases can you talk about?

Zoppo: One of my favorite cases was representing a national exchange in an infringement case about protocols for financial data transmission. We were one of 50 defendants, and the plaintiff had a terrible time keeping all of the parties straight. Incredibly, when I read the expert report the patentee served on us, it was clear that the analysis did not apply to my client but was just cut and pasted into the report. After I deposed the expert and confirmed that he had no actual opinion that applied to my client, we settled out on favorable terms.

MCC: How does financial services patent litigation differ from other kinds of patent litigation?

Please email the interviewee at zoppo@fr.com with questions about this interview.

Zoppo: Given the subject matter of some financial services patents, there is a new type of challenge facing patentees based on the Supreme Court's recent ruling in the *Alice* case. Accused infringers can now challenge whether the patent is directed to the type of subject matter that patents protect, and motions raising those challenges can be made in response to the complaint, avoiding discovery entirely.

If a case proceeds to discovery, a challenge awaits the accused infringer if it defends itself by arguing that the patent

financial services providers often leverage existing technology, with the side effect that they see patent infringement actions from so-called non-practicing entities claiming to have patents on those existing technologies. For example, you can find a number of patent cases surrounding banks' use of imaging technology to allow customers to deposit checks using cell phone cameras. Likewise, you'll see a number of cases concerning exchanges' and broker-dealers' use of standard compression technology to transmit trade data.

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is invalid for claiming technology that is not novel or is obvious. The patent laws set demanding standards of documentary proof to invalidate a patent. The body of financial services technology – even concepts that are considered implicit – is not well documented in literature. So, if an accused infringer needs literature from the '90s or earlier, it is not insurmountable, but it is an extra challenge. In fact, in 2001, the Patent Office issued a notice in the Official Gazette seeking the public's assistance identifying sources of literature in the area of financial services technology.

MCC: The financial services industry seems to be a hotbed of new technology right now. What changes have you seen in the past five years, and what overall trends are driving the industry?

Zoppo: One of the biggest changes I've seen is how financial services companies are using technology to interact with their customers. We have become a society that prizes speed and doing business on a mobile device but shuns phone calls and branch visits. To meet those demands,

MCC: What advice would you give to financial services companies that are looking to protect their intellectual property?

Zoppo: Every client is different, but there are some universal truths. First, some financial services innovations have become more difficult to protect in light of the *Alice* decision. However, it is far from impossible, and the best approach is identifying the technical problem the invention overcomes and filling your patent application with the technical details of how it's done. A financial services patent application cannot be a 10-page treatment of a business issue and the solution – it has to be a more substantial document that dives into the technology.

Second, the most successful firms create a culture of innovation. That takes time, but it becomes self-sustaining. To start, the firm should have a program where employees submit their ideas for evaluation, and promising ideas are budgeted for patent applications. Another tact is identifying what potentially patentable technology your firm is already using and prioritizing it for patent protection.

Third, don't forget your employment agreements. Make sure that all employees have assigned all of their inventions to the company. It's surprising how many employment agreements I've seen that lack a simple assignment clause.

Fourth, monitor and manage employee disclosures. It is not uncommon for a team of inventors to distribute a white paper or give a presentation at a conference. That's fine if the firm has no plans to seek patent or trade secret protection – but if it does, that white paper or presentation could ruin those plans, or at the very least complicate the patenting process. Given that the U.S. now has a "first to file" rule, public disclosure of an invention can prevent issuance of a patent.

Fifth, remember trade secret protection. Trade secrets are a powerful tool, especially for financial services inventions that may not pass muster after the *Alice* decision. However, to have an enforceable trade secret, you have to keep it secret. That means diligently requiring non-disclosure agreements with third parties and having established security procedures for employees and visitors that are followed.

MCC: You co-founded and ran a start-up technology company when you were 18 years old. How did that experience inform your decision to become a lawyer and the work you do now?

Zoppo: Oddly, it was the demise of that business that put me on a course to pursue law. I had the opportunity to run a business, manage a team, understand a budget, deal with customers, and negotiate with vendors. Unfortunately, one of my business partners was drawing extra money out of the business in a rather creative way, which ultimately led to our shutting the doors. My other business partners nicknamed me "The Prosecutor" because I discovered the fraud, which planted the idea in my head that I might succeed as a lawyer. Despite the business ending in failure, it was a positive experience. I like to think that I had a head start understanding how my clients do business and, more importantly, how they want to be treated by a service provider.