Technology & IP Forum

Minimizing Potential Liability for Intellectual Property Infringement:

Legal Issues and Practical Tips

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George C. Beck is a partner with Foley & Lardner LLP. He is a member of the firm’s Intellectual Property Department (Electronics Practice). Mr. Beck’s practice extends to all aspects of intellectual property law. He has prepared and prosecuted patent applications in a variety of technical areas, including consumer electronics, display technology, telecommunications, semiconductor devices and manufacturing, and business methods. Mr. Beck also has participated in patent, trademark and trade secret litigation, and has counseled clients in various technology transfer agreements. He has worked extensively on various reissue and reexamination matters, including several inter partes reexamination.

Mr. Beck served as a patent examiner at the United States Patent & Trademark Office from 1989 to 1990. In this capacity, he examined inventions utilizing photocells, including applications involving auto focus cameras, semiconductor devices with photosensitive components, photocopiers, and security systems.

Mr. Beck is a graduate of Georgetown University (J.D., 1993; B.S., physics and government, magna cum laude, 1989). During law school, he served as the notes and comments editor of the Georgetown Immigration Law Journal. As an undergraduate, Mr. Beck was a member of Phi Beta Kappa and Alpha Sigma Nu.

Mr. Beck currently is a member of the American Intellectual Property Law Association, the American Bar Association, and the Federal Circuit Bar Association. He is admitted to practice in the District of Columbia and Virginia, and before the Federal Circuit, the U.S. Patent and Trademark Office, and various U.S. district courts.
Norm Rich, Presenter

Norm J. Rich is a partner with Foley & Lardner LLP in the firm’s Washington, D.C. office. He is a member of the firm's Trademark, Copyright & Advertising Practice.

Mr. Rich’s practice involves a wide variety of intellectual property matters with a focus on the strategic management of trademark, copyright and domain name assets. His work includes client counseling, negotiating trademark and copyright agreements, prosecution of domestic and international trademark applications, evaluating trademark clearance searches and preparing legal opinions on availability and related risks, implementing brand management intellectual property protection programs and handling trademark enforcement and litigation before the Trademark Trial and Appeal Board of the U.S. Patent and Trademark Office. His client work also includes domain name disputes as well as advertising and promotions counseling.

Mr. Rich is recognized in *World Trademark Review’s "WTR 1000" Directory of The World’s Leading Trademark Professionals*. He is a former trademark examining attorney at the U.S. Patent and Trademark Office.
Shaun Snader is Vice President, Associate General Counsel, Intellectual Property for United Therapeutics Corporation, a growing pharmaceutical and biotechnology company. He is responsible for managing the company’s intellectual property portfolio, including supervising patent litigation and the prosecution of our patent portfolio.

Mr. Snader’s responsibilities include developing the company’s intellectual property strategy, conducting IP-related diligence for licensing and collaboration opportunities, and providing strategic counsel on intellectual property issues.

Previously, Mr. Snader worked at law firms where he focused on patent litigation, including Hatch-Waxman litigation. His trial experience includes trials before federal district courts, the International Trade Commission, and arbitral tribunals.
Overview

1. Potential Risks of IP Claims
2. Strategies to Avoid IP Claims
3. Tips for Responding to IP Claims
4. Practical Implications – Recent Legal Developments
1. Risks of IP Claims

- Overview of remedies for IP claims
- Trends in patent, trade secret, trademark and copyright litigation
What’s the Risk?: IP Remedies

- Any IP claim:
  - Injunctive relief for continued tortious conduct
  - Damages
  - Attorneys fees/costs for exceptional cases
  - Litigation cost
  - Business disruption resulting from expansive discovery
  - Reputational harm if liability established

![COMPONENTS of S&P 500 MARKET VALUE](image)
What’s the Risk?: IP Remedies

- **Patent:**
  - Damages: “reasonable royalty” or lost profits
  - Injunction (over life of patent)
  - Up to treble damages for willfulness
What’s the Risk?: IP Remedies

• **Trade Secret:**
  
  – Injunctive relief available in civil suits (federal and state)
    • Potential for ex parte seizures under DTSA (18 USC 1836(b)(2)(A)(i))
    • Future use may be conditioned on payment of reasonable royalty
  
  – Damages for actual loss and/or unjust enrichment (under DTSA)
  
  – Exemplary damages (up to double) for willful or malicious misappropriation
  
  – Attorneys’ fees for certain bad faith conduct
  
  – Potential criminal liability under Economic Espionage Act (18 USC 1831 and 1832)
What’s the Risk?: IP Remedies

- **Trademark:**
  - Injunctive Relief
  - Actual Damages
  - Defendant’s Profits
  - Reasonable Royalty
  - Attorneys’ Fees/Costs
  - Triple Damages (Willful Counterfeiting)
What’s the Risk?: IP Remedies

- **Copyright:**
  - Injunction
  - Actual Damages
  - Attorneys’ Fees/Costs
  - **Statutory Damages** (Registration required)
    - b/t $750 and $30k for each infringed work
    - not less than $200 for innocent infringement (if no © notice)
    - up to $150k for each infringed work, if willful
Patent Claims: How Big Is The Risk?

- Litigation decreases, while patent grants increase

Fig 1: Patent case filings and grants

Patent Claims: How Big Is The Risk?

New Patent Cases

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. District Courts</th>
<th>International Trade Commission (ITC)</th>
<th>Patent Trial and Appeal Board (PTAB)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2605</td>
<td>36</td>
<td>111</td>
<td>2641</td>
</tr>
<tr>
<td>2009</td>
<td>2561</td>
<td>30</td>
<td>792</td>
<td>2591</td>
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<td>2010</td>
<td>3349</td>
<td>68</td>
<td>3972</td>
<td>3405</td>
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<tr>
<td>2011</td>
<td>3901</td>
<td>71</td>
<td>5509</td>
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<tr>
<td>2012</td>
<td>5453</td>
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<td>6933</td>
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<td>2013</td>
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<td>47</td>
<td>6723</td>
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<td>2014</td>
<td>5009</td>
<td>37</td>
<td>7622</td>
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<td>2015</td>
<td>5788</td>
<td>39</td>
<td>6464</td>
<td>6464</td>
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<tr>
<td>2016</td>
<td>1798</td>
<td>55</td>
<td>6388</td>
<td>6388</td>
</tr>
<tr>
<td>2017</td>
<td>1799</td>
<td>65</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: https://www.docketnavigator.com/stats
Patent Claims: How Big Is The Risk?

• Median damage award in 2016: $6.1M
  - Significant drop from 2015 (about $10M)

• Higher damages awarded to NPEs (Non-Practicing Entities)

• Cases brought across wide range of industries

Patent Claims: How Big Is The Risk?

Patent Litigation median costs*:

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Through discovery</th>
<th>Through trial, appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$1M at Risk</td>
<td>$400K</td>
<td>$600K</td>
</tr>
<tr>
<td>$1M-$10M</td>
<td>$950K</td>
<td>$2M</td>
</tr>
<tr>
<td>$10M-$25M</td>
<td>$1.9M</td>
<td>$3.1M</td>
</tr>
<tr>
<td>&gt;$25M</td>
<td>$3M</td>
<td>$5M</td>
</tr>
</tbody>
</table>

- Administrative challenges at USPTO significantly cheaper*
  - Through filing petition  $80K
  - Through end of motion practice  $200K
  - Through PTAB hearing  $275K
  - Through appeal  $350K

*2015 AIPLA Economic Survey
Trade Secret Claims

- Anticipated increase, despite dip in 2016

Trademark Claims

• Trademark cases remain steady
  – Small increase in 2014 from several cases against NFL

Damages in trademark litigation come almost entirely from default judgments, and a majority of the rest come from consent judgments.

Copyright Claims

- Traditional cases remain steady (i.e., excluding file sharing cases)

Overall trends

• IP litigation and damage awards have levelled off, but increasing value of IP keeps owners aggressive in enforcing rights
  – Enactment of DTSA reflects continued concern over defense of IP rights
• Despite availability of administrative remedies, costs of litigation, business disruption and potential reputational harm continue to be significant potential threats
2. Avoiding/Minimizing Risk

• General best practices

• Specific practices to avoid patent, trade secret, trademark and copyright claims
Best Practices

• Document and protect companies’ own IP
• Establish standards for IP ownership and indemnification in:
  – Employment agreements
  – Supply/sale agreements
  – Joint development agreements

• Implement reasonable freedom to operate (FTO) procedures and availability/risk assessments for high risk products and services
  – Incorporate searches as part of product development cycle
Best Practices – Employment Agreements

• Address IP in detail in employment agreements
  – Present assignment of all rights
  – Certification of prior inventions
  – Cooperation clause – secure an obligation to cooperate should you need post-employment cooperation from an inventor, e.g., signatures and declarations
  – Certification of return of all confidential materials upon end of employment
Best Practices – Third Party Agreements

• What IP may arise and what rights you need or want
  – Ownership or license?
  – Joint inventions – allocating ownership and responsibility for prosecution and enforcement

• DTSA notice
  - Not limited to only conventional employees

• Confidential information
  – If you need to disclose trade secrets, the confidentiality obligation needs to be perpetual or at least the life of the trade secret
  – Marking requirement?
Avoiding Patent Claims

• Establish Patent watch/Patentability/FTO procedures as part of product development cycle
  – Tailor to particular business units’ economic considerations and competitive landscape
• Determine “standard” indemnification provisions for tech transfer and product/service sale agreements
• Assess costs of licenses for key IP (such as standard essential IP)
• Evaluate cost and scope of coverage for patent claims insurance
Practical Considerations in Conducting FTO and Patent Searches

• Patent searches provide opportunity to:
  1. Avoid issues before incurring substantial development costs
  2. Identify activities of competitors

• Disadvantages:
  – Costs for searcher, outside counsel
  – Diversion of internal resources
  – Knowledge of patent may:
    1. Establish required knowledge for indirect infringement
    2. Trigger liability for damages
    3. Support finding of willfulness
How to Conduct Cost Effective FTO

• Determine the level of acceptable risk and budget cost/resource
  – Investment in product
  – Expected value of product
  – Litigiousness of industry (NPEs and competitors)
  – Significance of being first to market

• Identify relevant IP based on concepts that are new, provide commercial advantage, and that are known to be prone to litigation risk
  – Consider excluding concepts for which you are indemnified

• Address blocking patents
  – Document conclusions as to non-infringement and invalidity
    • Determine if product practices prior art or expired patents

• Involve counsel to preserve privilege
Avoiding Trade Secret Claims

- Establish hiring practices to avoid claims
  - Screen new employees by requiring disclosure of obligations to third parties (particularly former employees of competitors)
  - Train management and HR personnel to identify issues and consult with in-house counsel
  - Avoid communicating with competitor’s employees who are being recruited during business hours and using competitor’s email
- Consider “clean room” procedures for development likely to be subject to trade secret claims
Avoiding Trade Secret Claims

• Confirm non-disclosure obligations in writing and limit to extent practicable
  – Train employees to consult with in-house counsel as to any non-disclosure agreements
  – Include standard carve-outs for what is defined as confidential or proprietary
• Establish policies for receipt and use of third party confidential information.
  – Train employees on policies and establish reasonable protocols for auditing compliance
  – Monitor employee computers to ensure third-party confidential information is safeguarded
  – Conduct exit interview and confirm non-retention of any confidential information
Avoiding Trademark Claims:

Start with searches and clearance
Why Search?

• Available
• Registrable
• Enforceable
• Risk Factors
  – C&D / Refusal of Registration
  – Opposition / Litigation
  – Business Interruption
  – Cost of Rebranding
Two-Step: TM Searches

- Preliminary
- Full/Comprehensive
Other Searches

- Design search
- Dilution search
- Financings, Mergers, and Acquisitions
- Policing Infringement
What to Look for in a Search Report

Seeing the Forest and the Trees
Why Register?

- Nationwide Rights
- Enforcement
- Business Assets
- Priority based on date of application
- “Intent to Use” application – rights acquired before mark is used
- Evidentiary benefits – Notice to Others
- Fed Court Jurisdiction
- Recordation with Customs
Summary
Avoiding/Minimizing Risk

- **Document** during the development and launch cycles
- **Assessments** for high risk / core products and services
- **Searches** for freedom to operate and clearance
- **Registration** for key assets
3. Responding To Claims

• General considerations to assess and respond to IP claims
• Specific considerations for patent, trade secret, trademark and copyright claims
General Considerations
Receive a Cease and Desist Letter?

• Assess scope of claim:
  – Extent and likelihood of damages
  – Extent and likelihood of punitive damages
  – Likelihood of injunction and impact on business
  – Cost of defense

• Assess the other side:
  – Financial strength of claimant?
  – History of claimant?
  – Opposing counsel?

• If litigation reasonably imminent:
  – Preserve documents
Choosing counsel

• Rely on a specialist
• Assess scope of liability
  – Likely to be resolved pre-trial?
  – Existential threat to business
• Managing costs
  – Fixed fee
  – Capped Fee
  – Budgets
Patent Claims

• Assess infringement risk and invalidity
• Notify all potential indemnitors
• Assess availability of:
  – Redesign
  – License from owner
  – Validity challenges
Patent Validity Challenges

• Post-grant challenges (post AIA)
  – Ex parte reexamination
  – *Inter partes* review
  – Post-grant review
    • Attacks possible on non-publication prior art
    • Must be filed within 9 months from grant
    • For any patent granted on an application that claims priority to an application filed on or after March 16, 2013
    • Must be filed within 9 months of patent issue or reissue, or conclusion of post-grant proceedings

• Declaratory Judgment Action
Trade Secret Claims

• Assess merits of allegation:
  – what information was received
  – who had access
  – what restrictions were in place
• Consider scope of liability and potential remedies
  – Return of information?
  – Redesign?
Trademark Claims

• Additional investigations can help

Look for…
– Evidence of use / non-use
– Reasons for non-use
– Duration of use
– Planned expansion of use / winding down
– Nature of the use
– Geographic limitations
– Trade and marketing channels
– Price points
– Relevant Customers
Resolving Trademark Conflicts

✓ Consent and Coexistence Agreements
✓ Purchase and License Agreements
✓ Petition to Oppose Application / Cancel Registration
✓ Litigation
✓ Cease Use / Phase Out
Copyright Claims

- Additional investigation can help

Look for...
- Copyright registration
- Ownership / Chain of title
- Unlawful copying (access / substantial similarity)
- Independent creation
- Protectable elements (facts vs. ideas)
- Fair use (as defense)
- Abandonment / Public Domain
Resolving Copyright Conflicts

- License Agreement
- $$ (w/ release)
- Cease Use / Phase Out
- Litigation
4. Legal Developments and Potential Impact
Constitutional Challenge to AIA Patent Post-Grant Procedures

Oil States Energy Services LLC v. Greene’s Energy Group, LLC

– Argued on November 27, 2017

– **Question Presented**: Whether *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.

– Total Amicus Briefs: 58

– Decision expected by **June of 2018**

- Supreme Court reversed Federal Circuit’s two-part test from *Seagate*, 497 F.3d 1360 (Fed. Cir. 2007)
- *Seagate* required patentee to show by clear and convincing evidence:
  1. Objective recklessness and
  2. Subjective knowledge of risk of infringement.
- *Halo*:
  1. Eliminated objective prong
  2. Reduced clear and convincing standard with preponderance standard
- Lowers bar for proving willfulness, but concurrence emphasized that district court should not award enhanced damages based solely on knowledge of patent
- Best practice post-*Halo*:
  1. Obtain opinion of counsel, particularly for high risk issues
  2. Conduct reasonable investigation after identifying potential infringement risk and document investigation.
Trade Secret Claims under DTSA

• Defense of Trade Secrets Act enacted 5/11/2016
  – Provides for ex parte seizures
  – Conditions some damage awards on disclosure of whistleblower provisions to employees

• Since enactment:
  – Courts have been reluctant to order seizures
  – At least one lower court has required pleading facts sufficient to identify alleged trade secret and measures used to protect them

• May result in more uniformity

• Reflects trends to require early identification of alleged trade secrets
Other “Nefarious” Issues

• Deep Linking
  - Provide a link on one website to a specific page or content on another website, bypassing the other website’s home page or main page.

• Web Scraping
  - Download web page data and extract specific information from it.
Questions?

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