

In-House IP Lawyers Tackle A Host Of New Challenges Patent Counsel Struggle With Trolls, Complex Litigation, Tight Budgets

BY ADELE NICHOLAS

LAWYERS USED TO call them “patent terrorists”—companies whose whole business is based on aggressively enforcing and licensing one or a handful of tech patents. Companies such as Acacia Research have no tangible assets, products or customers—just a team of lawyers who write demand letters, file lawsuits and watch the dollars roll in.

They don’t call them “patent terrorists” anymore. A participant in Martindale-Hubbell’s New York Counsel-To-Counsel forum “The Jewel in Your Crown: Balancing IP Litigation and Business Objectives” told it like this: during the course of fighting off an infringement suit brought by one such company, a senior executive at Intel referred to the plaintiff as a patent terrorist. In response, the so-called terrorist slapped a libel claim onto his infringement suit.

Since then, people have taken to calling these companies by the less-defamatory derision, “patent trolls.” But whatever you call them, patent trolls are no less annoying today than they were when called by another name. And the trolls are only one of a host of issues in-house IP counsel are dealing with right now as IP comes to the forefront of business law.

COUNSEL to COUNSEL COVERAGE

Know Your Enemy

On top of being the most annoying part of an IP counsel’s job, patent trolls also can be a huge financial drain on a company. Knowing how best to respond to their initial attack is key to how the matter gets resolved. Participants at the Martindale forum agreed that just rolling over and offering to settle or license may not pay off in the long run.

“Be quickly and to do so early,” advised Anat Hakim, a partner at Foley & Lardner in Washington, D.C. “When you receive that letter, establish early on both within the company and with the troll that you’re going to go for the jugular.”

Hakim recommended in-house counsel learn everything they can about the troll’s strengths, weaknesses, objectives and fears before coordinating their counterattack. She tells her clients to analyze how many companies the troll has targeted; whether the troll is seeking a quick settlement, a high-profile licensee or a large damage award; and how well funded the troll would be if forced into a protracted courtroom battle.

“One of the things that works well is taking early action to dig up prior art,” she said. “Also attack their reasonable royalty position. That’s the floor in a patent-infringement case—if you can do harm to that, they’ll want to just put you behind them and move on.”

Some participants whose companies have been troll’s targets have found the best way to fight a troll is to team up with other legitimate businesses in a joint-defense group.

Stacy Haigney, general counsel of Burlington Coat Factory, successfully used this strength-in-numbers strategy when he found his company a target of Jerome Lemelson and the Lemelson Medical, Education and Research Foundation. (Lemelson popularized the “submarine strategy” of applying for a

patent, continuously amending the application to cover new innovations, and then surfacing with a patent that allowed him to sue a slew of developers for infringement.)

“It cost us so little to litigate because there were 70 other retailers on the list, each of us sending in a few dollars a month,” Haigney said. “If the troll has a big list of targets, there’s usually a joint defense group out there, and that can cut the costs to almost nothing.”

And if all else fails, you can try to call in the big guns—federal regulators.

“Go after the troll by seeing if you can get the anti-trust authorities interested in pursuing a claim,” said Rick Florsheim, chair of the patent group at Foley & Lardner. “If you can put together a good case that the claim is frivolous, the troll is simply trying to extract half-million dollar settlements from hundreds of companies and that the impact of that program is going to raise consumer costs, you might be able to get the FTC or the DOJ interested.”

At A Glance: Martindale-Hubbell’s Counsel to Counsel Forum

“The Jewel In Your Crown: Balancing IP Litigation and Business Objectives”

Co-Chairs:

- > Tracey R. Thomas
Chief IP Counsel
American Express
- > Raymond Millien
IP Counsel
American Express

Law Firm Host:

- > Foley & Lardner

Facilitator:

- > Norm Rubenstein
Partner
Zeughasuser Group

Choose Your Allies

When fighting off trolls and defending intellectual assets from outside attacks or infringement, it always helps to have great lawyers on your side. But as the importance of IP to many companies' bottom lines has grown, most legal departments still don't have the budget to hire in-house IP lawyers. Therefore, one of the most important jobs that fall to in-house counsel is choosing the outside counsel

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—R. Thomas Payne
Chief Patent Counsel
CUNO Inc.

that can help them perform those essential tasks.

Many participants in the Martindale forum expressed frustration with outside counsel who don't know the industries in which their companies operate.

"We've assessed a number of outside patent counsel, and it's been difficult for us to find anyone that really understands our business when we're talking about variable or fixed annuities," said John Harmon, assistant general counsel at Nationwide Insurance. "We end up explaining to them what we do, so they can assist in providing appropriate advice and in drafting the patents."

But a few in-house attorneys found that when it comes to patent litigation, a lack of industry knowledge can be an asset.

"The members of the jury and the judge don't have any expertise in your business, so I think a person who doesn't understand your business but can make a tremendous presentation at trial is perhaps your best bet," said R. Thomas Payne, chief patent counsel at CUNO Inc. "I've been with a number of companies



(Clockwise from top left): **Rick Florsheim**, partner, Foley & Lardner; **Anat Hakim**, partner, Foley & Lardner; **R. Thomas Payne**, chief patent counsel, CUNO Inc.; **Peter Wang**, partner, Foley & Lardner; **John Harmon**, assistant general counsel, Nationwide Insurance; **Tracey R. Thomas**, Chief IP Counsel, American Express.

and have invariably found that bringing fresh eyes to the issue is an advantage because it allows you to pick up things that the people that are so familiar with the technology do not see."

And some in-house counsel thought that finding a litigator with industry knowledge isn't nearly as important as finding outside counsel who know their way around the forum in which the case is being tried.

"The first thing I look at is where the case has been filed," said Vincent Castiglione, assistant general counsel for intellectual property at C.R. Bard. "My experience has been that juries are going to vary by jurisdiction so I look to see what style counsel would best match the forum I'm going to be in. The biggest challenge we have is finding somebody who's a great litigator who can work well in the forum."

Sound Advice

IP is one of the most document-heavy areas of litigation. And with companies piling up more electronic data every day, the volume of discoverable documents is daunting, to say the least.

“IP litigation is extremely document intensive,” said Peter Wang, a partner at Foley & Lardner and a participant at the Counsel to Counsel forum. “The costs can become absolutely astronomical.”

Many companies are in the dark when it comes to how long they must hold onto electronic documents and what to do when they receive notice of an impending lawsuit.

“There have been a number of recent decisions in which very substantial sanctions were imposed against parties that did not suspend their document destruction policies,” Wang said. “This had been something that’s been very much on the minds of IP in-house people.”

Fortunately, the Sedona Guidelines offer some guidance on how to craft document retention policies. The Guidelines’ five main points are:

1. An organization should have reasonable policies and procedures for managing its information and records.
2. An organization’s information and records-management policies and procedures should be realistic, practical and tailored to the circumstances of the organization.
3. An organization need not retain all electronic information ever generated or received.
4. An organization adopting an information and records management policy should include procedures that address the creation, identification, retention, retrieval and ultimate disposition of information and records.
5. An organization’s policies and procedures must mandate the suspension of ordinary destruction practices and procedures as necessary to comply with preservation obligations related to litigation, governmental investigation or audit.

Bring Home The Bacon

Even if in-house counsel run a tight ship on IP litigation and win every case that’s brought against the company, the costs associated with patent litigation, prior art searches and patent filings can make the IP portfolio seem like a financial ball and chain rather than a revenue generator.

But smart in-house counsel will find ways to show management that legal isn’t always a cost-center.

“When your clients see that you can actually leverage your patent applications and achieve something positive, that’s when they start to buy in to patents,” said Tracey Thomas, chief IP counsel at American Express. “We can talk all day, but until they see some bottom-line value, the business people don’t care about your patents and what you’re doing. You’re just costing them money.”

Thomas and his team have developed a strategy of aggressively filing patent applications in core areas of American Express’ business, and then licensing those patents to the company’s business partners. In addition to generating rev-

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—Stacy Haigney
General Counsel
Burlington Coat Factory

enue for the company, this strategy has two key ancillary benefits.

First, it allows the legal department to show the business units why they should keep investing in patents, and second, it deters other parties from targeting American Express in lawsuits.

“If we can show that not only do we have a patent in this area, but other companies think it’s valuable enough to license it, it’s easier for us to say ‘we have the pre-eminent patent in this area, so go away,’” Thomas said. ◀



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