

# How Successful Companies Are Utilizing IP in the U.S. and Current Events in the USPTO and IP Law

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Securing Innovation

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# I. Impact of Intellectual Property



# The Potential Impact of Patents upon a Company's Stock Price

- Tivo, Inc. is one example of the impact patents may have upon stock price.
- In January of 2000, the company's stock dropped 44% when a patent infringement complaint was filed against the company.
- In May of 2001, the company's stock price increased 127% after the announcement of a key patent's issuance.
- In early December 2001, the company's main competitor announced the issuance of a key patent and TiVo's stock price dropped 10%.
- One week later, TiVo announced the issuance of two new patents and its stock price rebounded with a 17% increase in price.



# Top Five Patent Infringement Verdicts of 2003<sup>1</sup>

- *Eolas Technologies Inc. v. Microsoft Corp.*
  - Decided August 22, 2003
  - Microsoft stole Web technology licensed to University of California
  - Award: \$520,562,280 (#1)
- *Imagexpo LLC v. Microsoft Corp.*
  - Decided November 14, 2003
  - Microsoft infringed on patent for Web-conferencing software
  - Award: \$62,331,068 (#2)

<sup>1</sup>*National Law Journal*, February 9, 2004



# Top Five Patent Infringement Verdicts of 2003<sup>1</sup> (continued)

- *MercExchange v. eBay Inc.*
  - Decided May 27, 2003
  - Online auction site eBay infringed inventor's e-commerce patents
  - Award: \$35,000,000 (#3)
- *Honeywell Inc. v. Victor Co. of Japan Ltd.*
  - Decided June 9, 2003
  - JVC used Honeywell's imaging chips technology without a license
  - Award: \$30,041,191 (#4)

<sup>1</sup>*National Law Journal*, February 9, 2004



# Top Five Patent Infringement Verdicts of 2003<sup>1</sup> (continued)

- *B. Braun Medical Inc. v. Rodgers*
  - Decided June 13, 2003
  - Company marketed needle-free IV valves using misappropriated technology
  - Award: \$25,750,000 (#5)

<sup>1</sup>*National Law Journal*, February 9, 2004

# Largest Money Damages in Trademark Lawsuits 1995–2003

Case	Damages Award	Decision Year
Neon Sys. Inc. v. New Era of Networks Inc.	\$39,000,000	2001
Playboy Enterprises Inc. v. HSINI. Chen	\$18,537,766	1997
A&M Records Inc. v. Abdallah	\$7,000,000	1996
Purebred Co. v. H.J. Heinz Co.	\$5,900,000	2003
Christopher Rolell Weaver v. Burger King Corp.	\$3,059,680	1998
Nintendo of America Inc. v. Ketchum	\$2,994,000	1993
United Phosphorus Ltd. v. Midland Fumigant	\$2,729,146	2000
McCoy v. Mitsubishi Cutlery Inc.	\$2,600,000	1995



# Additional U.S. IP Infringement Verdicts and Settlements

- \$140 million for infringement of implantable heart defibrillator patent
  - *Cardiac Pacemakers Inc. v. St. Jude Medical Inc.* (2001)
- \$116 million for misappropriation of trade secrets
  - *X-IT Products v. Walter Kidde Portable Equipment Inc.* (2001)

## Additional U.S. IP Infringement Verdicts and Settlements (continued)

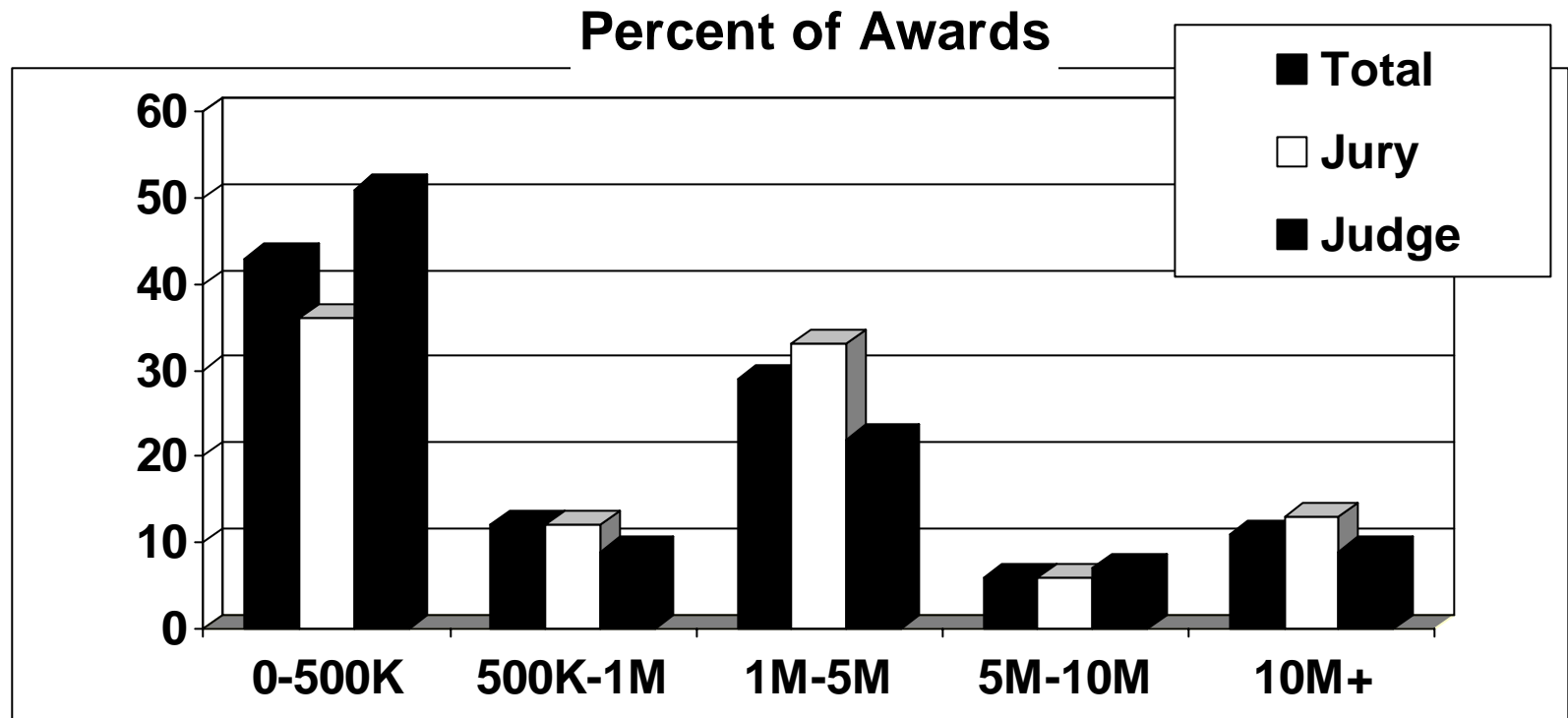
- \$46 million for infringement of patents related to turbine engines in aircraft
  - *Honeywell Int'l v. Hamilton Sundstrand Corp.* (2001)
- \$19 million for copyright infringement of screenplay
  - *Murray Hill Publications Inc. v. 20th Century Fox Film Co.* (1999)

## Additional U.S. IP Infringement Verdicts and Settlements (continued)

- \$400 million settlement over infringement of printer patents
  - *Pitney Bowes Inc. v. Hewlett-Packard Co.* (1999)
- \$53.7 million verdict followed by \$450 million settlement agreement for infringement of wireless email patents
  - *NTP Inc. v. Research In Motion Ltd.* (2002, 2004)



## The Range of Money Damage Awards for Patent Infringement Handed Down by Judges and Juries in the U.S. District Courts



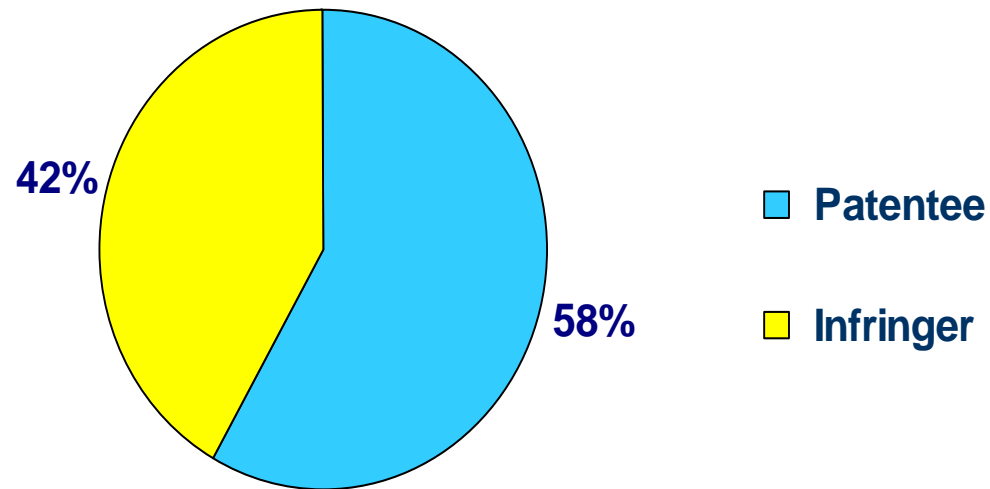
# Patent Infringement Lawsuits Litigated Through Trial or Settled Amicably, 1983-1999

12

Year	Patent Suits Terminated by Settlement or trial	The Number of Patent Trials	The Percentage of Patent Cases Going to Trial	The Number of Jury Trials	The Percentage of Trials by Jury
1983	940	112	11.9	24	21
1984	995	90	9.0	23	26
1985	988	85	8.6	20	24
1986	1088	89	8.2	26	29
1987	1031	89	8.6	37	42
1988	1122	108	9.6	54	50
1989	1248	105	8.4	38	27
1990	1124	96	8.5	34	35
1991	1097	86	7.8	39	45
1992	1315	90	6.8	52	58
1993	1461	94	6.4	47	50
1994	1513	90	5.9	64	71
1995	1509	89	5.9	64	71
1996	1697	101	6.0	54	53
1997	1828	103	5.6	60	58
1998	2034	103	5.1	62	60
1999	2191	73	3.3	49	67



## The Percentage of U.S. Lawsuits in U.S. District Court Won by Patent Owners 1983–1999



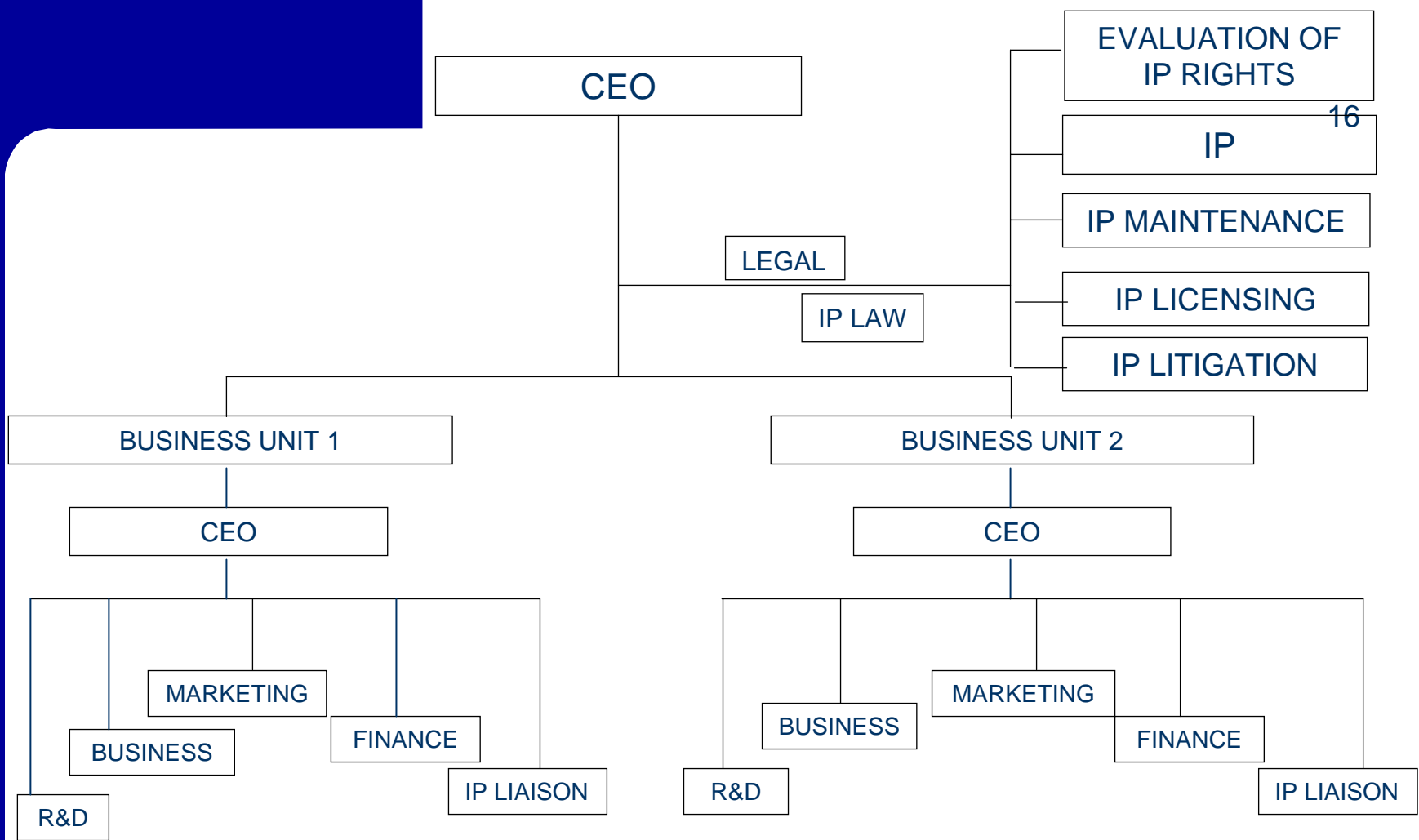
## II. Management of Intellectual Property

“The primary purpose of knowledge management is to take the organization, whatever its current structure may be, and throw over it a new communications net that will both allow and force people who normally do not communicate with one another to engage each other more freely and openly.” “What you want your Knowledge Management system to do is:

- Identify and link the organization’s intellectual assets.
- Accelerate the production of actionable information and knowledge.
- Accelerate the pace of both personal and organizational learning and exchange, even on a global scale.” Joseph F. Coates, *The Inevitability of Knowledge Management*, Industrial Research Institute, 1999.
- “Reporting of patent creation and usage must reside in the business unit to encourage P&L management of intellectual property as business assets for which a return is expected.
- Oversight of IP strategy and deployment must rise above the business units and be centralized at the top executive level in order to serve the needs of the whole enterprise.
- Leadership must be placed in the hands of a senior, vice president level (if not board-level) executive with enterprise-wide authority.”

Kevin Rivette, *Building the IP-Savvy Organization*, Managing Intellectual Property, May, 2000.





**CENTRALIZED IP DEPARTMENT WITH EACH BUSINESS UNIT HAVING IP LIAISON**

The company has several business units each headed by a CEO. A central IP department serves all of the business units and is involved in the evaluation, procurement, maintenance, licensing, and litigation of intellectual property. Each business unit has its “IP liaison” organization. The IP Liaison regularly consults with the central IP department and performs functions such as:

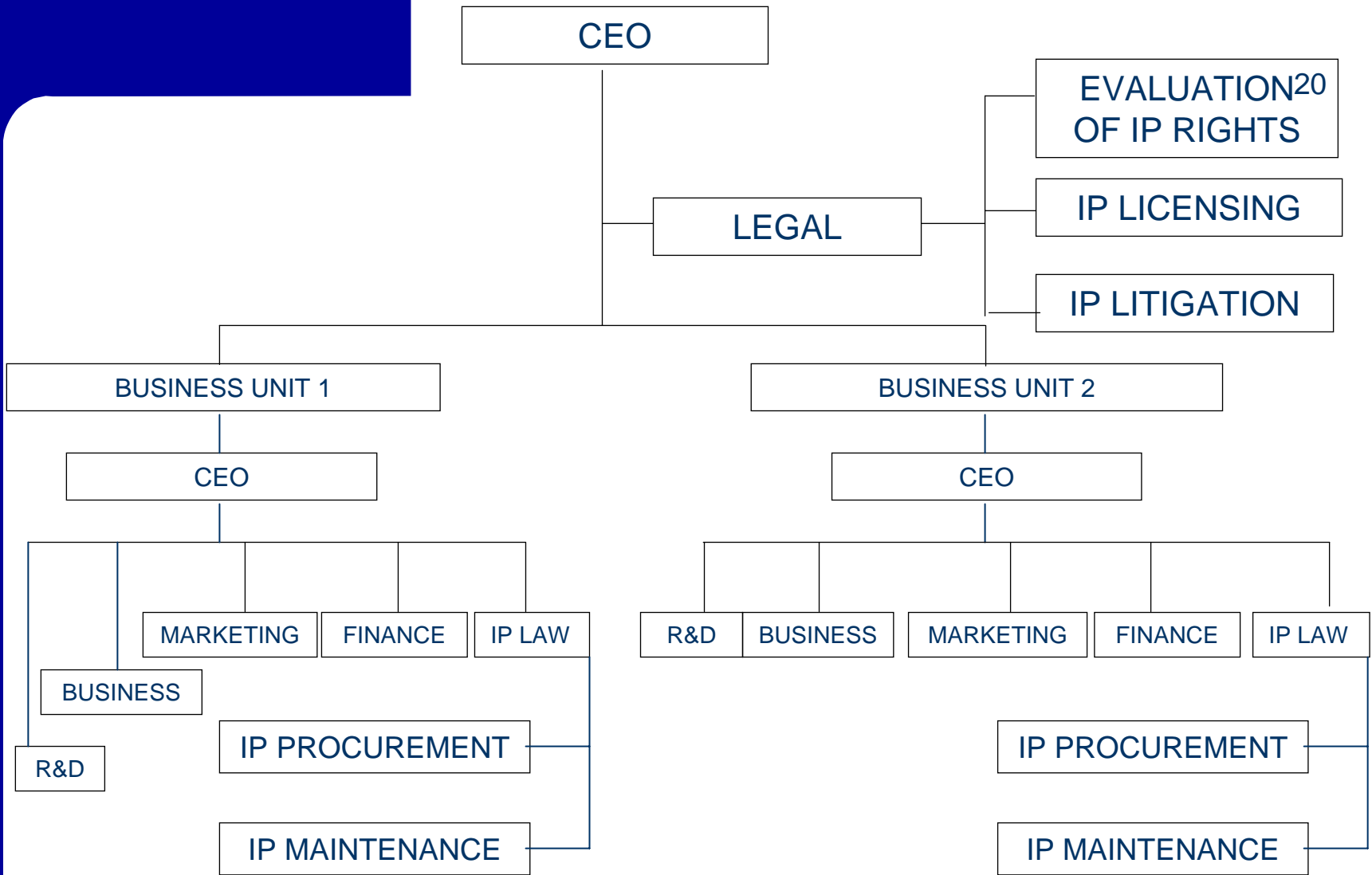
1. Educating engineers of the R&D group about patents;
2. Educating business and marketing people about trademark and copyright matters;
3. Assisting the central IP department in evaluating invention disclosures and working with engineers in reviewing patent applications; and
4. Educating R&D, business and marketing people about new laws and opportunities to protect IP.

Regular meetings are scheduled between representatives of the CEO, the various business units and the central IP department, establishing a Communications Net between the groups, and thereby facilitating timely discussion and decisions regarding business, technical, marketing, financial and legal matters.



- Many Japanese companies utilize this corporate structure. For example, Hitachi Ltd. and Fujitsu Ltd. have this type of corporate structure.
- Benefits include
  - An IP department which is easier to manage due to one location and one strong head of IP department
  - Good communication between the IP managers and team members of different divisions and technology groups. Therefore, patent protection for products with overlapping technologies and licensing of such technologies is generally good
  - Licensing likely to take into account overlapping business groups and technologies and consideration of the benefits of any agreement to the company as a whole

- Disadvantages include
  - With one central location, there is less interaction and communication between the patent team members and the inventors with which they work. Can possibly result in patents which are not technically correct or in-depth and which are not as broad as possible
  - More difficult and expensive to meet with inventors as they are in different physical location from patent team members



Each of the business units has a CEO or equivalent. The intellectual property functions are divided up. The IP evaluation, licensing and litigation functions are performed by a centralized department. Each business unit has its own IP department which is involved in the procurement and maintenance of IP rights.

By providing each business unit with its own IP procurement and Maintenance group, a close working relationship is established between the IP attorneys and the R&D, business, and marketing people.



- A number of Korean and U.S. companies utilize this corporate structure. For example, Samsung Electronics, Ltd. and IBM have this type of corporate structure.
- Benefits include
  - Good communication between the patent team members and the inventors with which they work. Therefore, patent protection for specific technologies and products is generally good
  - Very convenient for patent team members to meet with inventors as they are in the same location
  - Patent team members have better knowledge of products and are better able to encourage and direct patent applications in important fields

- Disadvantages include
  - Communication between patent team members of different technology groups is more difficult. Sometimes one group does not know what the other group is doing. Activities might not be in the best interest of the company as a whole
  - Jealousies and unnecessary competition between the patent groups can result

# Corporate Management of IP

- All IP managers should possess a list of all company intangibles, including:
  - 1. All patents and patent applications
  - 2. All software developed by the company
  - 3. All company trade secrets
  - 4. All non-disclosure agreements from staff
  - 5. All licensing agreements

# Employee Incentives To Seek Patents

Companies may wish to consider offering invention incentives to employees

- Non-monetary examples include:
  - Celebration luncheons or dinners
  - Plaques, ribbons, or awards
  - Additional vacation time
- Monetary examples include:
  - \$500 to \$1,000 for invention disclosure submissions
  - \$500 to \$1,500 upon patent application submission
  - \$2,500 upon patent issuance
- Percentage of profits generated
  - Very unusual in U.S. corporations. Difficult to determine profits from patent and efforts of inventor deemed to be within scope of employment

# IP Donations for U.S. Tax Deductions

- IP Managers may wish to consider donating intellectual property to obtain a U.S. tax deduction in IP donation transactions:
- The donation value is considered the fair market value of the technology
  - The valuation must be conducted by an independent third party
  - The donor and the recipient must agree on the valuation
  - The recipient must be a registered non-profit entity
- Look to see whether patents you own are no longer in your core business or whether you have started in a new direction with respect to a certain technology

# III. USPTO Statistics and Corporate Strategies of U.S. and Foreign Companies



## U.S. Patent Applications filed in 2004

### THE TOTAL NUMBER OF PATENT APPLICATIONS FILED IN THE USPTO<sup>1</sup> –

In 2004: **376,810**

In 2003: **355,418**

In 2002: **353,394**

<sup>1</sup> Includes utility, plant, design, and reissue applications



## U.S. Patent Applications Filed (Fiscal Years<sup>1</sup> 1979–2004)

Year	Utility <sup>1</sup>	Design	Reissue	% Utility Change Over Prior Year
2004	351,431	23,468	800	+5.94%
2003	331,729	21,966	938	+0.04%
2002	331,580	19,706	974	+2.27%
2001	324,211	18,636	956	+11.16%
2000	291,653	18,563	805	+12.34%
1999	259,618	17,227	664	+8.69%
1998	238,850	16,576	582	+8.82%
1997	219,486	16,272	607	+15.57%
1996	189,922	15,160	637	-13.73%
1995	220,141	15,375	647	+18.94%
1994	185,087	15,431	606	+6.61%
1993	173,619	13,546	572	+1.16%
1992	171,623	12,907	581	+2.91%
1991	166,765	10,368	536	+2.49%
1990	162,708	11,140	468	+8.17%
1989	150,418	11,975	495	+10.40%
1988	136,253	11,114	439	+8.42%
1987	125,677	10,766	366	+3.88%
1986	120,988	9,792	332	+4.40%
1985	115,893	9,504	290	+6.31%
1984	109,010	8,446	281	+12.56%
1983	96,847	8,256	370	-16.55%
1982	116,052	8,069	486	+8.63%
1981	106,828	7,197	538	+2.50%
1980	104,219	7,269	641	+4.73%
1979	99,516	7,070	657	

<sup>1</sup> USPTO Fiscal Year ends on September 30

<sup>2</sup> Includes chemical, electrical, and mechanical applications.



# FY 2004 UPR<sup>1</sup> Applications Filed

Technology Center	FY 04	FY 03 to FY 04 Growth Rate
1600 - Biotechnology and Organic Chemistry	38,164	-1.2%
1700 - Chemical and Materials Engineering	49,334	-0.5%
2100 - Computer Architecture, Software, and Information Security	34,653	17.9%
2600 - Communications	48,210	16.1%
2800 - Semiconductors, Electrical and Optical Systems, and Components	81,144	7.6%
3600 - Transportation, Electronic Commerce, Construction, and Agriculture	47,489	4.8%
3700 - Mechanical Engineering, Manufacturing, and Products	56,533	5.5%
UPR Total	355,527	6.6%

<sup>1</sup> "UPR" = Utility, Plant, and Reissue Applications



# Summary of Patent Examining Activities

## Fiscal Years 1997–2004

	1997	1998	1999	2000	2001	2002	2003	2004
Pendency of an average patent application <sup>2</sup> (in months)	22.2	23.8	25.0	25.0	24.7	24.0	26.7	27.6

<sup>1</sup> USPTO Fiscal Year ends on September 30.

<sup>2</sup> Average time (in months) between filing and issuance or abandonment of utility, plant, and reissue applications. This average does not include design applications.

# First Action and Total Pendency of a Patent Application<sup>1</sup>

## Fiscal Years 1999–2004

	1999	2000	2001	2002	2003	2004
Period from filing to first action or abandonment (in months)	13.8	13.6	14.4	16.7	18.3	20.2
Period from filing to issue or abandonment (in months)	25.0	25.0	24.0	24.7	26.7	27.6

<sup>1</sup> Includes patents pending at end of period indicated, and includes utility, reissue, plant, and design applications. Does not include allowed applications.

# Patent Application Pendency

- **In the year 2005**
  - USPTO's targets are for patent pendency to average 31.0 months, with an average patent pendency to produce a first Office Action of 20.7 months
- **In the year 2004**
  - patent pendency averaged 27.6 months, with an average patent pendency to produce a first Office Action of 20.2 months
- **In the year 2003**
  - patent pendency averaged 26.7 months, with an average patent pendency to produce a first Office Action of 18.3 months
- **In the year 2002**
  - patent pendency averaged 24.7 months, with an average patent pendency to produce a first Office Action of 16.7 months



# UPR<sup>1</sup> Patent Pendency Statistics by Technology Center

Fiscal Year 2004

Technology Center	First Action Pendency	Total Average Pendency
1600 - Biotechnology and Organic Chemistry	19.2	29.9
1700 - Chemical and Materials Engineering	17.9	27.6
2100 - Computer Architecture, Software, and Information Security	33.3	41.1
2600 - Communications	31.4	40.5
2800 - Semiconductor, Electrical, and Optical Systems and Components	14.0	23.9
3600 Transportation, Electronic Commerce, Construction, and Agriculture	15.6	24.1
3700 - Mechanical Engineering, Manufacturing, and Products	15.2	24.1

<sup>1</sup> "UPR" = Utility, Plant, and Reissue Applications



# Business Method Patent Application Filing and Patents Issued Data<sup>1</sup>

Class 705	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 <sup>2</sup>
Applications Filed	330	584	927	1340	2821	7800	8700	6782	6593	6200
Patents Issued	126	144	206	420	585	899	433	493	495	282

<sup>1</sup> The proper title of Class 705 is "Data Processing: Financial, Business Practice, Management, or Cost/Price Determination". Class 705 patents encompass machines and methods for performing processing or calculation operations in the

- practice, administration, or management of an enterprise, or
- processing of financial data, or
- determination of the charge for goods or services.

<sup>2</sup> Applications filed for 2004 is an estimate.



# U.S. Patents Issued

## Fiscal Years 2000–2004<sup>1</sup>

Type	2000	2001	2002	2003	2004	% Change 2000– 2001	% Change 2001– 2002	% Change 2002– 2003	% Change 2003– 2004
Utility	164,490	169,576	160,843	171,500	<b>169,296</b>	+3.09%	-5.15%	+6.63%	<b>-1.29%</b>
Design	16,719	17,719	15,096	16,525	<b>16,533</b>	+2.75%	-12.13%	+9.47%	<b>+0.05%</b>
Plant	453	563	912	1,178	<b>998</b>	+24.28%	+61.99%	+29.17%	<b>-15.28%</b>
Reissue	561	504	466	394	<b>343</b>	-10.16%	-7.54%	-15.45%	<b>-12.94%</b>
Total	182,223	187,822	177,317	189,597	<b>187,170</b>	+3.07%	-5.59%	+6.93%	<b>-1.28%</b>

<sup>1</sup> USPTO Fiscal Year ends on September 30



# Top 10 Foreign Countries Receiving Patents<sup>1</sup> in 2004

2004 Rank	2004 No. of Patents Issued	2004 % of Total Patents	% Change 2003 to 2004	Country	2003 Rank	2003 No. of Patents Issued	2003 % of Total Patents
1	37,734	20.16%	-0.34%	Japan	1	37,862	19.97%
2	11,623	6.21%	-5.97%	Germany	2	12,361	6.52%
3	7,376	3.94%	+9.78%	Taiwan	3	6,719	3.54%
4	<b>4,590</b>	<b>2.45%</b>	<b>+9.34%</b>	<b>South Korea</b>	5	<b>4,198</b>	<b>2.21%</b>
5	4,044	2.16%	-1.61%	United Kingdom	6	4,110	2.17%
6	3,980	2.13%	+2.87%	Canada	7	3,869	2.04%
7	3,846	2.05%	-9.04%	France	4	4,228	2.23%
8	2,009	1.07%	-0.30%	Italy	8	2,015	1.06%
9	1,619	0.86%	-1.28%	Netherlands	10	1,640	0.90%
10	1,452	0.78%	-14.99%	Sweden	9	1,708	0.86%
	89,257	47.69%	-0.49%	All Foreign Countries		89,699	47.31%
	97,913	52.31%	-1.99%	United States		99,898	52.69%
	187,170	100.00%	-1.28%	All Countries		189,597	100.00%

<sup>1</sup> Includes utility, design, plant, and reissue patents.



# Patents<sup>1</sup> Issued to China 2002–2004

Country	2002	2003	2004	% Change 2002–2003	% Change 2003–2004
China (Hong Kong)	546	667	672	+22.16%	+0.75%
China (Mainland)	347	442	551	+27.38%	+24.66%

<sup>1</sup> Includes utility, design, plant, and reissue applications

- The number of patents issued to companies from China is increasing rapidly and will likely continue to increase in the years ahead
- It is a natural progression for a company to move from an agricultural society, to a manufacturing society, and then to a technological society

# Foreign Countries Capitalize on U.S. Patents

- Increase in U.S. patents issued to countries such as South Korea, Taiwan and China indicates that foreign companies are
  - Taking innovation more seriously
  - Leveraging their patent portfolios to obtain licensing revenues
  - Better positioning themselves to defend patent infringement lawsuits with offers to enter into cross-licensing agreements or threaten a counter-suit

- Korea has a few very large companies which acquire a very extensive number of patents each year
- In contrast with Korea, Taiwan has many smaller companies which each acquire a good number of patents each year. Taiwan does not have chaebol system like Korea or a system like Japan
- China is just starting to build its technological base. Perhaps 20-25 years behind Korea, but with great potential
- The number of patents and the sizes of the portfolios of the smaller Korean companies is increasing each year

# Top 10 Companies Receiving Patents in 2004

Preliminary Rank in 2004	Preliminary Number of Patents in 2004	Company	Final Rank in 2003	Final Number of Patents in 2003
1	3,248	IBM	1	3,415
2	1,934	Matsushita	4	1,774
3	1,805	Canon	2	1,992
4	1,775	Hewlett-Packard	5	1,759
5	1,760	Micron	6	1,707
6	1,604	Samsung Electronics	9	1,313
7	1,601	Intel	7	1,592
8	1,514	Hitachi	3	1,893
9	1,310	Toshiba	13	1,184
10	1,305	Sony	10	1,311
	901	U.S. Government <sup>1</sup>		904

<sup>1</sup> Shown for comparison



## Top 30 Companies Receiving Patents in 2003 and Patents Received 1996–2003

2003 Rank	Company	2003	2002	2001	2000	1999	1998	1997	1996
1	IBM	3,415	3,288	3,453	2,886	2,789	2,682	1,742	1,867
2	Canon	1,992	1,893	1,877	1,890	1,800	1,934	1,381	1,541
3	Hitachi	1,893	1,602	1,283	1,036	1,020	1,107	922	963
4	Matsushita	1,774	1,544	1,443	1,137	1,065	1,058	756	841
5	Hewlett Packard	1,759	1,385	982	901	855	811	532	501
6	Micron	1,707	1,833	1,642	1,304	934	580	320	1
7	Intel	1,592	1,077	809	795	735	705	407	423
8	Koninklijke Philips	1,353	842	882	693	866	845	556	477
9	Samsung Elec.	1,313	1,328	1,445	1,441	1,544	1,306	585	482
10	Sony	1,311	1,434	1,391	1,385	1,429	1,321	867	855
11	Fujitsu	1,302	1,211	1,207	1,147	1,231	1,205	909	869
12	Mitsubishi	1,243	1,373	1,207	1,010	1,089	1,120	925	934
13	Toshiba	1,184	1,130	1,176	1,232	1,255	1,194	891	914
14	NEC	1,181	1,821	1,964	2,021	1,853	1,632	1,101	1,043
15	GE	1,139	1,416	1,112	787	700	729	665	819

## Top 30 Companies Receiving Patents in 2003 and Patents Received 1996–2003

2003 Rank	Company	2003	2002	2001	2000	1999	1998	1997	1996
16	Advanced Micro	905	1,154	1,090	1,053	825	557	272	179
17	Fuji Photo Film	804	687	585	542	545	549	476	510
18	Seiko Epson	764	618	503	396	315	322	233	179
19	Texas Instruments	763	717	804	686	604	618	610	600
20	Robert Bosch	753	679	703	546	426	353	273	306
21	Eastman Kodak	748	694	719	875	993	1,125	795	768
22	Siemens	660	674	817	912	731	631	461	418
23	Honda Motor	647	653	584	463	479	415	353	295
24	Infineon	639	452	218	42	5	0	0	0
25	Delphi	635	640	339	94	3	0	0	0
26	Lucent	621	662	1,119	1,411	1,156	930	770	289
27	Xerox	613	693	722	569	671	769	607	703
28	Motorola	610	712	785	1,196	1,207	1,428	1,065	1,064
29	3M Innovative	572	529	448	434	171	0	0	0
30	Sun Microsystems	564	502	436	465	560	423	152	113

## Number of Patents Issued to Some of the Larger Korean Companies From 2000-2004

Company	2004	2003	2002	2001	2000
Samsung Elec.	1624	1313	1328	1445	1441
LG Electronics	552	441	379	294	235
Samsung SDI	150	119	108	26	0
Hyundai Motor Co.	111	105	151	118	60
Hynix	340	248	99	4	0

# Benefits of a Solid Patent Portfolio

## Functions Served by Patents and Patent Portfolios

- A) provides a basis for licensing the invention;
- B) constitutes a “constructive reduction to practice” of the invention described therein, which may entitle the applicant to priority over other inventors of the same subject matter;
- C) serves as the basis for priority rights in foreign patent applications;
- D) can be used to block competitors from developing competing technologies or from making improvements of their current technologies
- E) provides a defensive position for alleged infringers by providing a basis to cross-license and counter-sue; and
- F) often, it enables financing possibilities which otherwise would not exist. For example, a strong patent portfolio enables a company to get a loan from a bank or financial support from a venture capital company, which otherwise would not be available

# Monitoring of Competitors' Technology

- It is possible and advisable to monitor your competitors' technologies.
- Can be accomplished by reviewing patent publications and issued patents
- Data available on the USPTO website [www.uspto.gov](http://www.uspto.gov).

# Pitfalls of Not Promptly Protecting Your Inventions

## Microsoft and Apple Continue iPod Patent Fight

- In August, 2005, the USPTO issued a rejection of one of Apple's patent applications for iPod technology -- reportedly the player's software interface and menus – which has been described as a mistake or a major setback for the company
- Apple's inability to patent the interface software in its popular iPod music player and Microsoft's (Nasdaq: MSFT) efforts to stake its claim to such technology through its own patent application have sparked wide speculation that Microsoft might make royalties off the Apple devices, which sold nearly 20 million units in the last year.
- The iPod was introduced in November 2001, but Apple waited until July 2002 to file a patent application. Microsoft filed its application in May, 2002
- A senior analyst Laura DiDio indicated the patent matter may be more about image at this point.
- DiDio observed that although Microsoft is unlikely to overtly, aggressively pursue a potential iPod patent claim for fear of looking like a bully, the software giant is also looking to increase its revenue from royalties and patent enforcement.
- "That said, clearly Bill Gates and Steve Jobs have a long history," she added, referring to Microsoft's patent win over Apple on its graphical user interface (GUI). "Do I expect a public squabble on this? No. What's more likely is, Steve's people will call Bill's people, and at some point, they will sit down and accommodate each other."

# Samsung and Sony Sign Major Cross-Licensing Agreement in December 2004

In December 2004, Samsung Electronics Co. Ltd. and Sony Corp. signed a five-year cross-licensing agreement covering a wide range of patents for digital products, reducing the potential for disputes between the companies and smoothing the development of new products

- The agreement covers about 11,000 patents filed in the U.S. by Samsung and just under 13,000 filed in the U.S. by Sony, covering five basic areas
- The five areas are: semiconductor technologies, including DRAM and flash memory technologies; compression technologies, including ATRAC (Adaptive Transform Acoustic Coding) and MPEG; communications technologies; patents related to international standards, such as those approved by the Institute of Electrical and Electronics Engineers; and patents related to formats, such as the next-generation optical Blu-ray Disc format.
- The agreement became necessary because of the sharp rise in both the number of patents filed for digital and networking technologies over the last 10 years, and the increase in those filed by Samsung in particular, said Yoshihide Nakamura, executive vice president and senior general manager of intellectual property at Sony.
- "Last year, Samsung entered the top ten. ... We have come to a situation where we have to recognize Samsung's potential," Nakamura said.
- The agreement will help prevent unnecessary friction between the companies, said Nakamura. "It is very costly to go to court and it consumes a lot of resources," he said.
- The agreement runs from April 2004 through March 2009



# Samsung and Sony to Expand Upon LCD Joint Venture

Samsung Electronics and Sony agreed in August 2005 to expand their joint LCD partnership to include joint work on improving quality and cutting production costs

- Sony and South Korea's Samsung formed a \$2 billion joint venture in 2004 to mass-produce LCD panels. The venture, called S-LCD, began shipments of panels this April.
- Sony currently procures panels from S-LCD that were based on technology developed by Samsung. Sony then adds its own semiconductors, backlights and other key components to assemble LCD TVs.
- A Sony spokeswoman said its engineers would start to play a larger role in the relationship, offering ideas on how to produce a higher quality panel at a lower cost. But the basic panel technology would continue to come from Samsung.



# Companies Working Together

- As you can see from the previous articles, companies sometimes find it advantageous to work with other companies, including ones that used to be or still are big rivals. More and more companies, including Korean companies and Japanese companies (who used to never be willing to work together), have established joint ventures or cross-licensing agreements.
  - For example, Samsung-Sony, LG-Philips, etc.
- Benefits to working together
  - Sometimes one company has strength in manufacturing (e.g., Samsung) while another has strength in advanced technology (Sony)
  - One company has one or more pioneering patents, but second company has many of the later advances in that technology
  - One company has strong patents in one area, and the second company has strong patents in a second area. Each company would then have the ability to make products in both areas of technology without fear of lawsuit from the other company
  - One company has a lot of money, the other company has strong patent portfolio

## Companies Working Together (cont.)

- As an IP manager, you have to distinguish emotional issues from business issues. Must overlook competitive nature of a rival and see what is in best interest of your company, regardless of the impact on the other company
- In a discussion with one patent manager regarding why his company was supplying products to a company that was suing his company over a number of patents in different countries around the world, he said “legal issues are legal issues, but business is business.”

# Patent Information Available on the Internet

- Basic patent information is available online at:
  - <http://ep.espacenet.com>
  - [www.uspto.gov](http://www.uspto.gov)
  - [www.delphion.com](http://www.delphion.com)
  - [www.cas.org/stn.html](http://www.cas.org/stn.html)
  - [www.derwent.com](http://www.derwent.com)
  - [www.dialog.com](http://www.dialog.com)
  - [www.micropatent.com](http://www.micropatent.com)
  - [www.questel.orbit.com](http://www.questel.orbit.com)

## **IV. Current Events in the USPTO and in IP Law in the U.S.**

# StopFakes Small Business Initiative

- With its new leadership corps, the USPTO is moving forward with a number of initiatives to address the concerns of patent holders, businesses, and the public.
- A major project launched last fall is the anti-counterfeit program StopFakes! ([www.stopfakes.gov](http://www.stopfakes.gov)). Now, the PTO has created a small business focused initiative to “help small business owners protect their intellectual property from overseas piracy and counterfeiting. Information on the new small business initiative is available online: [www.uspto.gov/smallbusiness](http://www.uspto.gov/smallbusiness).



# STOP FAKES – From the USPTO Website

- Are you a small business?

**Welcome** Success in a global economy depends more and more on intellectual property (IP) assets. In fact, IP-based businesses and entrepreneurs drive more economic growth in the United States than any other single sector.

Unfortunately, intellectual property has captured the attention of pirates and organized crime. Today, piracy, counterfeiting and the theft of intellectual property pose a serious threat to all U.S. businesses. Industry estimates of the cost of such theft range from \$250 billion to 750,000 jobs per year. These threats to ongoing invention and innovation make it important to consider securing IP protection, whether you're a major multinational firm or a 1-person home business.

## **Small businesses. Big questions.**

While every IP-based business is vulnerable to piracy and counterfeiting, small businesses can be at a particular disadvantage because they lack the resources and expertise available to larger corporations. Small businesses may also often lack the familiarity with the process of protecting intellectual property: research conducted in the spring of 2005 by the U.S. Patent and Trademark Office (USPTO) indicates that only 15 percent of small businesses that do business overseas know that that a U.S. patent or trademark provides protection only in the United States.

It has never been more essential for you to consider patenting your idea or registering your name as a trademark, especially if you are a small business owner or are starting a small business.

The USPTO has created this Web site to help small businesses consider the benefits of strong IP protection - both in the United States and overseas - and decide whether it is right for them.

This site includes important information on whether and when to file for intellectual property protection, what type of protection to file for, where to file, and how to go about it.



# STOP FAKES – From the USPTO Website

- **Strategy Targeting Organized Piracy (STOP!)**

Growing global trade in pirated and counterfeit goods threatens America's innovation economy, the competitiveness of our leading companies and small manufacturers, and the livelihoods of their workers. Bogus products - from CDs, DVDs, software and watches to electronic equipment, clothing, processed foods, consumer products, and auto parts - are estimated to account for up to seven percent of global trade and cost legitimate rights holders around the world billions of dollars annually.

- Developed over the last year, the Strategy Targeting Organized Piracy (STOP!) is the most comprehensive initiative ever advanced to smash the criminal networks that traffic in fakes, stop trade in pirated and counterfeit goods at America's borders, block bogus goods around the world, and help small businesses secure and enforce their rights in overseas markets. STOP! underscores the Administration's continuing commitment to level the playing field for American businesses and workers. And it builds on the Administration's solid track record of real results in combating global piracy and counterfeiting.
- ***MAKING THE WORLD A MISERABLE PLACE FOR MODERN-DAY PIRATES***
- **Empowering Small Businesses to Secure and Enforce their Rights**
- Help U.S. companies establish their rights at home and abroad by:
  - Establishing a hotline that provides a one-stop-shop for businesses to protect their intellectual property at home and abroad. 1-866-999-HALT gives businesses the information they need to leverage the resources of the United States Government to lock down and enforce their trademarks, patents and copyrights overseas - both in individual countries and in multiple countries through international treaties.
  - Notifying persons who receive patents and trademarks that they can choose to record their rights with CBP to ensure effective enforcement at U.S. borders.
  - Enhancing the protection of sound recordings, motion pictures and other audio-visual works by allowing rights holders to record their intellectual property with CBP without first registering it with the U.S. copyright office.
- Educate small businesses and their workers on the risks of global piracy and counterfeiting and best practices to protect their rights.
- **Stopping Trade in Fakes at America's Borders**
- Cast a wider, tighter net for pirated and counterfeit goods entering the United States and hunt down those who traffic in such goods by:
- Implementing new procedures and risk assessments that will allow the Bureau of Customs and Border Protection (CBP) to better identify firms routinely trafficking in fake goods; and
- Conducting post-entry product audits to verify that an importer is authorized to use trademarks and copyrights.
- Applying these specialized technologies and techniques, which the Department of Homeland Security has developed in fighting the war on terror, to combat piracy and counterfeiting meshes with and improves our ability to identify high-risk companies and shipping techniques that could also be utilized by terrorist organizations.



## USPTO Revamps Internal Reexamination Procedures

- Reexaminations are procedures to evaluate the validity of a patent after issuance within the USPTO. It is much less expensive than litigation. Reexaminations often occur in important cases and sometimes take a long time to complete
- On July 29, 2005, the PTO announced a new initiative to ensure that reexaminations are performed in a timely and accurate manner.
- Under the initiative, the PTO has opened an office with 20 primary examiners who focus their time entirely on reexaminations. All new requests for reexam will be assigned to that office in order to both enhance the quality and reduce the time of reexamination "by allowing the USPTO to monitor more effectively the reexamination operations."
- The USPTO's goal is that reexaminations that have been pending with an examiner more than two years now will be resolved by October 1, 2005. In addition, all future reexamination proceedings will be completed within a specific timeframe, which is expected to be less than two years.



# 2005 Patent Reform Act

On June 8, 2005, a bill (H.R. 2795) was introduced to the U.S. House of Representatives to make significant and widespread changes to U.S. patent law. Some people say it encompasses the most significant changes in over 50 years. The changes affect particular groups and industries (individual inventors; universities; technology companies; biotech; etc.) in different ways, and include the following aspects:

- First Inventor to File
- Grace Period
- Elimination of Sections 102(c), (d) and (f)
- Assignee Filing
- Elimination of the Best Mode Requirement
- Inequitable Conduct
- Publication of Pending Applications
- Pre-Issuance Submissions
- Continuation Applications
- Prior User Rights
- Injunctions
- Limitation Upon Damages
- Willful Infringement
- Post-Issuance Opposition Proceedings



## 2005 Patent Reform Act (cont.)

- There is significant resistance by various groups on a number of the provisions, and thus, significant changes may be made to the bill prior to passage as U.S. law.
- Hearing are expected to take place in the House of Representatives and the Senate this fall, and nobody knows exactly what the final outcome will be

## USPTO REDUCES FEES FOR TRADEMARK ELECTRONIC APPLICATION FILING

- Effective July 18, 2005, the USPTO will offer applicants for trademark registrations a new Trademark Electronic Application System (TEAS) known as TEAS Plus that will add up to considerable savings for many filers. The fee for filing a trademark application will be reduced by \$50 per class for those using TEAS Plus. Most filers seek trademark protection for more than one class of goods and services in their application. In return for paying the lower filing fee, applicants who file using TEAS Plus agree to submit complete applications electronically, and to communicate electronically only with the USPTO about the application.
- Nearly 82 percent of all trademark applications filed so far this year were transmitted electronically. That represents an increase of nearly 20 percent over last year.



# Recent Court Decisions

- In Philips v. AWH Corp., No. 03-1269, -1286, July 12, 2005, the Federal Circuit, in an en banc decision, concluded that intrinsic evidence, such as the claims, specification, and prosecution history, is the most reliable evidence by which a court can construe claim terms, whereas extrinsic evidence, including dictionaries, is less reliable and should be used for limited purposes.
  - The case is significant in determining the scope of the claims of the patent, thereby determining how much protection a patentee is entitled to have
  - As a result, it is important to have a well-written specification, as the specification will often be used to determine the scope of the invention. Significant property rights can be lost if the specification is poorly or not accurately written, thereby minimizing the value of granted patent

# Individual Inventor Builds and Protects Patent Portfolio

- **Before Gary Michelson won a \$1.35 billion settlement with Medtronic, he'd spent many years and millions of dollars meticulously building and protecting his patent portfolio.**
- In the 1980s Dr. Gary Michelson began developing instruments, implants, and techniques that would make spinal surgery safer and less invasive. Today roughly 60-80 percent of spinal surgeries performed uses a technology patented by Michelson. His inventions have generated several hundred million dollars in royalties.
- In April 2005, Michelson reached a \$1.35 billion settlement with Medtronic, Inc., triumphantly ending a four-year legal battle with the \$64 billion medical device behemoth.
- One small law firm, founded solely to help the surgeon, spends nearly all its time working on Michelson's patents, a process the doctor closely supervises. Over the years, Michelson has laid out more than \$90 million in legal fees for patent prosecutors and IP litigators. It has been money well spent: Michelson hasn't lost a single claim dealing with the validity or enforceability of any of his hundreds of patents.



# Individual Inventor Builds and Protects Patent Portfolio (continued)

- Michelson says he didn't think about patenting his new inventions until Codman, a subsidiary of Johnson & Johnson and a leading provider of spinal neurosurgery instruments, approached him. **Codman executives were interested in setting up a distribution or licensing agreement, but they would only sell proprietary products.** Michelson had filed his first and only patent for a support frame--used during orthopedic surgery to increase stability of the patient--in 1983, but the experience had taught him little about the process, other than that it was expensive. He needed a patent lawyer.
- The first two deals with a Memphis-based company were extensive, involving over 140 patents and patent applications for spinal implants and surgical tools and techniques. Michelson has filed more than 400 patent applications worldwide since
- Michelson didn't just negotiate favorable economic terms in these deals. He demanded contract terms that required the companies to use their best efforts to develop and market his technology, or to set specific sales milestones.
- Michelson learned his most critical lesson about patent protection when he was defending a suit. In 1995 Surgical Dynamics, Inc., a subsidiary of U.S. Surgical Corp., sued Michelson's company, Karlin, over a patent covering his threaded fusion implant technology, the same technology licensed to both Spine-Tech and Sofamor Danek, claiming the patent was invalid. Spine-Tech was embroiled in litigation with Michelson at the time, but Sofamor Danek had a vested interest in Michelson's victory.



# Individual Inventor Builds and Protects Patent Portfolio (continued)

- Although the suit concerned a patent that had been issued in 1991, Sofamor Danek believed that Michelson's pending applications on related technology could impact the litigation. They asked their attorneys to get involved. In late 1996, his attorneys revisited the scope of claims in all of the existing patent applications that related to the Sofamor Danek agreements.
- The doctor ultimately prevailed in the Surgical Dynamics matter, but the road to victory was rocky. A California district court granted a summary judgment of noninfringement in favor of Surgical Dynamics in 1997. The decision was reversed by the U.S. Court of Appeals for the Federal Circuit two years later, but Michelson saw firsthand the fickleness of claim interpretation and the importance of precise word choice: He believed that the judge had misinterpreted the meaning of just four words in the patent claim, says Martin. That decision, plus Surgical Dynamics's "blatant infringement," convinced Michelson that he needed better patent protection for all of his inventions. "I didn't want this to happen over and over again," he says.

