

The Intellectual Property Investment Summit
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IP Public Policy Update: ***What Needs to Change?***

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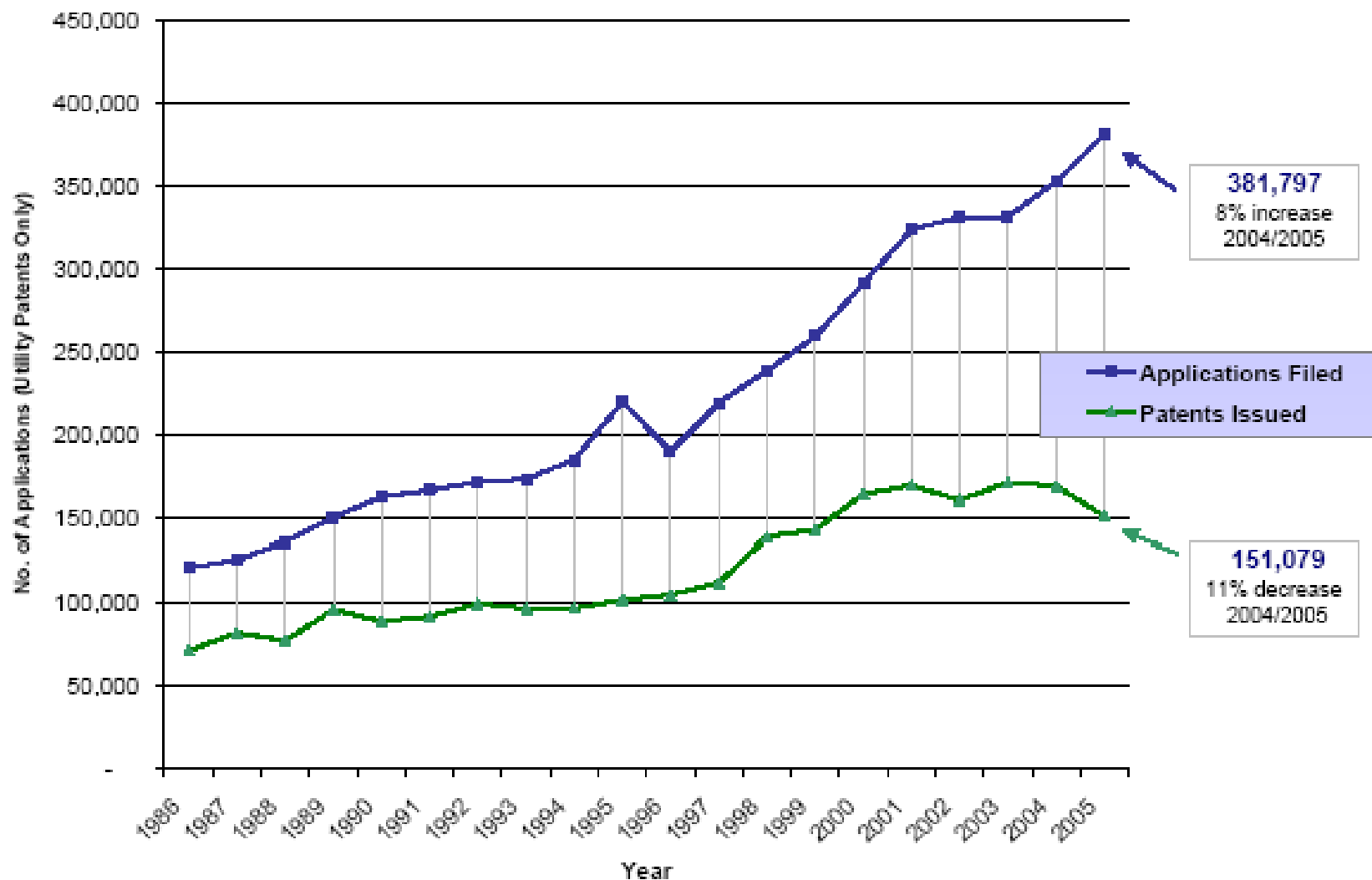
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Agenda

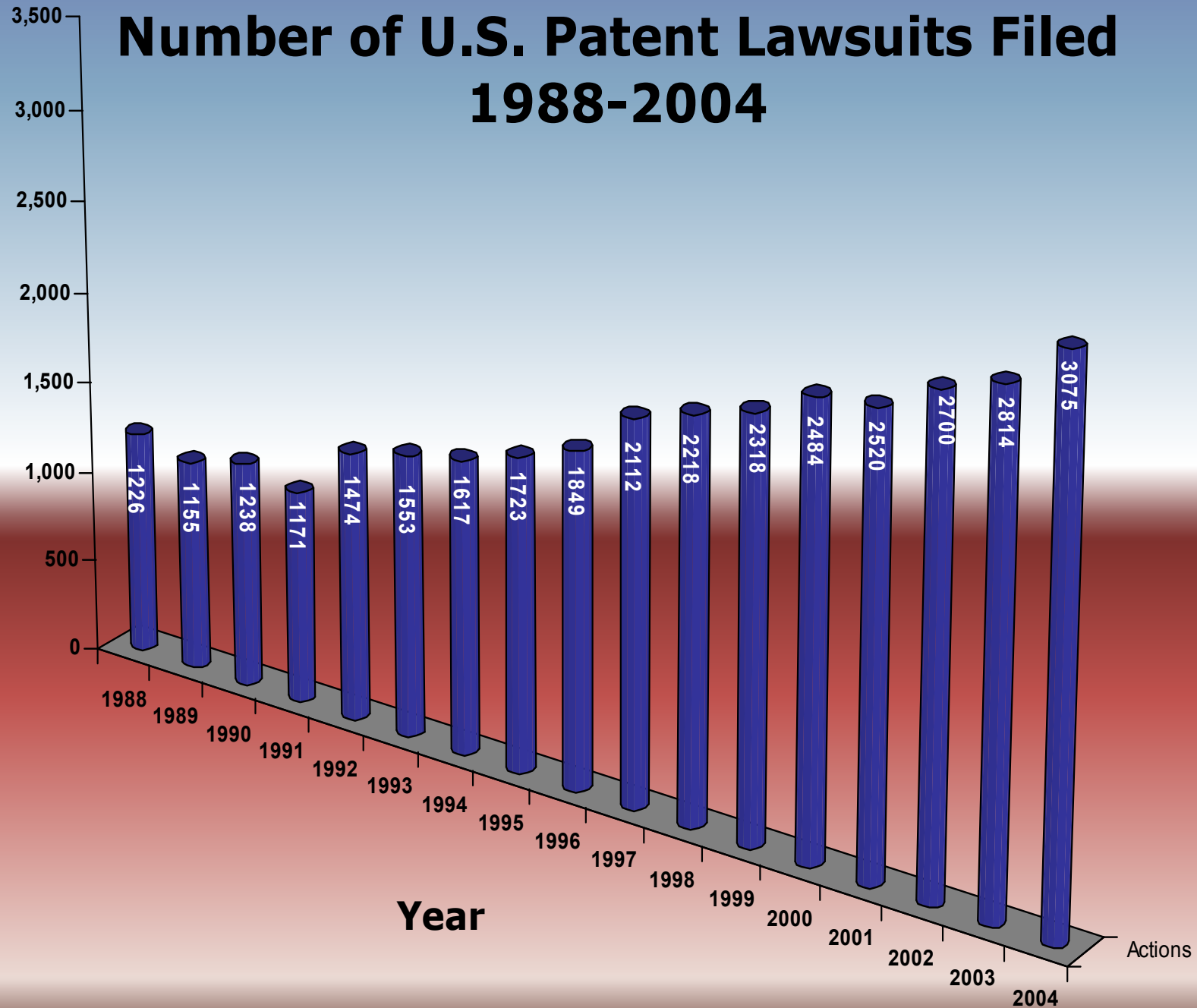
- 1. Selected IP Statistics and Trends**
- 2. Patent Reform**
- 3. Effects of eBay on the IP Marketplace**



U.S. Patent Trends, 1986 - 2005 (Twenty-Year Look)



Number of U.S. Patent Lawsuits Filed 1988-2004



Top 25 Patent Awards and Settlements in 2005

| Industry | Count | Amount (US\$M) |
|--------------------|--------------|-----------------------|
| Medical Devices | 6 | 2603.9 |
| Semiconductor | 5 | 1365 |
| Telecommunications | 4 | 873.2 |
| Software | 2 | 485 |
| Pharmaceutical | 2 | 447 |
| Electronics | 1 | 90.7 |
| Biotechnology | 2 | 63.9 |
| Manufacturing | 1 | 43.7 |
| E-commerce | 1 | 40 |
| Chemicals | 1 | 28 |
| Totals | 25 | 6,039.5 |

Source: IP Economics, LLC

Average = \$241,560,000

The Environment for Business Method Patents (BMP)

“In 1998 America introduced so-called ‘business-method’ patents, granting for the first time patent monopolies simply for new ways of doing business, many of which were not so new. **This was a mistake.** It not only ushered in a wave of new applications, but it is probably inhibiting, rather than encouraging commercial innovation, which has never received, or needed, legal protection in the past. **Europe has not, so far, made the same blunder”**

*--Intellectual Property, Monopolies of the Mind,
The Economist (Nov. 11, 2004)*

A BMP Applicant's Challenge

| Fiscal Year | Number Allowed | Percent Allowed | Disposed (Abandoned or allowed) | New Filings | Cumulative Backlog |
|-------------|----------------|-----------------|---------------------------------|-------------|--------------------|
| 2001 | 433 | 45% | 962 | 8,700 | 7,738 |
| 2002 | 492 | 26% | 1,892 | 6,700 | 12,546 |
| 2003 | 495 | 16% | 3,093 | 6,000 | 15,453 |
| 2004 | 283 | 11% | 2,572 | 6,300 | 19,181 |
| 2005 | | 19% | | | |
| 2006 | | 19% | | | |

Avg. Time to 1st Office Action \approx 4.5 Years!!!

Effect of *NTP v. RIM* and US\$612,500,000?

"One lasting impact of the case is that **it has turned patent litigation from simply a legal issue into a broader business, commercial and even an economic issue**. If the lasting consequence of the case is to broaden awareness and promote the level of debate that we need to have about what it takes to have a healthy patent system, then there is a good side to that."

Brad Smith
General Counsel, Microsoft Corp.
March 6, 2006

Patent Reform Bills and Posturing

Bills

- HR 2795, Rep. L. Smith (R-Tex), June 8, 2005
 - **HR 2795 Subst., July 26, 2005**
 - “Coalition Print” by Bio and Pharma, Sept. 1, 2005
- S 2109, 15 Senators, Dec. 15, 2005
- HR 5096, Rep. Berman (D-Calif.), April 5, 2006

Posturing

- Likely Plaintiffs: Pharma, Bio, P-LECs
- Likely Defendants: Tech, Financial Services, Generic Drug Manufacturers

A Look at 10 Patent Reform Proposals

1. Change to a first-to-file system
2. Elimination of the best mode requirement
3. Changes to the duty of candor (violations will be adjudged by the PTO rather than in Federal Court)
4. Damages to be limited to the inventive contribution rather than calculated on the selling price of an entire product
5. Limitations on damages for willfulness
6. Introduction of a post-grant opposition procedure;
7. Submission of prior art by third parties during prosecution
8. Limits on scope of continuation applications (to be made by PTO)
9. Venue (*i.e.*, where can you be sued?)
- 10. Adding a factor of "fairness" to the determination of whether to enter an injunction; and an automatic stay of injunctions for appeals**

Injunctions and Patents: The Fed. Cir.

MercExchange v. eBay, 401 F.3d 1323 (Fed. Cir. March 16, 2005)

- **Issue: Why permanently enjoin when monetary damages will make a patentee whole!?**
- ❖ “We therefore see no reason to depart from the general rule that courts will issue permanent injunctions against patent infringement absent *exceptional circumstances*.”
- ❖ “To be sure, ‘courts have in rare instances exercised their discretion to deny injunctive relief in order *to protect the public interest* [e.g., public health].”
- ❖ “A ***general concern regarding business-method patents***, however, is not the type of important public need that justifies the unusual step of denying injunctive relief.”

Injunctions and Patents: The Supremes

MercExchange v. eBay, Sup. Ct. May 15, 2006

➤ **9-0 Decision Vacating Fed. Circuit's Decision:**

- ❖ “[T]he Patent Act expressly provides that injunctions ‘**may**’ issue ‘in accordance with the principles of equity.’”
- ❖ **Well-Est. Equity Principle** = Plaintiff must show: (1) it has suffered irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.
- ❖ “We hold only that the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards.”

What will be the Effects of eBay on the IP Marketplace?

- 1. Increase in Uncertainty?**
2. Increase in expert and legal fees for new “phase” of trial?
- 3. Increased leverage for alleged infringers versus trolls & other patentees?**
4. Increase in litigation as alleged infringers “roll the dice” rather than license?
- 5. Decreased value, generally, of patents?**
6. Decrease in settlement amounts?
- 7. Decrease in “reasonable royalty” amounts?**
8. Legislative Action to formalize 4-part test?
- 9. Will Fed. Cir. “hand wave” 4-part test and still almost always issue an injunction?**

Thank You!



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