

Dialogue on IPR and Dispute Resolution

A Corporate Attorney's
Perspective

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Agilent

Business Groups

Electronic
Measurement
\$2.8B



Comms



Industrial,
Comp/Semi

Aero/Defense

Chemical
Analysis
\$1.2B



Petro/chem



Food



Environment



Forensics

Life
Sciences
\$1.5B



Pharma/
biotech



Academic/
government

\$5.5 billion revenue in FY 2010*

* Non-GAAP

Business focus

1. Develop products and solutions
2. Capture market share
3. Maintain freedom to operate

Expectation of Corporate Legal Department

1. Pro-active guidance that avoids or at least minimizes disputes i.e. a preventive strategy
2. In the event of a dispute, ensure an acceptable exit

AND

3. Do this within a given budget!

Dominant IP Strategy

Strategy	Characteristic	Patent Portfolio Status	Cost
Product protection	Offensive	Market Leader	High
Freedom to operate	Defensive	Competitor or New comer	Low
Licensing for revenue	Offensive	Opportunistic	Med - Low

Guiding principles - Legal

1. If we pay for development we own it ...not always and not everything
2. Jurisdiction of contracting Agilent entity...convenient low cost litigation
3. Litigation works as a deterrence as margins slide
4. Win-win low cost resolution tends to be common in electronic industry
5. Mostly single party disputes typically in a single jurisdiction
6. Internal escalation for disputes used occasionally...softening expectations
7. Unfavorable experiences with ADR.

Guiding Principles - Technology

1. Due diligence – depth and breath is party dependent and risks of third party claims
 - Third party IP content in deliverables
 - Open source risk assessment
 - Clearances, releases
2. No R&D ONLY agreements but more broadly
 - Develop and manufacture
 - Risk sharing
 - Revenue sharing
3. Technology critical
 - acquire business
 - acquire license

So how do we do this?

a) Counsel

- Learn about our business, the business of a Contracting party, and the value proposition of both sides

b) Anticipate

- Review what-ifs with Clients and also what-ifs from Contracting party's perspective

c) Deter

- Structure deal and include provisions to deter adverse what-ifs

d) Mitigate

- Buffer give-aways

e) Sever

- Exit strategy – walk away position

Of course if despite best efforts the deal goes south then....

... no one knows the power of
prayer

...hopefully someone will be
listening there

Example – Changing from one-time perpetual license to use based license

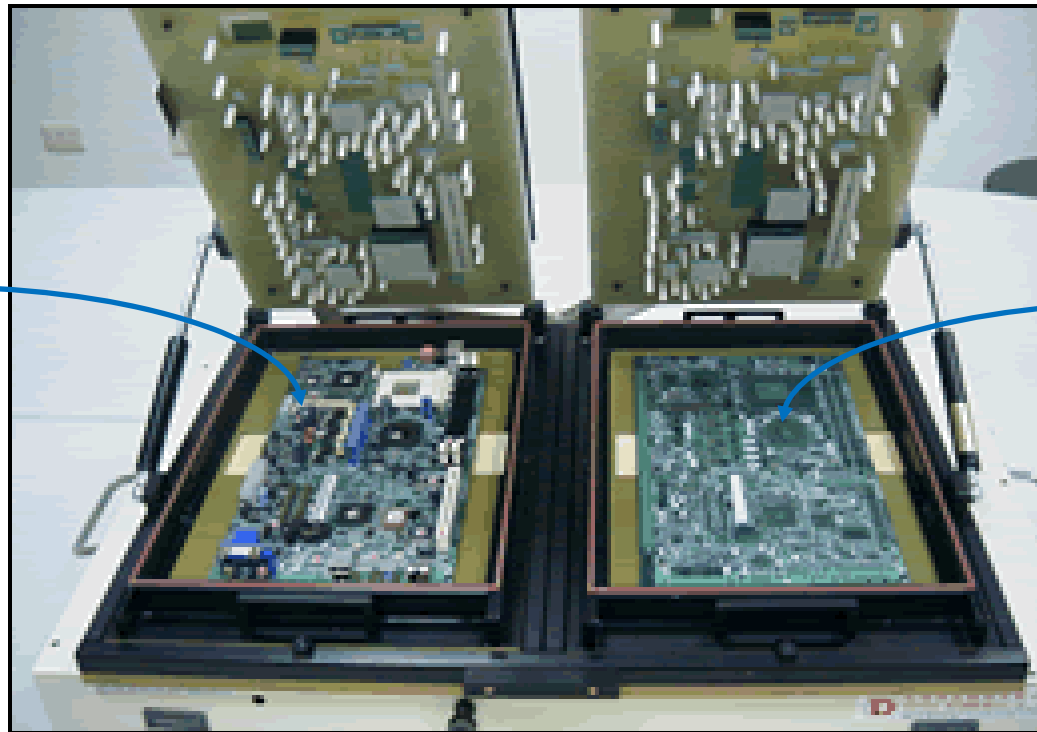
Agilent In-Circuit Tester (ICT)

Test Fixtures



Example – Changing from one-time perpetual license to use based license

Printed
Circuit
Board



Printed
Circuit
Board

Example – Changing from one-time perpetual license to use based license

OEM



© Apple Computer Inc.



© Apple Computer Inc.

Fixture Supplier



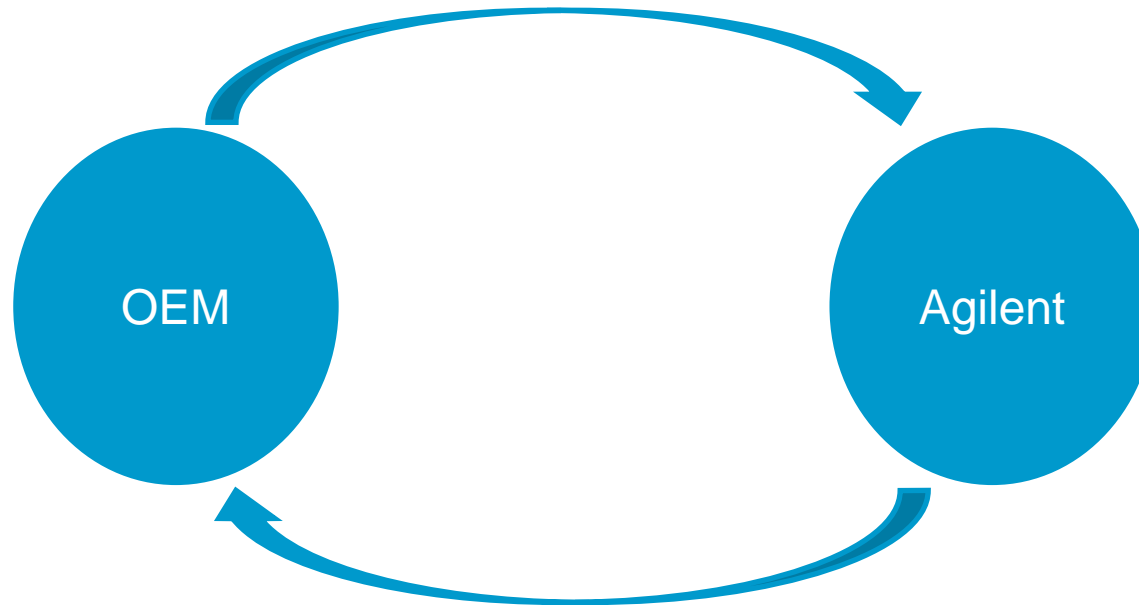
Contract Manufacturer



Example – Changing from one-time perpetual license to use based license

PREVIOUS LICENSING MODEL – One time license fee

- One time license fee \$\$\$\$



- License to OEM with have made rights

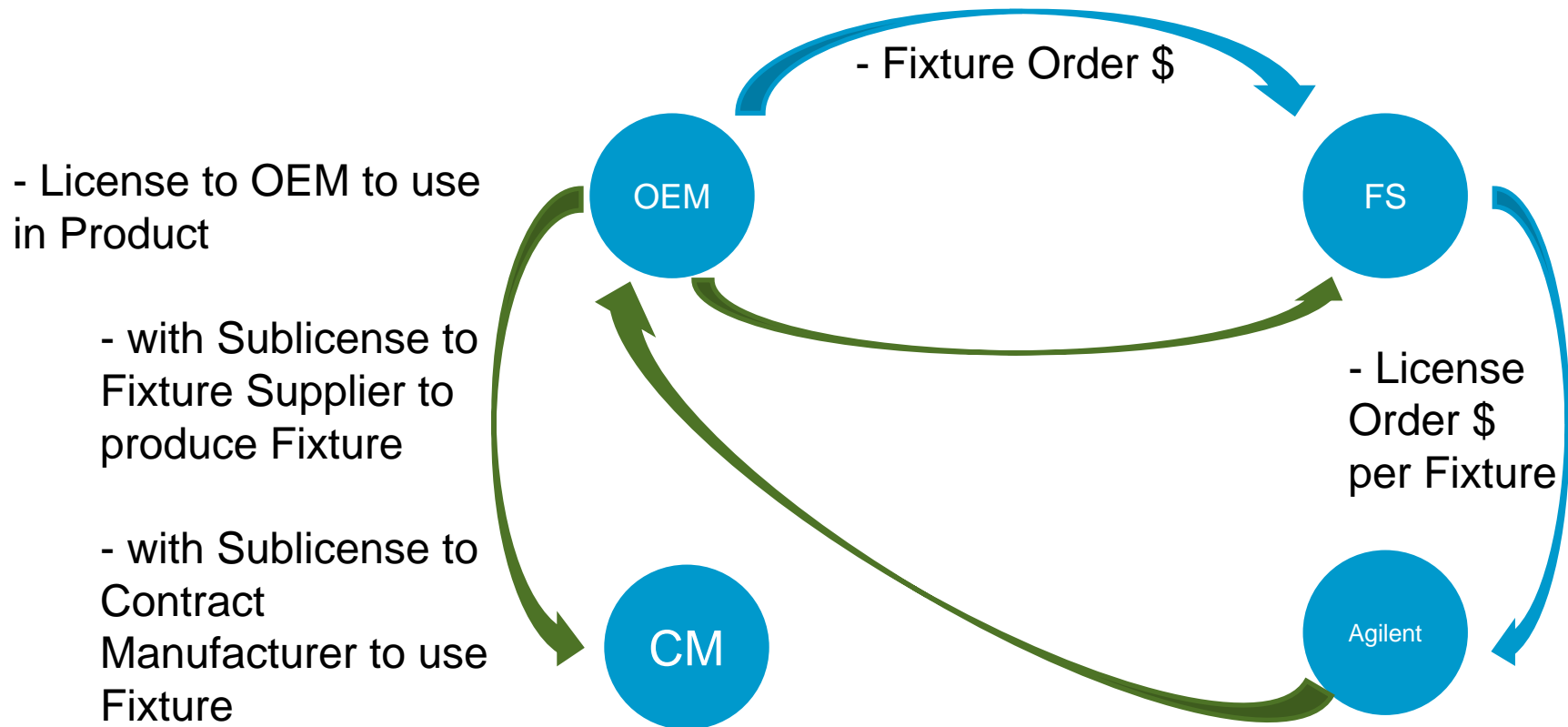
Example – Changing from one-time perpetual license to use based license

OEM's problem :

1. Difficult to pay large one time license fee as this was capital expenditure
2. Want to associate cost of testing with manufacture of specific product
3. Want to have cost of testing as part of manufacturing costs

Example – Changing from one-time perpetual license to use based license

NEW LICENSING MODEL –Per Fixture licensing



Example – Changing from one-time perpetual license to use based license

Use based licensing :

1. License fee incorporated in cost of fixture
2. Cost of fixture is part of testing specific product
3. Cost of testing is part of manufacturing costs

Thank
You

