

CONTROLLING IP COSTS

An In-House Perspective

**Richard F. Phillips
Chief IP Counsel
ExxonMobil Chemical Company**

**HIPLA / IIPIL Annual Meeting
October 5, 2007**

The views expressed in this presentation are personal to Richard F. Phillips and do not necessarily reflect the positions of his employer. Indeed, his employer reserves the right to disclaim not only anything in this presentation, but also any responsibility for, association with, or knowledge of, Mr. Phillips.

TOPICS

- 1. Relations with Counsel Representing our Competitors**
 - Single greatest opportunity for “controlling IP costs”
- 2. Escalation in Foreign Patenting Costs**
 - Foreign patenting is increasingly expensive and important. What’s an in-house attorney on a fixed budget to do?
- 3. Willfulness**
 - That the CAFC decision in Seagate works a profound change in how in-house counsel handle patent clearance work
 - Also, potential patent reform legislation may work additional major change

AVOIDING AVOIDABLE DISPUTES

Number 1 rule in controlling IP costs....

AVOID AVOIDABLE DISPUTES WITH COMPETITORS

How to do this?

- Maintain frequent, friendly contacts with key IP personnel of your competitors, so you have the relationship when you need it.
- Disengage your ego from IP relations with competitors.

ESCALATING IMPORTANCE (AND COST!) OF FOREIGN PATENTING

Foreign patenting costs have increased far beyond general inflation

Additionally, in most industries, foreign patenting is increasingly important, relative to U.S. patenting

- U.S. share of world economy is decreasing
- Increasing globalization
- Increasing strength of foreign patent systems e.g., China
- Long term trend to “weaker” U.S. patent system
 - Judicial – eBay, KSR, Seagate
 - Legislative – Patent Reform

Thus, for most patent departments, foreign patenting warrants a larger share of the “budget pie” than in past

How to get the greatest value for your investment?

EXAMPLE OF FOREIGN PATENTING COST ESCALATION

	<u>1996</u>	<u>2007</u>
CHINA	\$ 8,500	\$23,000
KOREA	\$10,500	\$38,000
SAUDI ARABIA	\$10,000	\$45,500

Based on 35-page specification with 15 claims. Costs include maintenance through expiration. No adjustment made for inflation or FOREX.

	<u>2001</u>	<u>2007</u>
INDIA	\$6,000	\$16,000

Based on 50-page specification with 15 claims, with maintenance through expiration. No adjustment made for inflation or FOREX.

DEALING WITH INCREASED COSTS OF FOREIGN PATENTS

Drafting

- Length of the specification is a key factor in driving costs upward
 - U.S. attorneys tend to err on side of over-inclusion
- Number of claims
 - U.S. attorneys tend to err on side of blanketing world with too many claims.

Poor decision-making in where to file and ratify

- Patent Committees tend to want “stock foreign filing lists,” of the one size fits all variety

Reluctance to kill foreign applications and patents once filed

WHAT CAN BE DONE TO DEAL WITH ESCALATING FOREIGN PATENTING COSTS?

- **Write “one-world” (esp. briefer!!) specifications**
 - Yes, there is some increased risk re potential U.S. enforcement
 - But the benefit is reduced foreign expense, permitting more new filings
 - Great article in February 2007 JPOS (pp. 134-143)
- **Client education re cost-effective foreign patenting**
- **Review of all foreign filing decisions by a senior attorney, to permit challenges where filing seems excessive**
 - Consider having every foreign filing decision reviewed by senior atty
 - Yes, it is painful. But it saves money far out of proportion to the time invested.
- **Rigorously review the claims included in foreign filing**
 - To often, the U.S. claims are used without alteration in foreign filing

A QUICK (AND TIMELY!) COST SAVER IN EPO PROSECUTION/RATIFICATION

- It is likely that the “London Agreement” will shortly be ratified by France, possibly by end October 2007
- The “London Agreement” will abolish most post-grant translation requirements for EP patents in EPO countries party to the agreement
- Translations are a considerable expense
 - Translations for ratification of a 50-page patent in seven countries can cost \$35k
- “London Agreement” could come into effect as early as February 1, 2008
 - Main savings: no post-grant translation for Germany and France; claims only in Denmark, Sweden, Holland
 - But: Austria, Belgium, Italy and Spain have not yet ratified, so no savings there

Practice tips:

- Translation savings will apply to ratification of EP patents granted after the effective date
- Take care if you have standing instructions with foreign counsel to translate
 - Consider timing in prosecution of cases close to grant, to secure grant after the effective date of the London Agreement

IN RE SEAGATE

Old Underwater Devices Standard

Affirmative duty on an infringer “to exercise due care to determine whether or not he is infringing.”

Current In re Seagate Standard

1. Clear and convincing evidence of
2. Objectively high likelihood that its actions constituted infringement of a valid patent; and,
3. This risk was known or should have been known to the infringer

Favorite Quote from Seagate

“ . . .we override . . . Underwater Devices and hold that proof of willful infringement . . . requires at least a showing of objective recklessness. Because we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel.”

WHAT ARE LIKELY CONSEQUENCES?

Decreased need to prepare written patent clearance opinions

- In many instances, opinions can be briefer and less formal

Decreased need to have clearance work conducted by outside counsel

- Seagate appears to eliminate Underwater Devices factor re in-house counsel

Reduction of disincentive to conduct patent searches

Reduced impact of litigation “wildcard”

- Underwater Devices created a litigation wildcard, increasing the likelihood of litigation

PENDING US PATENT REFORM

Would even more greatly limit instances of willful Infringement. Legislation would limit willfulness to three instances:

1. Written notice from patentee
2. Intentional copying with knowledge it was patented
3. After a judicial determination of infringement, engaging in further infringement not colorably different

See H.R. 1908 Sec.5(c) “Willful Infringement”

Plus

Willfulness must be bifurcated and tried to the bench after the patent has been found valid and infringed

Plus

Enhanced damages may only apply for that period the willfulness standard is met and for which the infringer did not have an informed good faith belief the patent was invalid or not infringed