



WORLD INTELLECTUAL  
PROPERTY ORGANIZATION



**WIPO – A BUSINESS-ORIENTED OVERVIEW OF INTELLECTUAL  
PROPERTY FOR LAW AND MANAGEMENT STUDENTS**  
**Topic 14**  
**IP Enforcement as a Strategic Business Tool**

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**Geneva, 31.5.07**

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## Three stages to any IP strategy



### 1 – Creation & Recognition (**IDENTIFY**)

(automatic through registration only)

- a) use the right experts (per country & field)
- b) audits and regular reviews

### 2 – Value Generation (**MANAGE**)

- a) Preservation
- b) Budget and accounting
- c) Revenue generation (licensing and sales)
- d) Financing considerations

### 3 – Enforcement (**PROTECT**)

- Need to budget and plan globally
- Need to use the right experts at each stage
- Need to be organized internally & internationally



# LITIGATION & ENFORCEMENT STRATEGIES

## Issues For Management

Part 1: Litigation as a Business Strategy

Part 2: Key Questions in IP Litigation

Part 3: ADR & Mediation



## Part 1:

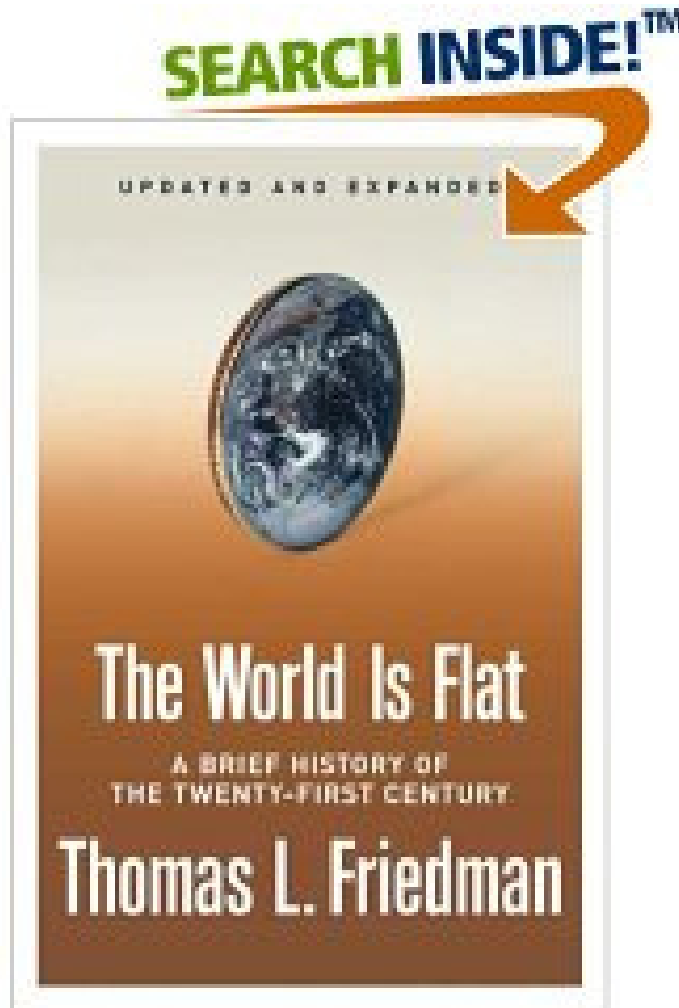
# LITIGATION AS A BUSINESS STRATEGY IN A FLAT WORLD

# The World is Flat



Source: [http://www.amazon.com/World-Flat-Updated-Expanded-Twenty-first/dp/0374292795/sr=8-1/qid=1170718271/ref=pd\\_bbs\\_sr\\_1/103-1446205-6484642?ie=UTF8&s=books](http://www.amazon.com/World-Flat-Updated-Expanded-Twenty-first/dp/0374292795/sr=8-1/qid=1170718271/ref=pd_bbs_sr_1/103-1446205-6484642?ie=UTF8&s=books)

**SEARCH INSIDE!**<sup>TM</sup>



## The World Is Flat [Updated and Expanded]: A Brief History of the Twenty-first Century by Thomas L. Friedman

(Hardcover - April 18, 2006)

Hardcover: 608 pages

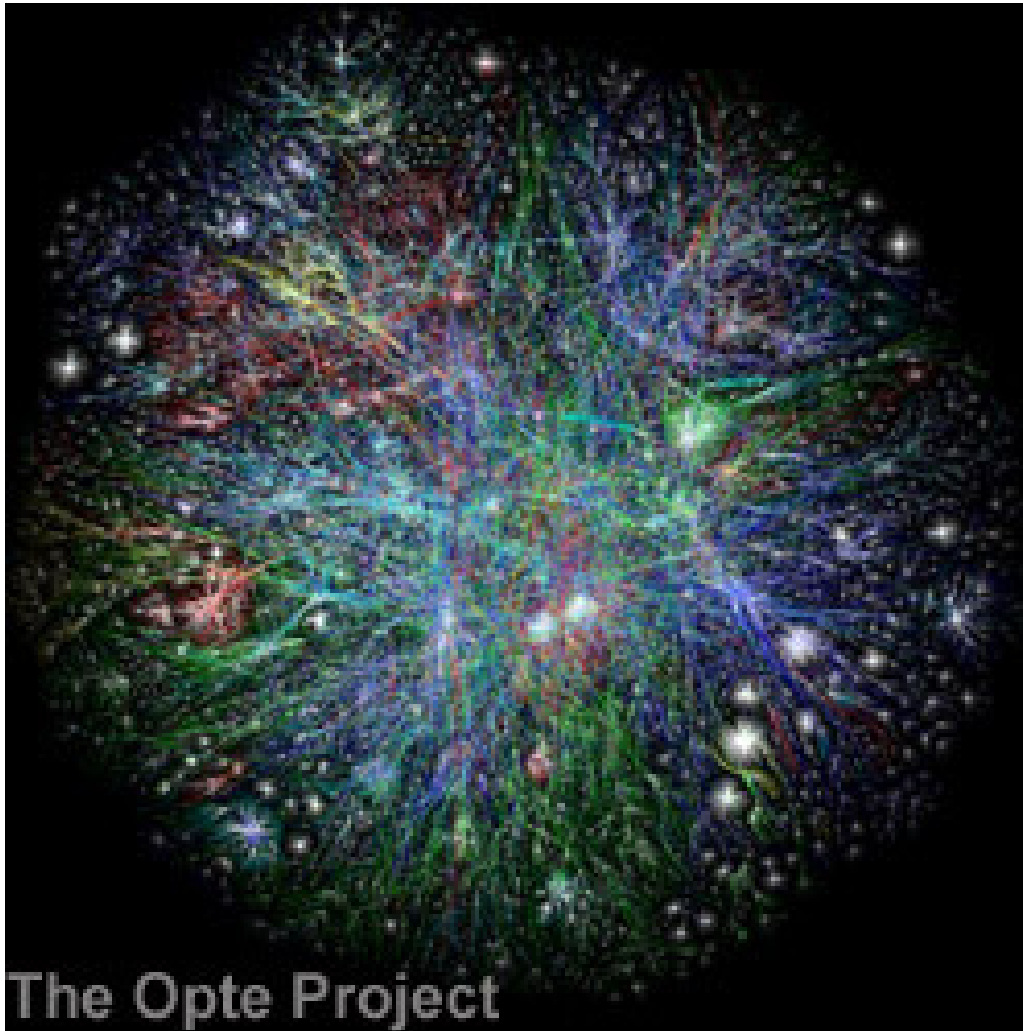
Publisher: Farrar, Straus and Giroux; Expanded and Updated edition (April 18, 2006)

Language: English

ISBN-10: 0374292795

ISBN-13: 978-0374292799

# The Internet: <http://www.opte.org/maps/>



This graph is by far our most complex. It is using over 5 million edges and has an estimated 50 million hop count. We will be producing more maps like this on a daily basis. We still have yet to fix the color system, but all in due time.

Asia Pacific - Red  
Europe/Middle East/Central  
Asia/Africa - Green  
North America - Blue  
Latin American and Caribbean - Yellow  
RFC1918 IP Addresses - Cyan  
Unknown - White

# US IP Litigation Surveys 2006 ⇒ Big Business



Source <http://271patent.blogspot.com/>

- Patent infringement lawsuits have more than doubled since 1990 (peak = 3,075 filings in 2004; 2,720 in 2005 Source: [Administrative Office of the U.S. Courts](#) ) (Ave. = ↑11% for patents, ↑15% for TMs over last 5 yrs)
- IP 360 Survey: US IP disputes generated US\$ 3.4B in judgments and settlements in 2006 (↓ from almost US\$ 7B in 2005, where 9 cases had damages > US\$ 300M)
- But Bloomberg survey says jury verdicts are much higher in '06 than '05:

## TOP 10 US IP CASES IN 2006

1. NTP Inc. v. RIM (\$613M) (S)
2. Masimo Corp. v. Tyco Int'l Ltd. (\$330) (S)
3. InterDigital v. Nokia (\$253M) (S)
4. Rambus v. Hynix (\$134M; w/ interest \$307M) (J)
5. David Colvin v. Microsoft/Audodesk (\$133M) (J)
6. Advanced Med. Optics v. Alcon (\$121M) (S)
7. Finisar v. DirecTV (\$116M – with Interest) (J)
8. Texas Instruments v. GlobespanVirata (\$112M) (J)
9. ABC/CBS/NBC v. Echostar (\$100M) (S)
9. (tie) Creative Technology v. Apple Computer (\$100M) (S)
9. (tie) MGM Studios et al. v. Kazaa (\$100M) (S)
9. (tie) University of California v. Monsanto (\$100M - >259M) (S)

## TOP 10 CASES US IP CASES OF ALL TIME

1. \$1,350M - Michelson v. Medtronic (S)
2. \$1,250M - Sun Microsystems v. Microsoft (S)
3. \$1,000M - Texas Instruments v. Hyundi (S)
3. \$1,000M - Texas Instruments v. Samsung (S)
5. \$873M - Polaroid v. Eastman Kodak (J)
6. \$750M - Medinol v. Boston Scientific (J)
7. \$613M - NTP v. Research in Motion (S)
8. \$536M - Novell v. Microsoft (S)
9. \$521M - Eolas Technologies v. Microsoft (J)
10. \$500M - City of Hope Medical v. Genentech (J)

S = Settlement  
J = Judgment



## Litigation as part of a Business IP Strategy

- Damages can be very lucrative (e.g., Polaroid)
- But market share can be more important (e.g., Kodak)
- Combining resources and suing (“trolls”)
- Building up a war chest (e.g., in Asia), then sue (e.g., in USA)
- Consider contingency fee lawyers (e.g., Lemelson/Hosier)
- Opposition and filing / delay strategies
- Multi-jurisdictional litigations (e.g., Germany v. UK v. FR)
- Generic Co. strategies: go for weak patents & be first in generics space
- Check insurance policies & protection partnerships
- Opinion letters (protection v. wilful infringement)
- Practice prior art and make prior offer for sale if won’t patent
- ADR often best, even if post-dispute -- e.g., use WIPO MED-ARB clauses.

Often, however, you have no choice, and find yourself the defendant ...

**DANGERS:** Injunction, Treble Damages (USA), Need opinions from IP counsel





## Insurance Considerations

- IP Disputes are unlikely to be covered by standard Commercial/Comprehensive General Liability insurance agreements. Additional coverage is often needed (especially at time of product launch).
- **Media Liability and Errors and Omissions Policies:** for media & entertainment companies (covers © infringement; misappropriation of ideas not subject to ©; trademark infringement; breach of an implied contract relating to a third - party's submission of an idea or other creative material to the policyholder etc. These policies do not cover claims for patent infringement, false advertising, claims brought against the insured by former employees or others who allege having creator's rights).
- **Patent Insurance Policies:** 3 Sorts
  - ✓ Defense and Indemnity (typically not available for willful infringement or pre-existing knowledge)
  - ✓ Insurance for Plaintiff's Patent Litigation Costs
  - ✓ Patent Defense - Cost Only Insurance
- Issues:
  - Retention and control of counsel
  - Internal organisation of company & IP controls are essential for this to be granted

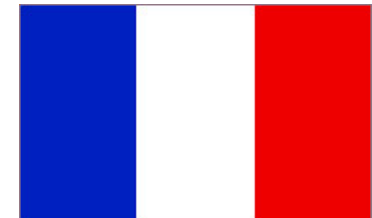
# The problem: IP = Global needs, but national laws: WE CAN NO LONGER THINK NATIONALLY



- Different rights per country: e.g., ® v. ™, ©
- Different standards of inventorship/ownership
- Different impacts of co-ownership (see later)
- Antitrust and Competition Law issues
- Different enforcement procedures: venues, jurisdictions, scopes of relief, judges etc.
- NB: A valid national IP right ≠ an internationally valid/enforceable IP right
- IP rights raise issues of public policy/ordre publique

**= COMPLEX, EXPENSIVE, INCONSISTENT, INEFFICIENT**

# Legal Practitioners = Fish in fishbowls



This is compounded in IP cases due to split professions



## Part 2:

# KEY QUESTIONS

1. Why? (Reason)
2. Where? (Venue)
3. Who to hire? (Representation)
4. What do we need to show? (Legal issues)
5. What can we get? (Remedies)
6. How much? (Costs)
7. How long? (Time)
8. How strong is my case? (Risk: Success rates?)



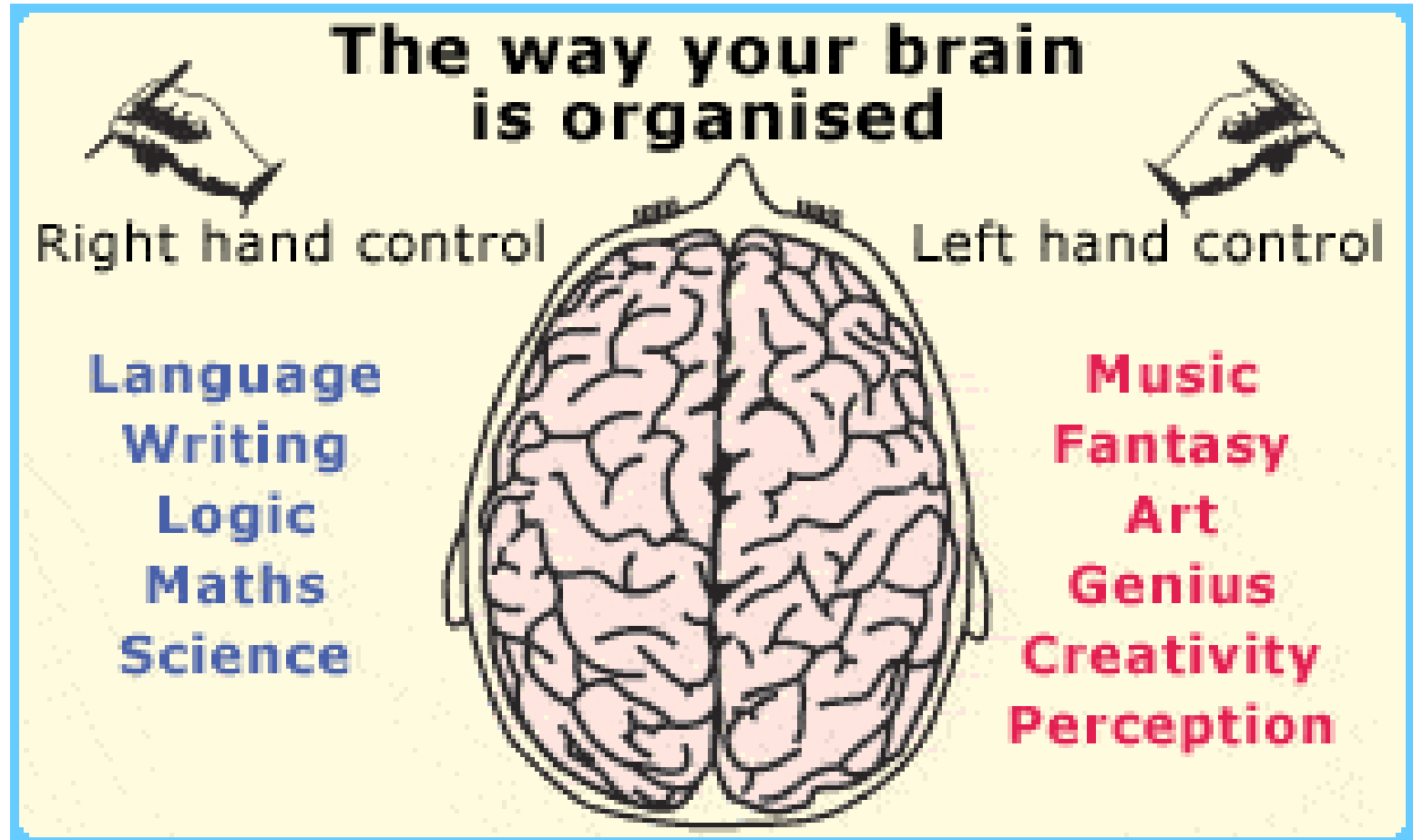
## KEY QUESTIONS: 1-Why? (Reason)

### Overall: **Why Litigate? What Do You Wish To Achieve?**

- Know why you are litigating!
- Possible reasons:
  - Stop competition
  - Obtain a license
  - Claim (co-)ownership
  - Infringe but gain market share
  - Make competitor spend time and money
  - Create a precedent & enforce strength of IP
  - Make money (e.g., “trolls”, Lemelson)
  - Destroy competitor’s barriers to entry
  - Obtain visibility
  - Carve out different geographic/national territories
  - Emotions, egos & anger



# How we tend to think and behave



Source: [http://news.bbc.co.uk/cbbcnews/hi/sci\\_tech/newsid\\_2191000/2191138.stm](http://news.bbc.co.uk/cbbcnews/hi/sci_tech/newsid_2191000/2191138.stm)

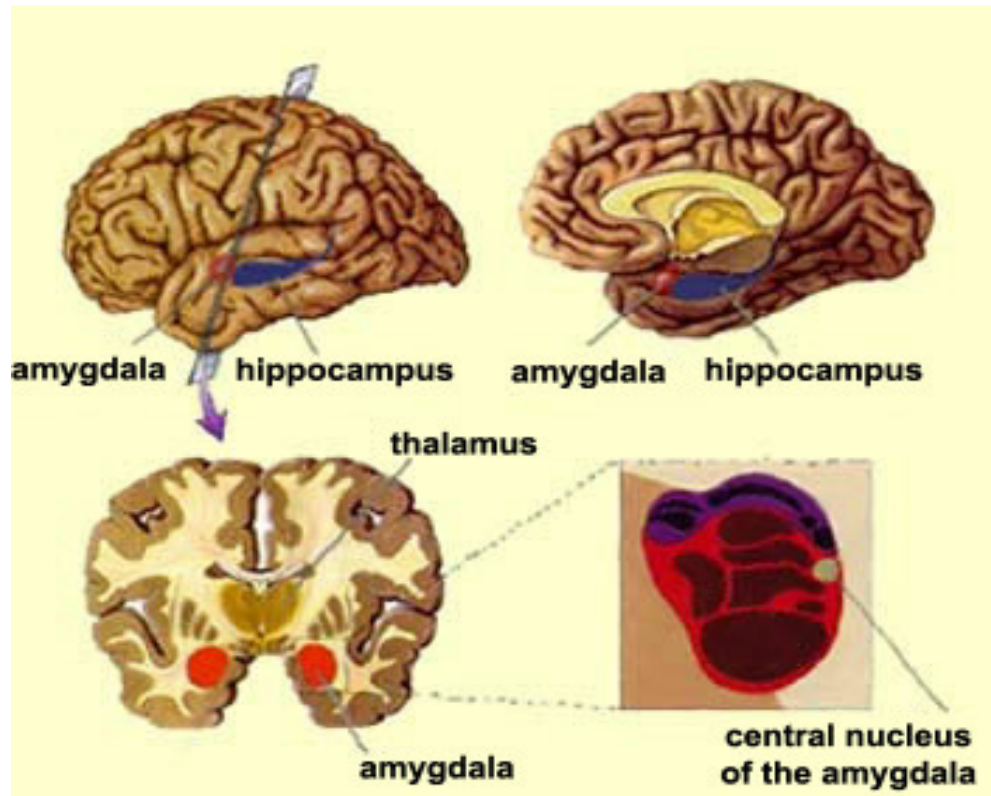
# DISPUTES & EMOTION: THE AMYGDALA



A primitive part of the brain, dominant in situations of fear, anxiety or stress => "fight or flight" reflex. When activated, it consumes primary energy in the brain.

The amygdala is a brain structure that is essential for decoding emotions, and in particular stimuli that are threatening to the organism. As a result of evolution, many of our body's alarm circuits are grouped together in the amygdala.

Consequently, many sensory inputs converge in the amygdala to inform it of potential dangers in its environment. This sensory information comes to the amygdala either directly from the sensory thalamus or from the various sensory cortices



Source: [http://www.thebrain.mcgill.ca/flash/i/i\\_04/i\\_04\\_cr/i\\_04\\_cr\\_peu/i\\_04\\_cr\\_peu.htm](http://www.thebrain.mcgill.ca/flash/i/i_04/i_04_cr/i_04_cr_peu/i_04_cr_peu.htm)



## Question 2: Where to Litigate? (Venue)

- Domicile of Defendants
  - Where defendants are manufacturing or selling (most?)
  - Where tort/damage happens
  - Where the IP is registered (court v. admin proceedings) e.g., Washington DC
  - Where laws are most favourable for IP owner / infringer
  - Where cost/risk benefit is better
  - Where lawyers are best/most capable
  - Where procedural advantages exist:
    - Discovery (common law countries)
    - “Saisie en contrefaçon” (with court bailiff/huissier)
    - Bifurcated court system (e.g., Germany: validity v. infringement)
  - Where remedy is broader (e.g., “Euro-” or “torpedo” injunctions)
- = All elements at maximizing damage to opponent and increasing your chances of winning.



## Question 3: Who to Hire? (Representation)



- Specialist consultants can be useful in many situations, but technical sub-specialization and national laws within IP makes them essential.
- Lawyers also have Attorney/Client or Work Product privilege that protects your communications from discovery. Purpose is: so client can confide completely in their attorneys to check compliance.
- There are 3 Different types of IP « Attorneys »
  - 1 General Business Lawyers (“Solicitors”)
  - 2 Litigation Lawyers (“Barristers”)
  - 3 IP Agents / IP “Attorneys”: NB In EU are not lawyers.
  - A combination of 3+2 or 3+1 above may be necessary
- But be careful you have the right experts for the right countries, technologies, courts (e.g., admin v. court proceedings) & are thinking holistically

## Question 4: What Needs to be Proven? (Legal Issues)



- Copyrights:
  - Plaintiff: Copying & derivation
  - Defendant: Unknown, independent generation; fair use/dealing
- Trademarks:
  - Plaintiff: Likelihood of confusion (e.g., surveys, consumer errors) & dilution
  - Defendant: Invalidity, misuse of TM, abandonment, lack of confusion; fair use
- Domain Names (UDRP):
  - Plaintiff: confusing/identical + no rights/interests + bad faith
  - Defendant: any one of: no confusion, no right/interest, no good faith interest
- Design Rights:
  - Plaintiff: Overall impression on informed user
  - Defendant: invalidity, functionality, no similarity (informed user), prior art; fair use
- Trade Secrets:
  - Plaintiff: Proper efforts to keep TS + Duty of care + breach of duty of care
  - Defendant: No efforts to keep TS, no duty of care, in public domain, reverse engineered, no breach (will also depend on terms of contract, if CDA-based)
- Patents:
  - Plaintiff: Product covered by all elements of a claim (directly or by equivalence)
  - Defendant: Invalidity, non-infringement (missing element of claim), practicing prior art, inequitable conduct, filewrapper estoppel; research exemption.



## Question 5: What Can We Get? (Possible Remedies)

- Preliminary injunction/Temporary restraining order
  - Emergency measures
  - Act quickly & prove irreparable harm
- Damages + interest
  - Lost profits
  - Reasonable royalty
  - Defendant's profits
- Declaratory judgment (e.g., of invalidity or non-infringement)
- Permanent injunction
- Willful infringement or "*contrefaçon aggravée*"
- Specific performance (e.g., of a contractual provision)
- *Astreinte* = daily penalty for continued infringement
- Accounting
- Costs & attorneys' fees
- *Action en revendication*: to be added to or replace listed inventor



## Questions 6-8: Cost/Time/Risk?

- Depends on nature of case
- Statistics on patents: Can get very sophisticated
- Cf. presentation by Michael Elmer of January 2001

### Top Ten Global Patent Litigation Jurisdictions by Number of Patent Infringement Cases for 1997-2001<sup>1</sup> and A Sample IT Patent Case Assessment<sup>1</sup>

By: Michael C. Elmer, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, 2005

No.	Country	No. of Filings	Historical % of Decisions In Favour of Patentee <sup>1</sup>	Typical cost/case (US\$) <sup>2</sup>	Typical time/case (months)
1	USA	11,652	59% <sup>3</sup>	3.5 M	30
2 <sup>4</sup>	China	4,894	46%	450 K	24
3	Germany <sup>5</sup>	3,850	41%	1.7 M	20
4	France <sup>6</sup>	1,862	55%	750 K	37
5	Korea	1,651	N/A	N/A	N/A
6	Taiwan	1,478	N/A	N/A	N/A
7	Japan	1,186	20% <sup>7</sup>	1.5 M	26
8	Brazil	620	N/A	N/A	N/A
9	UK <sup>8</sup>	601	25%	1 M	14
10	Canada	382	N/A	N/A	N/A

FORUM	COST	OVERALL TIMEFRAME	PATENTEE WIN RATE	INITIAL EXPECTED VALUE	MOST LIKELY TRIAL OUTCOME**
<u>U.S.</u> ND CA ITC	\$3.5 M \$4 M	30 mos. 7.5 mos.	74%* 47%	\$33.4 M ---	53.4 M ---
<u>China</u> Beijing	\$450 K	24 mos.	45.5%	\$51.4 M	\$126 M
<u>France</u> Paris	\$750 K	37 mos	55%	\$10.7 M	\$23.8 M
<u>Germany</u> Düsseldorf	\$0 or \$1.7 M	20 mos.	40.6%	\$4.15 M	\$4.77 M
<u>Japan</u> Tokyo D. Crt. Osaka D. Crt.	\$1.5 M \$1.5 M	26 mos. 26 mos.	15% 25%	\$3.8 M \$7.2 M	\$ -0.6 M \$0 M
<u>UK</u> London	\$1 M	14 mos.	25%	\$3.4 M	- \$1 M

Source: M. Elmer, Finnegan Henderson (2006)



## Part 3: ADR & Mediation

## REVIEW OF THE PROBLEM: A complex web of international and national laws



### e.g., Patents: Global Harmonization but Key Differences Remain

- Different national standards on inventorship/ownership
- Different impacts of co-ownership
- Confusion between “patentable” v. “freedom to operate”
- US vs. Rest of World issues: e.g., known prior art & best mode
- A national issued IP right  $\neq$  an internationally valid/enforceable IP right
- Poor valuation tools and flawed methodologies (e.g., scope, validity?)
- Too costly for SMEs and Universities (filings & disputes)
- Enforcement issues: venues, jurisdiction, scope of relief, judges
- Joint Venture provisions need to be exquisitely detailed
- Scope of licenses: what IP, worldwide, exclusive, delegable, revocable, access rights ...?
- Unclear impact of antitrust and EU Competition laws (e.g., TTBER 2004)



# Legal Approach to Dispute Resolution:

THE MATHEMATICAL SYLLOGISM  
(*Le Syllogisme Juridique*):

FACTS (past)

+

APPLICABLE LAW(S)

=

Outcomes  
("Conclusions")

**HOW WELL DOES THIS WORK?**

# THE FACTS: What is “the Truth”?



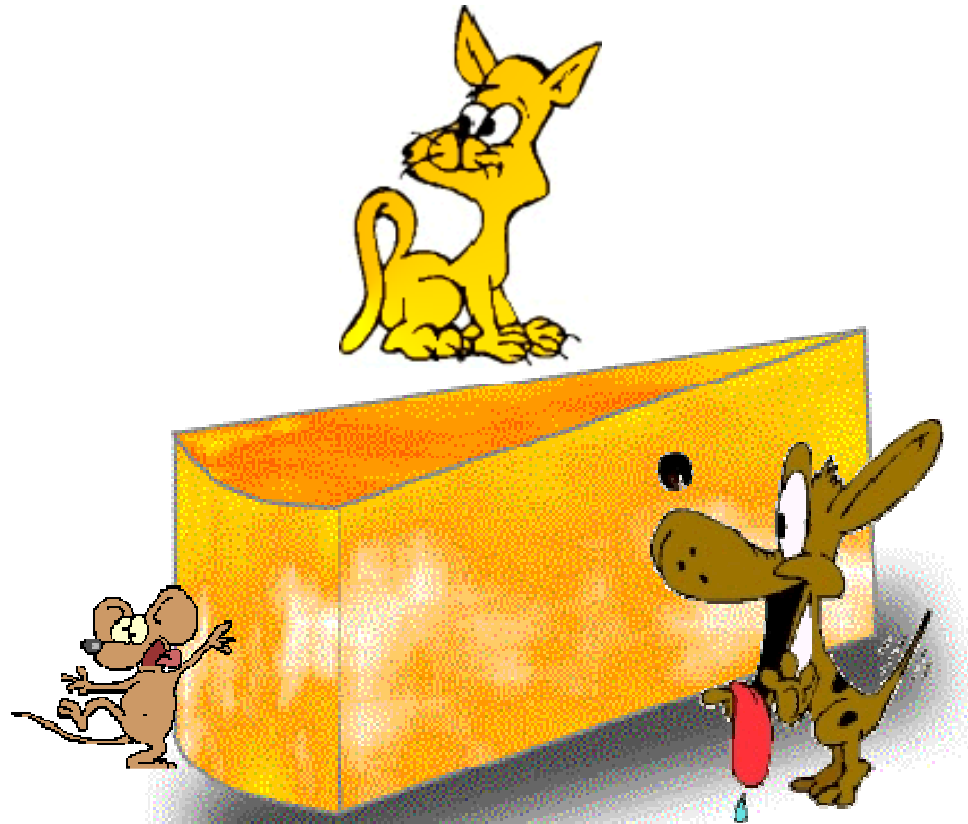
Is this woman  
young ...



... or old?



# Cheese as an example of the subjectivity of facts



**Each animal has different interests, perspectives and expectations**

# Technology & IP Disputes: A Cultural Dimension?



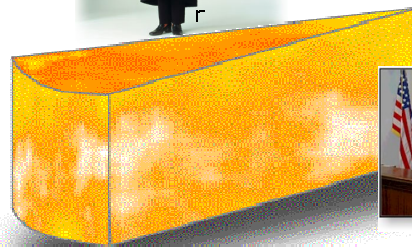
“Ever more frequently, one experiences the same patent being litigated in more than one European jurisdiction. This has very often given rise to what I believe to be the most interesting aspect of the topic under consideration: the differences which have arisen in jurisprudence which reflect a difference in philosophy and even in culture when it comes to construing patent claims.”

“As one of the London patent judges recently stated: 'Intellectual Property litigation in general and patent litigation in particular in Europe is in a state of some disarray.'”

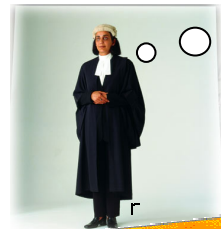
Judge Michael Fysh  
Patents County Court (UK)

The invention is ...

a square



a triangle



a rectangle



# A NEW APPROACH IS NEEDED: A dispute is never about what it is about ...



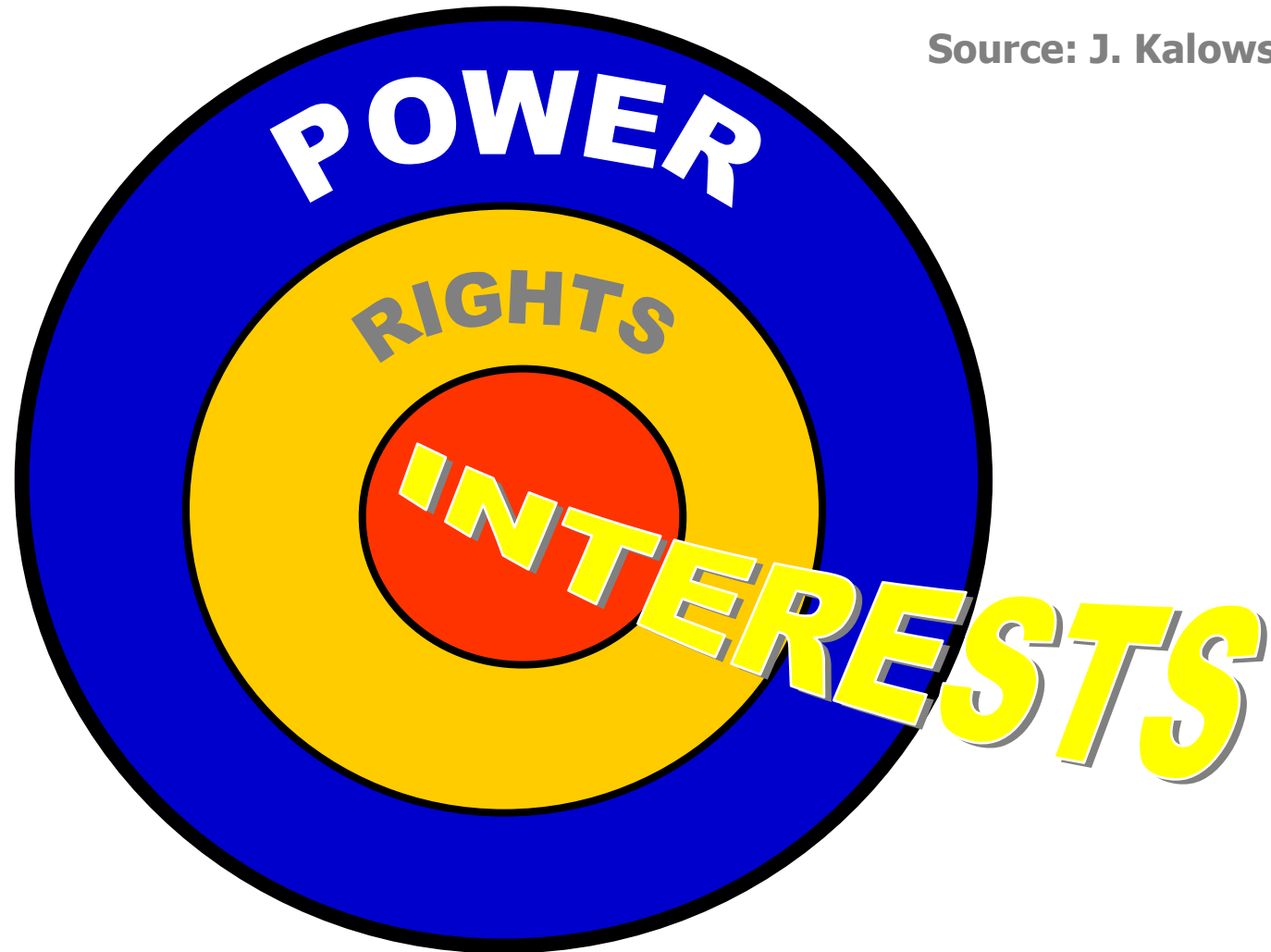
Although the “objective” aspects of the dispute may be apparent ...

... the “subjective” aspects remain to be discovered.

# Typical Approaches To Dispute Resolution



Source: J. Kalowski



# Alternative Dispute Resolution (ADR) Options

Source: Joanna Kalowski



Least Evaluative  
Least Structured  
Least Formal



Most Evaluative  
Most Structured  
Most Formal

**NEGOTIATION**

**MEDIATION**

**INDEPENDENT EXPERT APPRAISAL**

**CONCILIATION**

**NEUTRAL EVALUATION**

**ARBITRATION**

**ADJUDICATION**



Consensual  
Parties in control



Adversarial  
Third party in control



## Litigation v. ADR

- Different IP Rights granted/enforced by national IP Offices & Courts
- Often only enforceable by parallel litigation before many national courts
- Quality of Judges/judgments varies tremendously
- Costs increasingly exorbitant
- Results often inconsistent (cf Epilady/Improver)
- Complex technical & legal issues should favor “one stop shop” Arbitration
- Also, disputes often relate to non-legal & subjective issues (e.g., standards)
- But, validity of a national IP rights **may not be arbitrable** subject matter

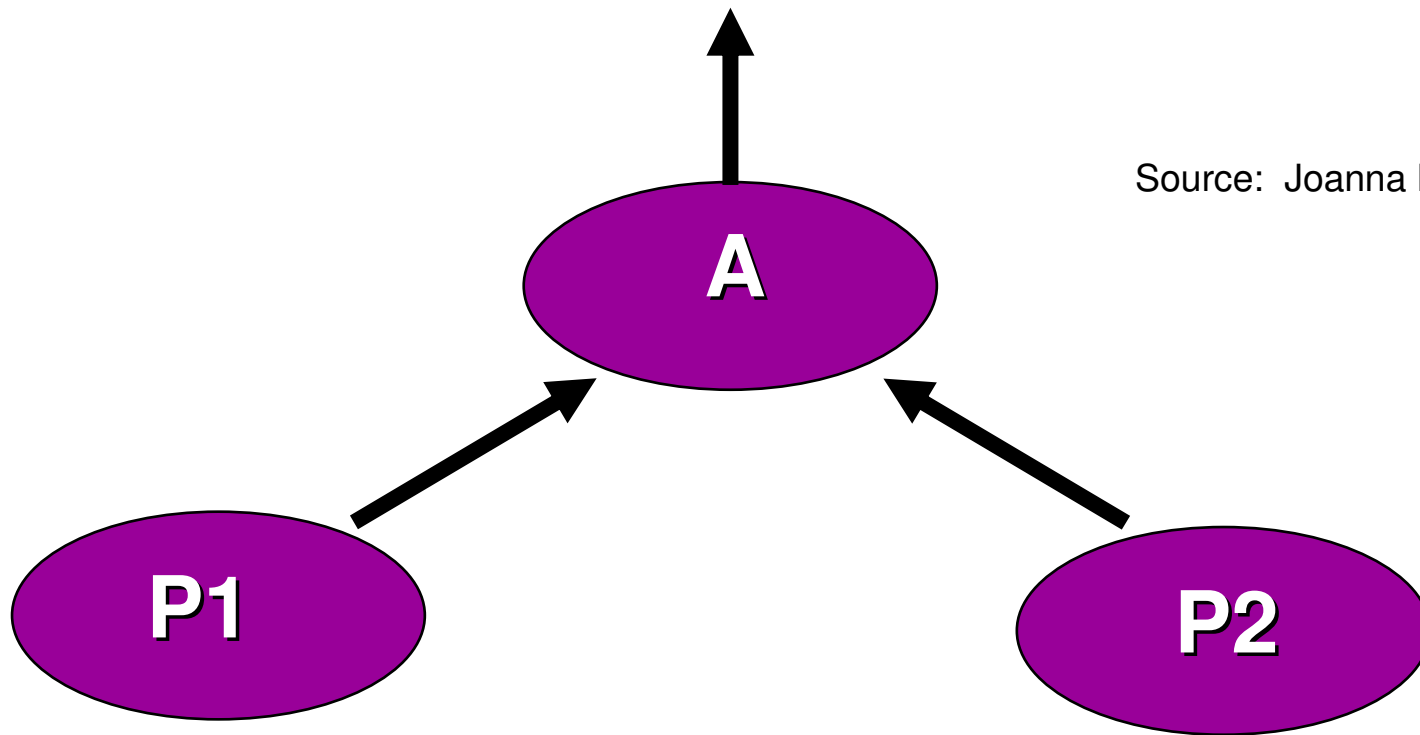
## Some Problems with IP and Arbitration



- Our world has changed in at least three ways:
  - Consumerism
  - Globalization
  - Technology.
- More and more businesses (and disputes) involve IP issues
- These IP issues often involve matters of competition law and the validity of IP assets
- Issues of competition law or the invalidity or nullity of registered IP assets are **non-arbitrable** subject matter (although civil lawyers can try make to make these issues incidental and only “*inter-partes*” v. “*erga omnes*”) (e.g., [Art. 92 Reg. 40/94 CTMR](#))
- So, many modern disputes cases are not fully arbitrable or may not be enforceable under the NY Convention (thus reducing business certainty) (See 2001 [Hague expert discussion](#))
- This is an area is where new dispute resolution procedures are particularly needed.



## Resolution



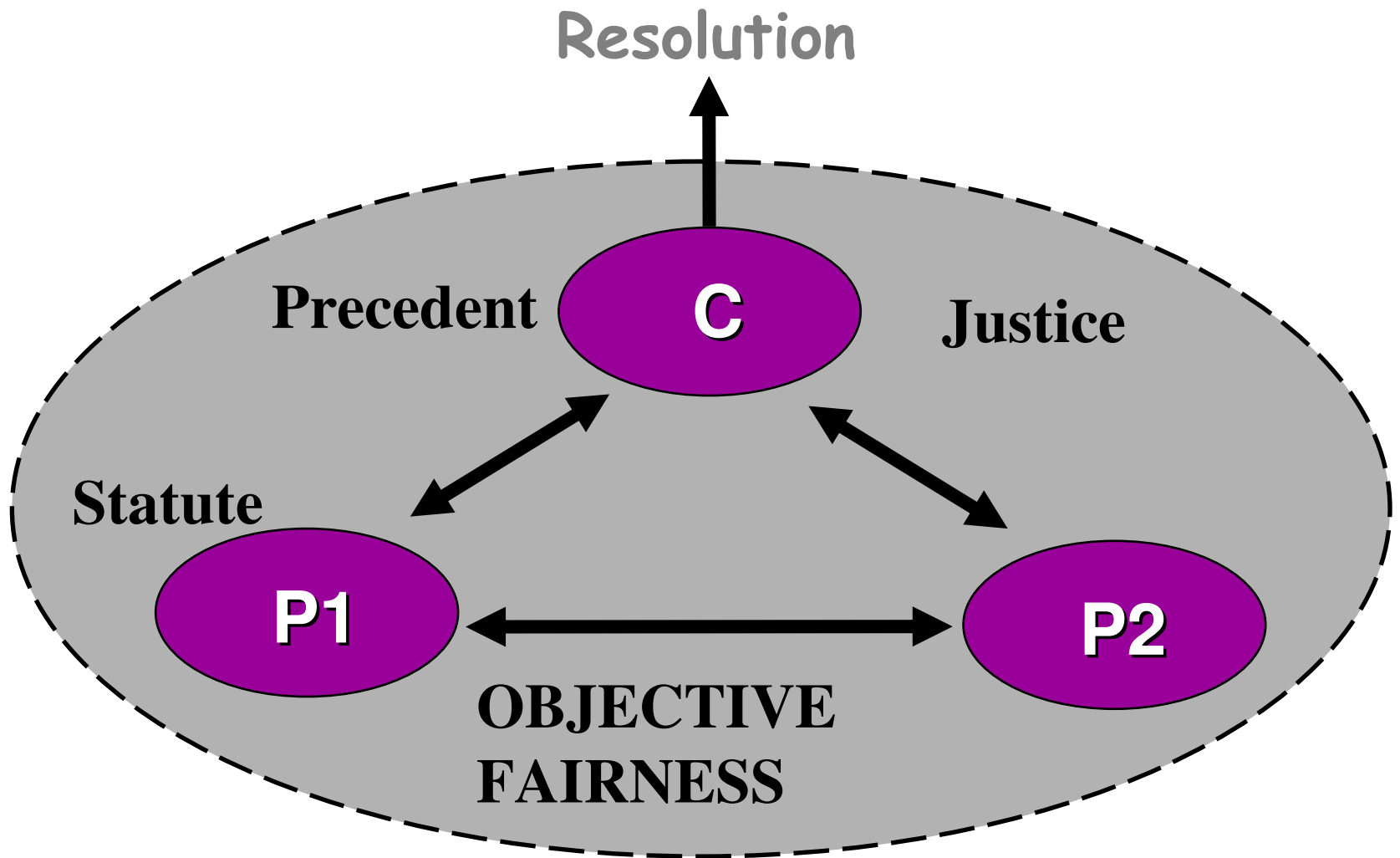
Source: Joanna Kalowski



# ... Conciliation v. ...



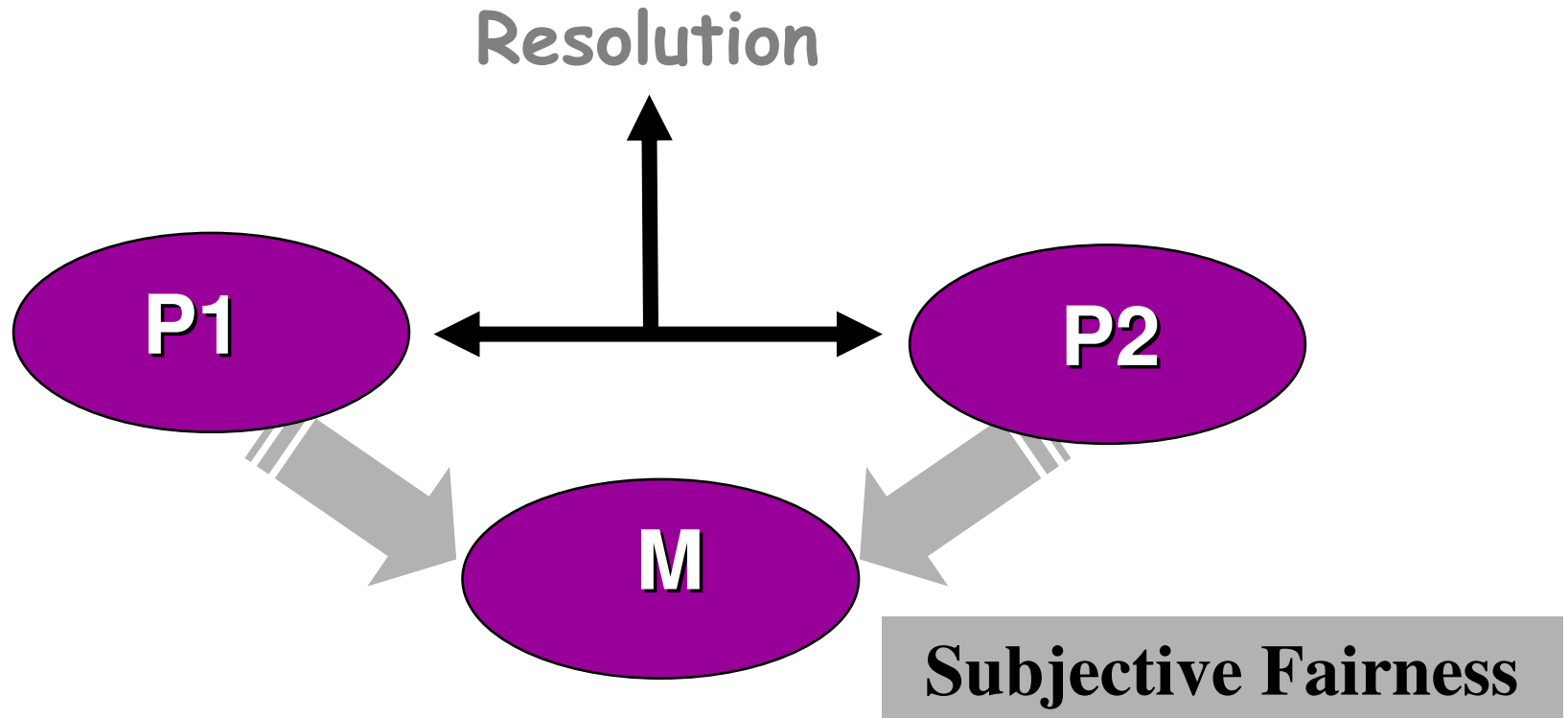
Source: Joanna Kalowski





## ... Mediation

Source: Joanna Kalowski





## Some Definitions of Mediation

“The process by which the participants, with the assistance of a neutral person or persons, systematically isolate disputed issues in order to develop options, consider alternatives and reach a consensual agreement that will accommodate their needs.”

**Folberg & Taylor**

*Commercial Mediation, 1984*

“Mediation is an extra-judicial conflict resolution method in which a neutral third party - the mediator - helps the parties to overcome settlement barriers and to develop their own solution to the dispute.”

*Swiss Chamber of Commercial Mediation (CSMC)*

“A non-binding procedure in which a neutral intermediary, the mediator, assists the parties in reaching a settlement of the dispute.”

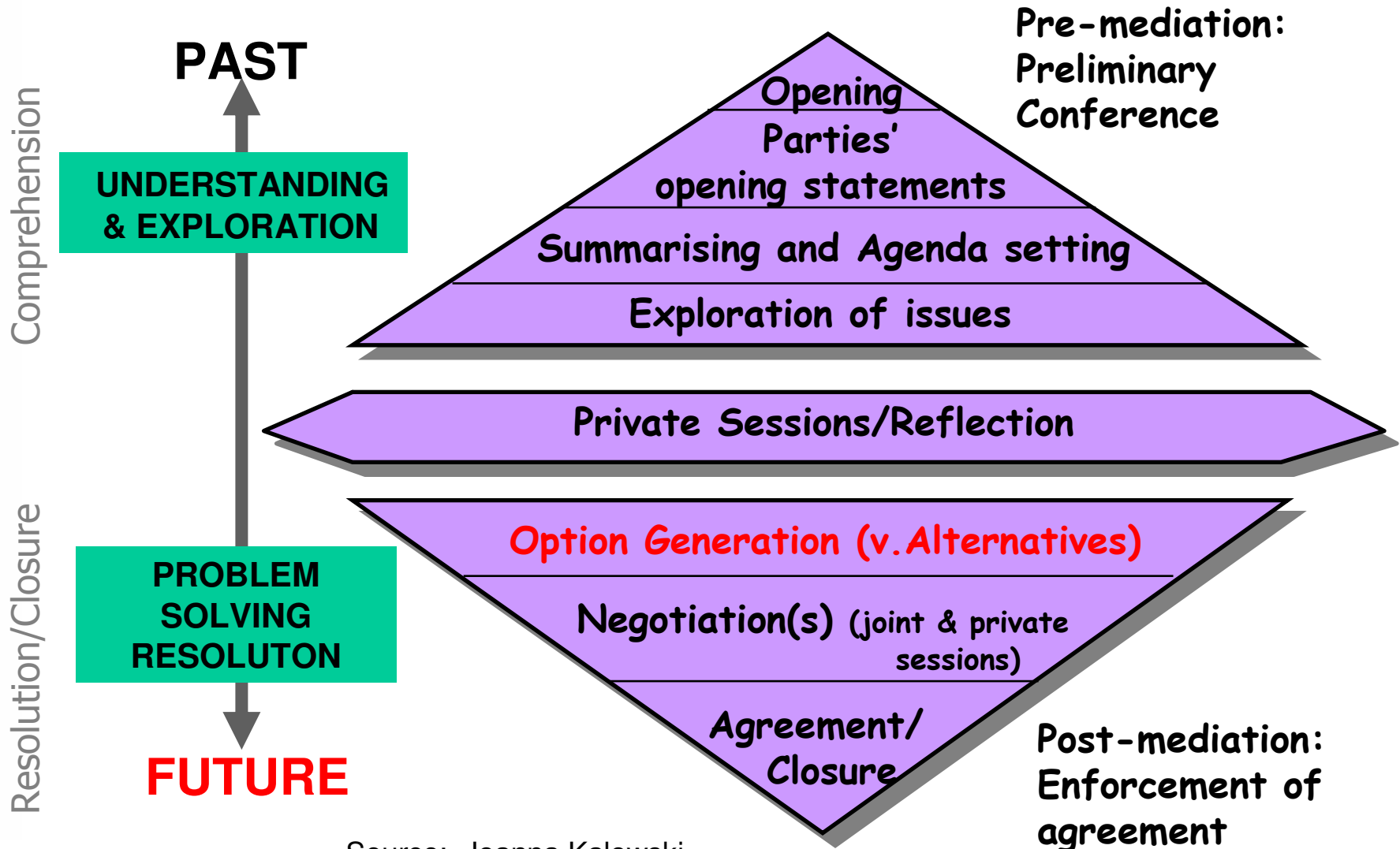
**WIPO Arbitration and Mediation Center**

*WIPO Publication No. 449(E), v. 2004*

# Mediation: Parties in control + 2 key differences:



(a) Future-looking & (b) can create options that courts cannot

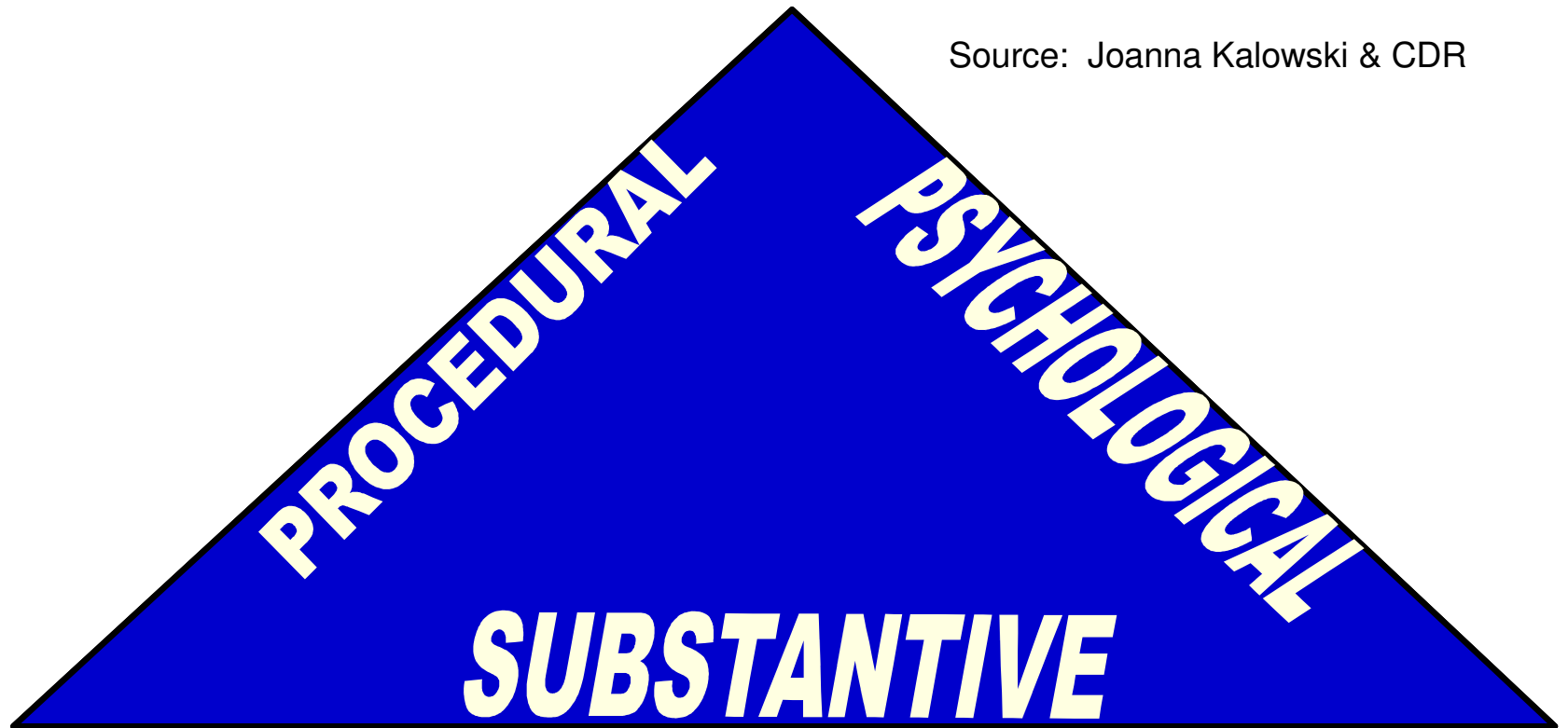


Source: Joanna Kalowski

# Mediation's Goal: To Achieve a Triangle Of Satisfaction



Source: Joanna Kalowski & CDR



## More companies are turning to mediation



# WHY?

“Turn your dispute from a business threat into a business opportunity”

*Cees J.A. van Lede, Chairman of the Board of Management, Akzo Nobel NV*

Source: <http://www.mediation-bedrijfsleven.nl/english.shtml#quote4>



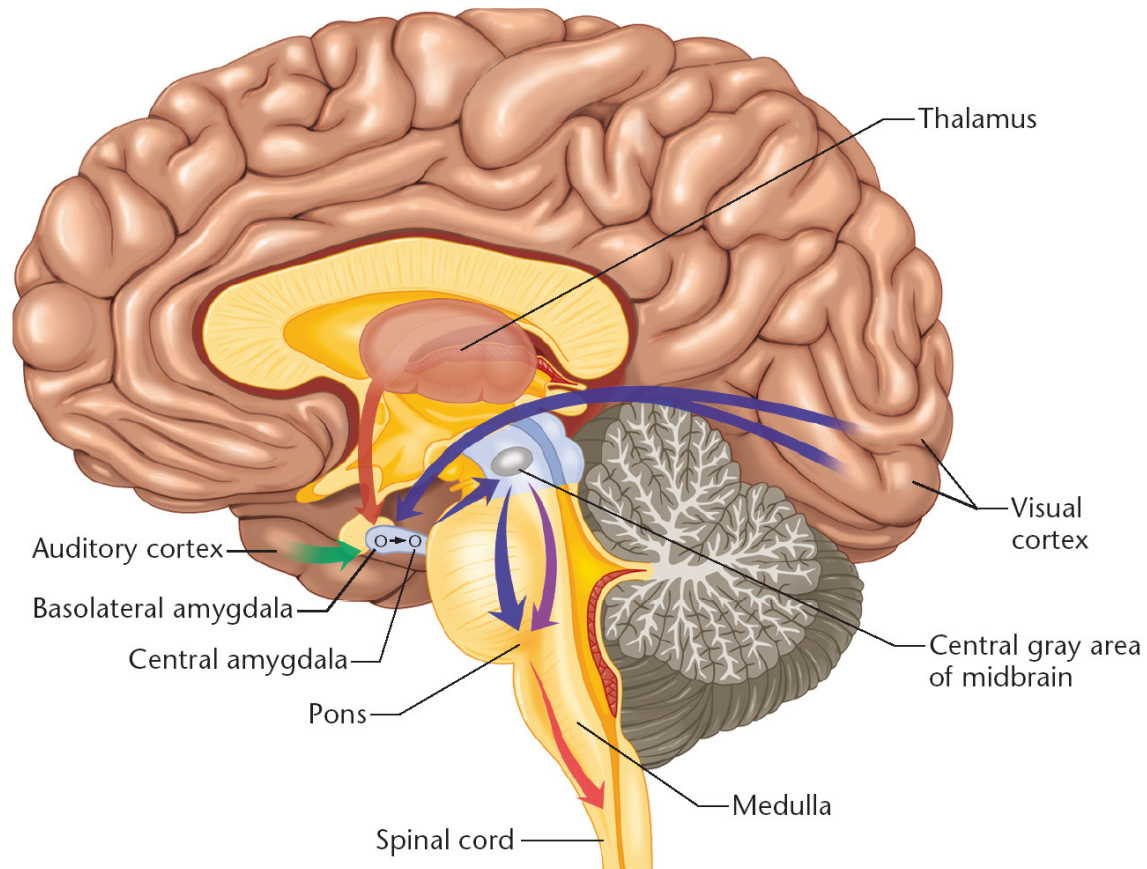
## Is Mediation the Best Solution?

- Seasoned IP litigators have become its greatest supporters
- Cost effective and affordable by all
- Mediators = neutral, confidential and can look at all interests (not just laws)
- Can still proceed with BATNAs – i.e., litigation(s) (= limited down-side)
- Even if no agreement, can focus on costs and litigation/discovery issues
- Growing recognition and acceptance (not only a US phenomenon)
- Excellent international centres, e.g., WIPO (cf 13(b) Med + 65(b),(d) Arb R)
- But: Problematic acceptance by lawyers & corporations – Needs to change
- A possible initial approach for all international technology & IP disputes

# The Emotional Brain



All disputes are 100% emotional (whatever we would like to believe)



Source: [http://cti.itc.virginia.edu/~psyc220/kalat/JK379.fig12.13.amygdala\\_con.jpg](http://cti.itc.virginia.edu/~psyc220/kalat/JK379.fig12.13.amygdala_con.jpg)

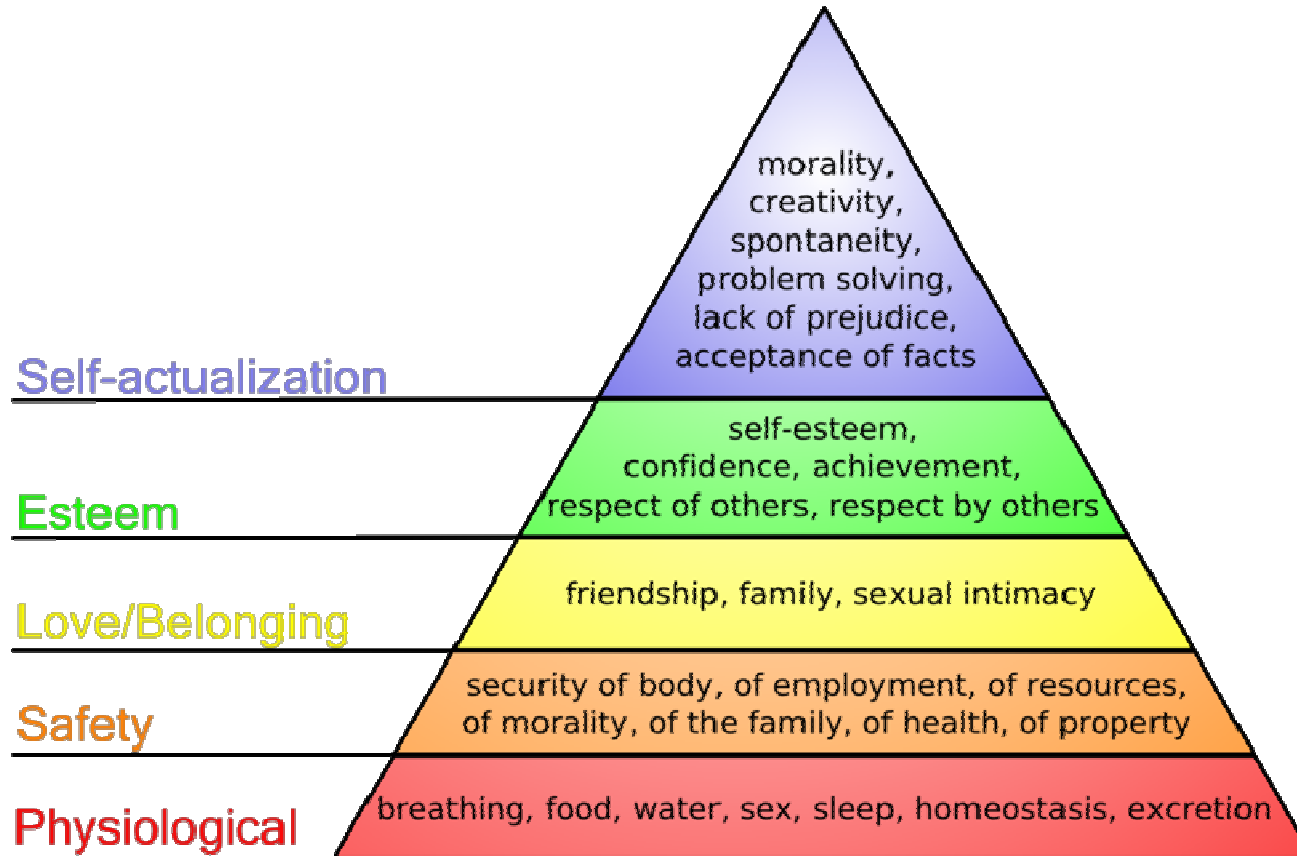
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# Maslow's Hierarchy of Needs

Source: [http://en.wikipedia.org/wiki/Maslow%27s\\_hierarchy\\_of\\_needs](http://en.wikipedia.org/wiki/Maslow%27s_hierarchy_of_needs)



See also M. Rosenberg: <http://www.cnvc.org/needs.htm>



# SHIFT FREQUENCIES IN NEGOTIATIONS:

## Are we evolutionarily “hard-wired” to perceive and respond in 2 frequencies:

### “GIRAFFE”



We respond differently to stimuli ...

### “WOLF”



S  
P  
E  
A  
K

Depending on how we perceive them ...



H  
E  
A  
R

Source: Marshall Rosenberg: “Nonviolent Communication”

## Using the Principles of Getting to Yes to swap frequencies



- Separate the people from the problem
- Focus on interests v. positions (needs v. strategies)
- Understand alternatives (BATNA/WATNA/PATNA)
- Seek/invent options for mutual gain (in view of needs)
- Try to always use objective criteria
- Just in case ... Improve your BATNA!



## For IP disputes:

Mediation + Arbitration =

Faster

Cheaper

Better

They are complementary, synergistic and can help provide “complete” dispute resolution solutions.

Possible combinations:

MED-ARB, ARB-MED and MEDALOA.

Use WIPO ADR Clauses: <http://www.wipo.int/amc/en/arbitration/contract-clauses/clauses.html>

For info on mediation and other mediation rules, see also:

<http://www.quadrantchambers.com/index.aspx?p=1032>