

Patent Enforcement

Opportunities for Japanese Companies

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Intellectual Property Law



Seminar Outline

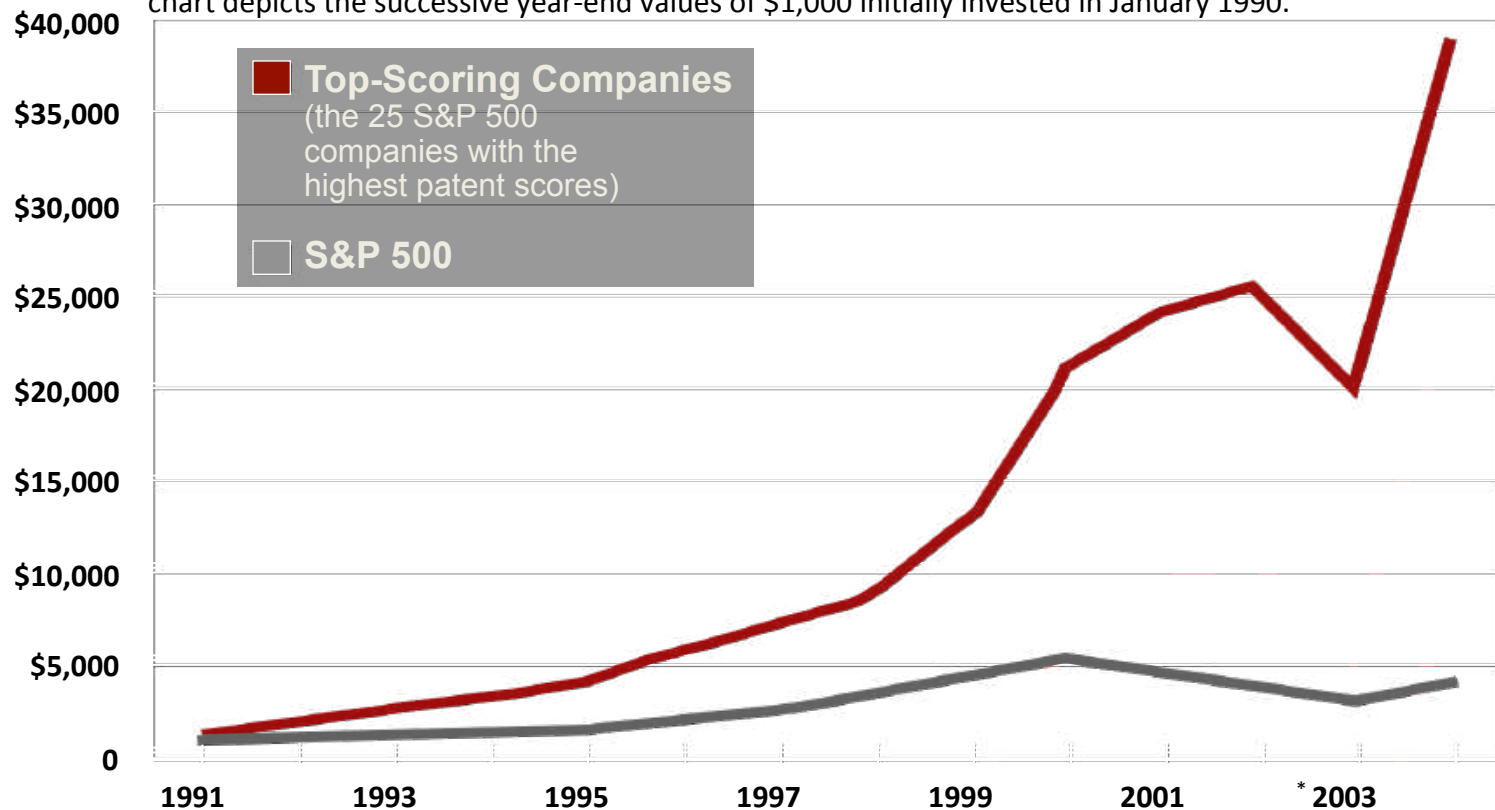
- I. IP Value and The Culture of Enforcement
- II. International Patent Litigation in the U.S.
- III. Japanese Companies Bending the Culture
- IV. U.S. Patent Litigation: How It Works
- V. Pre-litigation Cost and Risk Management for Japanese Companies
- VI. Litigation Cost and Risk Management for Japanese Companies

I. IP Value and The Culture of Enforcement

Companies with Strong Patents Are More Successful

Investing in Invention Pays Off

Companies holding patents that are cited most frequently by papers and other patents and that yield marketable products the fastest have far outperformed the S&P 500. This chart depicts the successive year-end values of \$1,000 initially invested in January 1990.

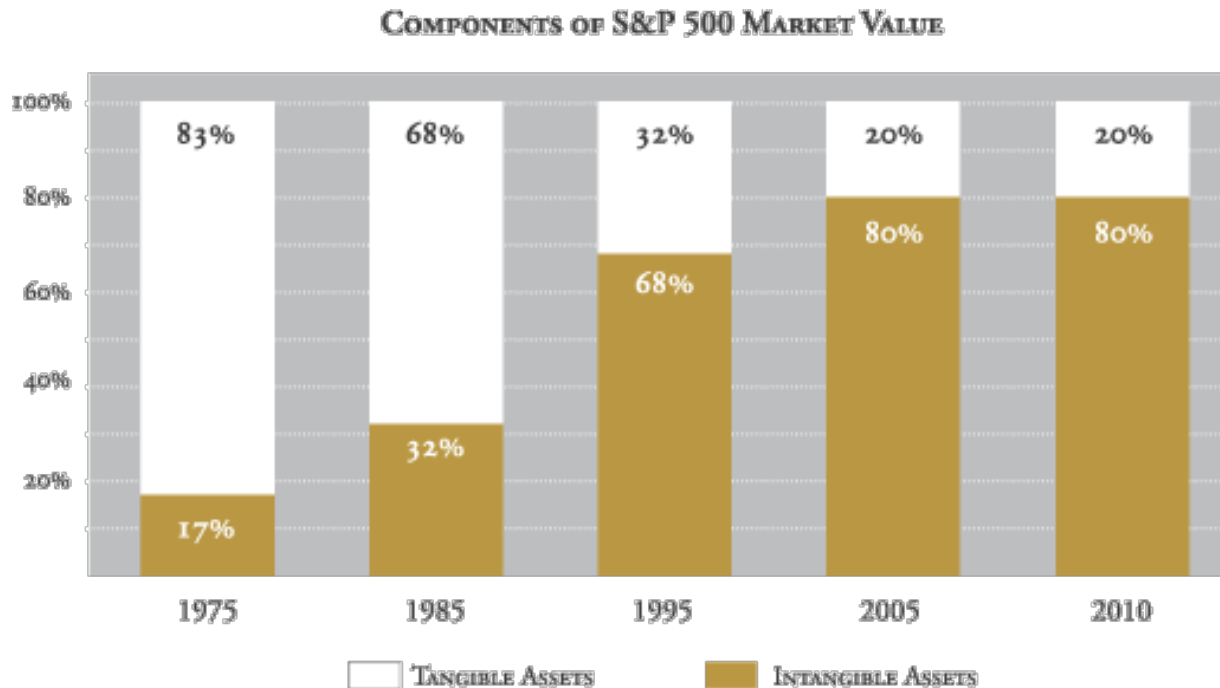


James E. Malackowski, (December 10, 2004), **Using Intellectual Property to Grow.**

The Beacon (Chicagoland Entrepreneurial Center). Retrieved from http://www.oceantomo.com/news_dec10_2004.html.

* through August

Intellectual Property Has Become More Valuable to U.S. Companies



Source: Ocean Tomo

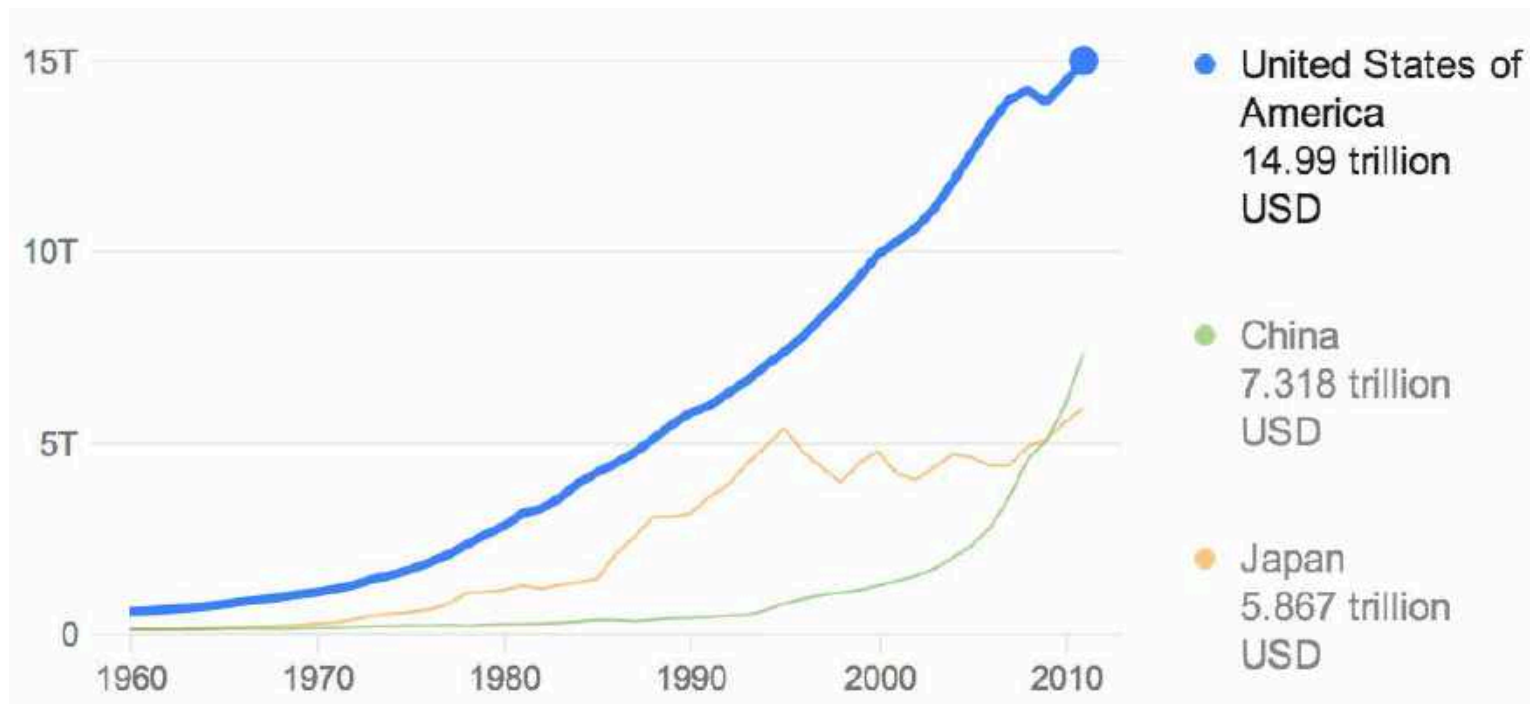
Patents Generate Cash

**U.S. IP Licensing Income, Annual:
Over \$100 Billion**

**Asset Value, U.S. (estimate):
Over \$5 Trillion**

Intangibles in Japan

- US – intangibles 11.7% of GDP
- Japan – intangibles 8.3% of GDP



U.S. – IP Strategy

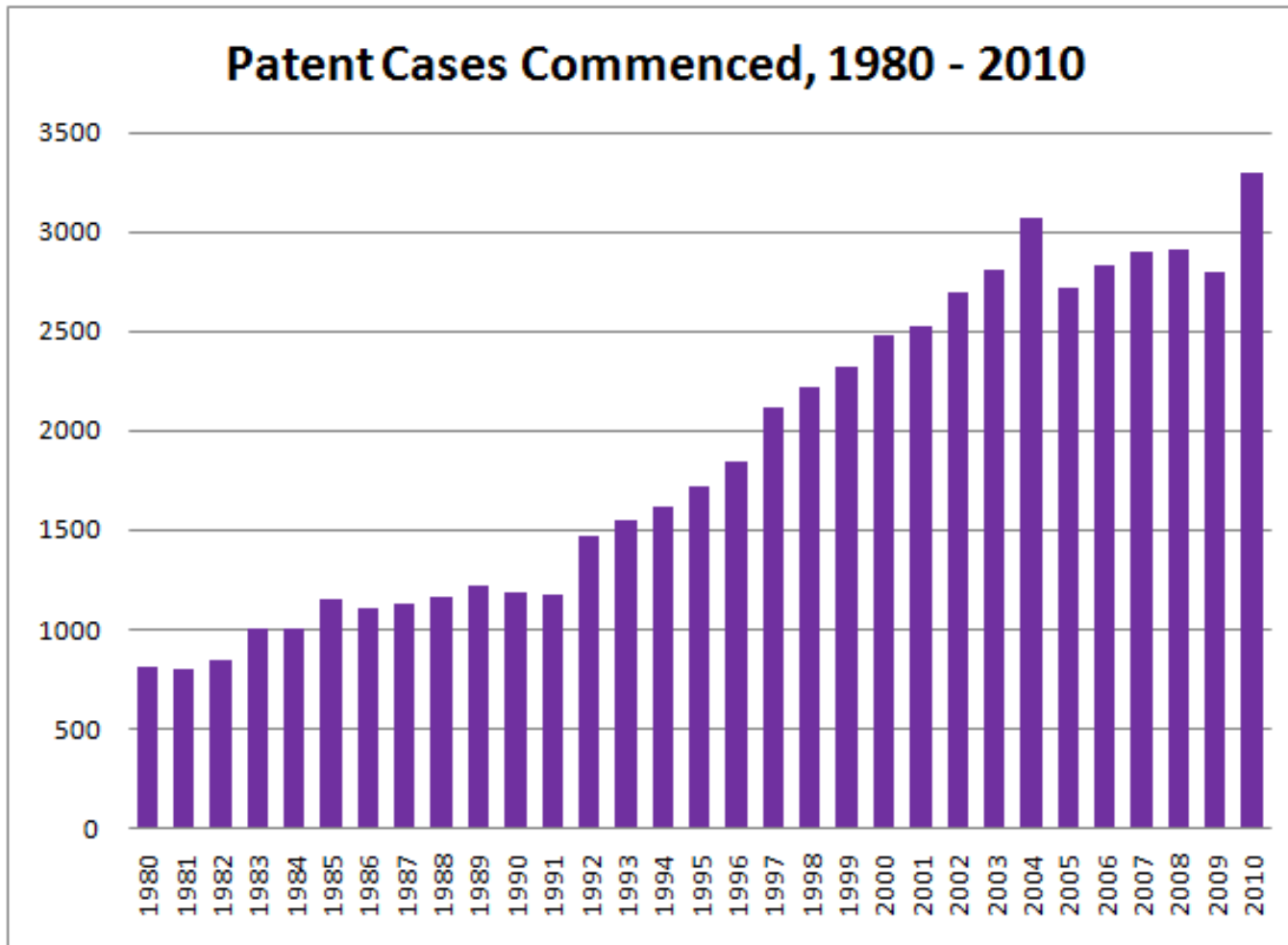
- IP as capital to be invested, not expense to be managed
- IP revenues to minimize business risks and counter the business cycle
- CEO decision-making
- IP and business SWOT analysis
 - Strengths Weaknesses Opportunities Threats
- Matching IP strategy to technology life cycle

IP and U.S. Business Success

Intellectual Property competence and needs:

- 1) Freedom to operate
- 2) Market entry and position – acquisition
- 3) Full exploitation of technology/licensing-out
- 4) Integration with business, regulatory standards, marketing, R&D, etc.
- 5) Leveraging IP for industry influence – *e.g.* industry standards

Value and Enforcement



U.S. and the Culture of Enforcement

- Protecting or gaining **market share**
 - Offense and Defense
- Establishing market **leadership**
- Increasing **revenue** and realizing **value**

PATENTS ARE NOT JUST FOR DEFENSE

Culture of Enforcement

It is **acceptable** business practice to:

- Accuse someone of infringement
 - “notice letter”
- File a lawsuit to protect IP rights
- Use patents as leverage with a competitor’s customers or clients
- Take advantage of those who won’t assert or defend their rights
- Lose a case trying to protect IP rights

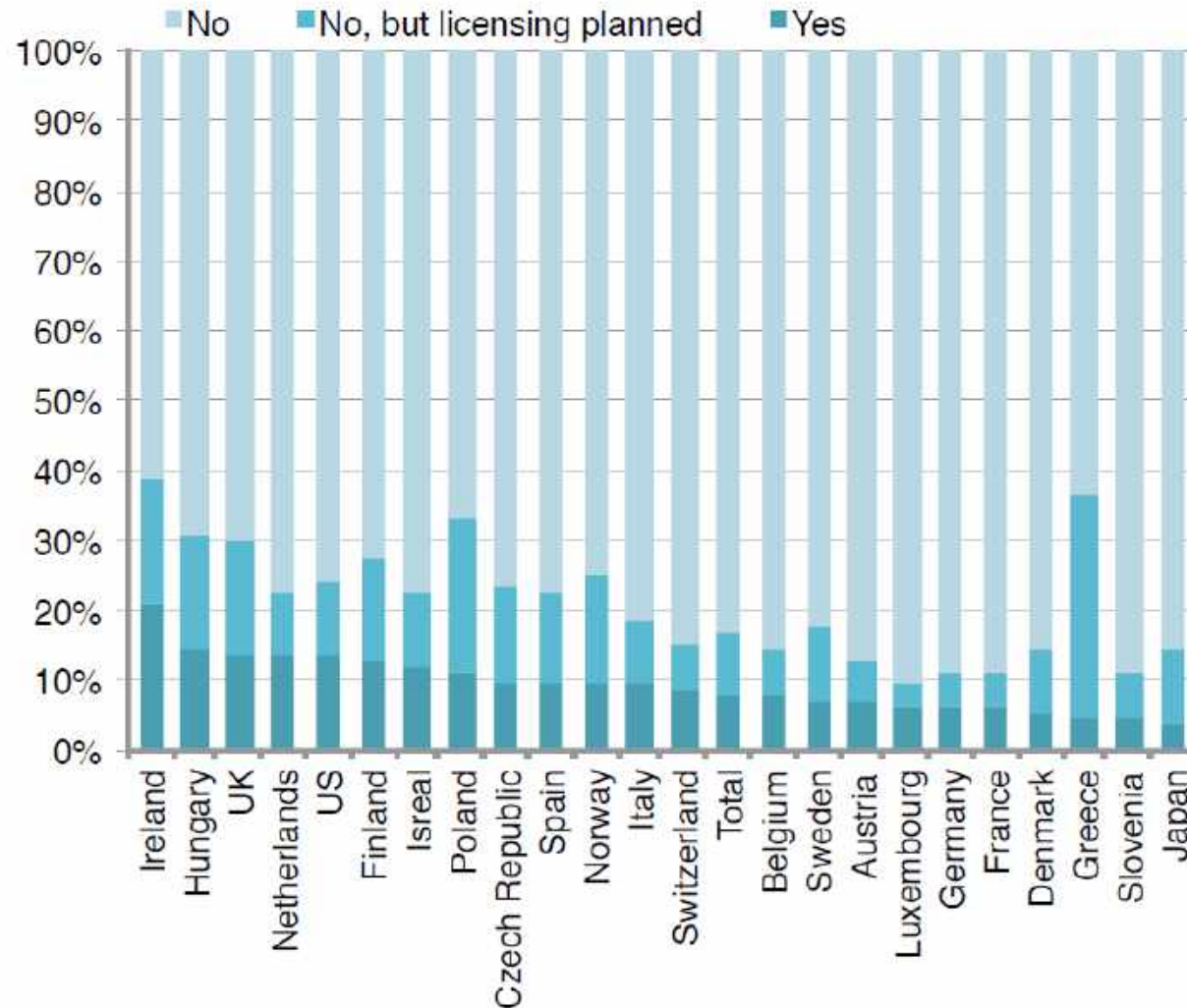
Patent Enforcement – Real World Example, 01 Communique v. LogMeIn

In July, 2012, U.S. appeals court rules in favor of patentee, 01 Communique, on claim construction issue. The result:

- 01 Communique stock price: **up over 43%**
- LogMeIn stock price: **down over 22 percent** on **10x volume**

Japan and Enforcement Potential

Companies that license out their patents, as a percentage of total patents owned, selected high-income countries, 2003-2005



U.S. Litigation – Recent Trends

- Rise of NPEs and PAEs
- The AIA and “litigation” at the U.S.P.T.O.
- Forum selection
 - Changing law
 - Changing favorable forums?
- Remedies: expansion and contraction
- New law: inequitable conduct, willfulness/privilege
- Design patents

U.S. Litigation -- Constraints

- Extent of available remedy
- Disruptions to business
- Litigation fees and costs
- Risk management

THERE ARE SOLUTIONS!

II. International Patent Litigation in the U.S.

Non-U.S. Companies in U.S. Courts

Forum: Where International Litigation Happens

- U.S. District Courts – especially “top 10” districts
- United States International Trade Commission (ITC)
- Others? Not so much – for now.

Growth in the ITC – What this Means



ITC and Non-U.S. Complainants

- 30% (15/50) of recent ITC complainants include a non-U.S. company
- Countries represented include: Finland, Germany, Belgium, Australia, Canada, China, Sweden, Singapore, Taiwan, Switzerland, Israel, and Japan

Non-U.S. Companies in District Courts

- Case study: Commil USA (Israel) v. Cisco Systems, Inc. – Eastern District of Texas
 - Patentee and plaintiff based in Israel
 - Patent purchased for \$400,000.00
 - Trials in Eastern District of Texas
 - First trial \$3.7 million for direct infringement; second trial \$63.7 million in damages
 - Federal Circuit vacates most of damages because of bad instruction, but plaintiff will have another opportunity to recover
 - No matter what happens, a win for Commil

The Future: Japanese Companies as Enforcers

- Changing economics and business climate in Japan
- Non-U.S. litigants increasingly asserting rights
- Changing economics of trying a patent case
- U.S. forum as test for increasing competition worldwide
- No competing forums worldwide
- Risk/reward calculation should become increasingly favorable

III. Japanese Companies Bending the Culture

Opportunity in the US

- World's most highly developed and comprehensive IP system
- World's biggest and lucrative IP market
- Potential to penetrate market and gain market share
- Exploit full value of your IP

US perception of Japanese Companies/Culture

- Conservative
- Indirect and vague
- Secretive and slow
- Excessively sensitive
- Weak leadership and decision-making process

Strength of Japanese Companies and Their IP

- Original, innovative technologies
- High-quality products
- Group orientation
- Strong social corporate responsibility

Maximize Your IP value

- Integrate your IP strategy with your global business strategy
 - Protect your ideas
 - Generate revenue
 - Gain competitive advantage
- “SWOT” analysis
- Cost/benefit analysis
- Get upper management involved

Establish a Framework for Enforcement

- Manage Your IP portfolio
 - Identify nature and scope of your portfolio
 - Group similar IP assets together
 - Look for “crown jewels”
- Track your competitors and look for infringement
 - Purchase and analyze competitors’ products
 - Monitor competitors’ patent filings
 - Review technical journals, trade shows, ads

\$aver: Earlier the better!

Team up with US Counsel

- Consult US counsel if you suspect infringement
- Do not contact infringers directly
 - Risk of declaratory judgment action
- Do not stay idle
 - Risk of laches, equitable estoppel
- What to say/not say to customers, suppliers, competitors and other targets

Conduct Due Diligence

- Check inventorship and ownership
- See if your products are marked
- Establish enforcement goals
- Evaluate validity and infringement
- Decide on timing and method of enforcement
 - Business stage of development
 - Business cycle

Importance of Enforcement

- Exclusionary effect of IP is not automatic
 - Patents (monopolies) have no value unless you enforce them
- Enforcement gives you respect in the marketplace
- **Risks of NOT enforcing your IP rights**
 - Discourages licensing
 - License is nothing more than a promise not to sue!
 - No return on money to obtain and maintain IP

IV. U.S. Patent Litigation: How It Works

Litigation Timetable

- Target and forum selection
- Case schedule
- Pleading and motions
- Discovery
- Trial
- Post-trial
- Appeal

Target and Forum Selection

- Unique considerations for Japanese companies
- When forum matters and when it does not
- Traditional factors:
 - Friendliness to patentee
 - Time to trial
 - Likelihood of SJ or “easy out”
 - Convenience
- Special considerations for ITC, PTO, and CFC

\$aver: Second best can be OK

Timetables and Phasing

- Time to trial
- Time to claim construction
- Stays/alternative forums
- Preliminary injunction?
- How and when to raise defenses
- Bifurcation

\$aver: Narrow the case!

Pleading and Motions

- Then: Easy to start a case. Now: Just a bit harder.
- Motions to dismiss, stay, transfer
- Preliminary Injunction
- Summary Judgment

\$aver: KISS!

KISS



追加公演決定!
地獄の軍団 結成40周年



10.23 水 24 木 日本武道館

10.19(土) 幕張メッセ

S ¥12,500 A ¥11,000 B ¥9,000 (税込) 18歳以上観覧可。会場内飲食・お土産販売あり。

主催：JTB・TBS・WOWOW

プロモーション：JTB・TBS・WOWOW・JTB・TBS・WOWOW・JTB・TBS・WOWOW

チケットはウェブサイト0578-390-2333、チケット123、ローソンチケット、イープラスにて発売。お問い合わせセンター 03-3432-5599 (土日祝)

Discovery

- U.S. – Liberal discovery
- Biggest driver of costs, but also biggest opportunity to save
- Important role for Japanese counsel
- Discovery tools
- When discovery happens
- Experts
- What discovery means to the Japanese company

Saver: Close coordination between U.S. and Japanese lawyers

Pre-trial and Trial

- Pre-trial motions
- Witnesses
- Jury/non-jury
- Time of trial/clock management
- Variations

\$aver: Tell a story. KISS.

Remedies/Post-trial

- Motions for JMOL and new trial
- Willfulness and Enhancements
- Remedies: injunctions and ongoing royalties
- Contempt
- Relitigation

Saver: Early planning

Appeal

- One court of appeal: Federal Circuit
- Not a court of second instance. Or is it?
- Stays
- Interlocutory appeal
- Bonds
- Timing

\$aver: Be REALISTIC

Settlement

- Timing
- ADR
- People
- Settlement failures
- What settlement does NOT do

\$avers: Prioritize the issues. Litigate to win, not to settle.

V. Pre-litigation Cost and Risk Management for Japanese Companies

Establish a Tiered Triage Process

Example of a Tiered Triage Process

- Tier 1 - Low risk
 - Memo to file; no further action
- Tier 2 - Medium risk
 - Solicit technical input
 - Submit to risk committee
- Tier 3 - High risk
 - Obtain invalidity/noninfringement opinion from U.S. counsel

Be Prepared for Litigation

- IT infrastructure is key
 - Quick implementation of “litigation hold”
 - Preservation and classification of electronic and documentary evidence
- Notification to involved employees
- Scalability
- Document retention policy
- Training and education

PTO Proceedings as Defense

- Less expensive, speedier alternative to litigation
- Ex parte reexamination
- Inter partes review
- Post-grant review
- Covered business method patent review

VI. Litigation Cost and Risk Management for Japanese Companies

US Attorney/Benrishi-Client Privilege

- Documents and communication reflecting legal advice from Japanese benrishi may be privileged in US litigation as a matter of comity
- However, a US attorney should always be copied in communications to ensure privilege

Common Pitfalls and Solutions for Japanese Companies

- Pitfalls
 - Overemphasis on upfront cost reduction
 - Too passive/polite
- Solution
 - Focus on long-term cost effectiveness

Common Pitfalls and Solutions for Japanese Companies (cont'd)

- Pitfalls
 - Rigid corporate bureaucracy
 - Slow decision-making
- Solution
 - Keep the senior management updated and involved

Common Pitfalls and Solutions for Japanese Companies (cont'd)

- Pitfall
 - Overzealousness to settle
- Solution
 - Initiate settlement negotiations at strategic timings

Common Pitfalls and Solutions for Japanese Companies (cont'd)

- Pitfall
 - Underproduction during discovery
- Solution
 - Stress information transparency
 - Familiarize and educate employees of US discovery obligations

ご清聴有り難うございました



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ご質問等ございましたらメールにてお気軽にご連絡ください