

**The Legal Intelligencer**

presents



# Intellectual Property Roundtable: Issues Facing Practitioners Today

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**Panelists from left to right:** (Standing) Henrik Parker, Manny Pokotilow, John Goldschmidt, Jr., (Sitting) Frank Bruno, Nicole Galli

The Legal Intelligencer's intellectual property discussion on issues presently facing practitioners features Frank Bruno of White and Williams, Nicole Galli of Benesch Friedlander, John Goldschmidt of Ference & Associates, and Henrik Parker of BakerHostetler. Manny Pokotilow of Caesar Rivise served as moderator.

In June 2013, the White House issued a fact sheet containing an announcement of major steps to improve incentives for future innovations in high tech patents. The announcement noted that, in spite of the fact that the America Invents Act put in place new mechanisms for post-grant review of patents and other reforms to boost patent quality, innovators continue to face challenges from patent assertion entities, companies that, in the President's words, don't actually produce anything themselves. These entities are commonly known as patent trolls.

Among the proposed legislative measures are ones that require patentees and applicants to disclose the real party in interest by requiring that any party sending demand letters, filing infringement suits, or seeking U.S. Patent and Trademark Office review of a patent file updated ownership information and enable the PTO or district courts to impose sanctions for noncompliance. Another step was the expansion of the PTO's transitional program, and the third was protecting off-the-shelf use by consumers and businesses by providing them with the ability to stay judicial proceedings against such con-

sumers when an infringement suit has also been brought against the vender, retailer, or manufacturer.

**POKOTILOW:** Do you believe any of these steps will improve incentives for future innovation in high tech patents?

BRUNO: Not really. The proposed rules appear to be aimed squarely at changing the way non-practicing entities (NPE's) assert their patents against others. For example, some rules will require NPE's to disclose all related business entities. I don't think that rule has any impact on innovation and probably won't have much affect on litigation or licensing.

GALLI: I don't really see how this going to, in any material way, improve innovation. To me, there's a big disconnect. I understand why people are articulating the need for certain reforms that you see in both the White House and also in proposed legislation. Who is it really deterring to put these litigation requirements on inventors who are seeking to protect their invention? You have individuals who have a patent, and maybe they haven't been able to commercialize it; maybe they don't have the resources to either commercialize it or pursue litigation. I think there is actually a benefit with what we've termed patent trolls. Many of them are working with individual inventors who otherwise wouldn't really be able to do

anything with their invention.

GOLDSCHMIDT: To Nicole's point about so-called trolls or NPEs, there are plenty out there that we know who essentially are sharks. But there's also a fair number of them out there who are assisting smaller inventors in asserting their rights.

PARKER: There's been anecdotal evidence about the problems with NPEs and the problems that they cause, and it has ended up expanding fears far beyond the reality. Assuming that it's an appropriate goal to get rid of the true in-the-gutter NPE who is suing hundreds of people just for settlement without a realistic chance of winning, there's a tension between figuring out a way to limit that while not stifling innovation or precluding the sole inventor who has something worthwhile from going forward.

**POKOTILOW:** Should there be extra barriers to litigation for patent assertion entities, or trolls?

GALLI: If you have blanket prohibitions against what you're trying to articulate as a particular type of entity, I think that's a knee-jerk reaction because, in my experience, there's a wide range among the quality that you're talking about. Some are much more thorough, engage in a lot of due diligence, and maybe some have valid claims.

GOLDSCHMIDT: There are always going to be claims out there that are not meritorious and patents which shouldn't be defended or should have never been issued. We do have mechanisms out there to curtail this sort of activity. And through those mechanisms, maybe by strengthening them in certain ways, we can do it.

**POKOTILOW:** Let's go to the America Invents Act, which was passed in 2011. Are there any features of the AIA, such as *inter partes* review, that will change patent litigation strategies?

GOLDSCHMIDT: Clearly, things like *inter partes* review and the post-issuance provisions that have been introduced will advance or help in possibly reducing the number of suits that are brought because many of the issues will be debated. It gives us another mechanism that hasn't been available.

PARKER: I think that the notion of *inter partes* review and post-grant review is going to revolutionize the patent litigation landscape, and it's going to become largely the norm in a patent litigation scenario. There are aspects of the new procedures that make them a lot more attractive than the older ones. In particular, their speed. The fact that they're supposed to be completed within a year inherently makes them more attractive, but it also makes them more likely to cause a stay in the district court if there's a motion for a stay of litigation.

BRUNO: I agree. I think we're going to continue to see a large number of *inter partes* reviews filed. In the last year there's been around five hundred filed, and that number will likely increase as attorneys and clients become more comfortable with the experience.

GALLI: I think clients are very interested in it because of the speed and controlling cost. But at the end of the day, the fact that we haven't seen this ground swell makes me say that, when you look on balance, is it really that much better? As a litigator, I'm always concerned about anything that's going to take away from my arsenal of defenses. I also think that certain arguments are going to be way more persuasive to a court, to a judge, to the jury, than they're going to be to the PTO, and vice versa.

PARKER: Another significant part of the post-grant review process is that it has a different burden of proof. If you're in the courtroom, the patentee has an

inherent advantage with the presumption of validity that won't apply in the Patent Office. So I agree that, if somebody thinks they really have something that's worthwhile, then sure, it is a cost of business. For the defendants, the ability to take it to the PTO and deal with the validity issue up front if they feel that they've got a strong position there, without having to wade into the cost and burdens of discovery on infringement and damages and all these things that could be pretty onerous and could drive settlement, is attractive.

**POKOTILOW:** What factors would you consider before filing for *inter partes* review if you have been sued for patent infringement?

PARKER: The starting point is figuring out what your best art is and how strong you believe that art is. In the Patent Office in an IPR, you're dealing with a dedicated audience with an understanding of the patent system and hopefully the technology that you're dealing with. So if you've got something that might be less easily understood or a more technical validity argument, you're more likely to have success in an IPR than in a courtroom.

**POKOTILOW:** Does the specific technology that the invention is involved in have any effect on whether you decide to go to the Patent Office for an inter-party review as opposed to litigating the validity in court?

PARKER: For me, I think it goes back to what I said. It's the complexity. I'm not sure if you're thinking about the distinction between software and other stuff. I'm not sure that would drive the decision one way or the other.

**POKOTILOW:** Let me pose a question that has to do with an appeal to the Court of Appeals for the Federal circuit, which seems to favor pharmaceutical patents. Would you go to the Patent Office for that as opposed to trying it in court?

PARKER: I don't think that you can make a blanket statement on that. I suspect that pharmaceutical patents are far less likely to be easily defeated. The nature of the industry is that the patenting process is probably more thorough. In my experience at least, you're rarely going to have a troll in the pharmaceutical industry, and you're rarely going to have a patent

that you could easily see should never have issued.

**POKOTILOW:** Does anybody have a thought about the cost and expense of *inter partes* reviews versus the cost of litigation?

BRUNO: I've seen numbers that suggest it's going to be considerably less than a district court litigation, maybe a third as much or less.

PARKER: It's clearly going to be significantly less. For no other reason than that you're dealing with the single issue of validity and you're foregoing infringement and damages and all the other things that go with that. It has built-in a shorter time frame. The longer a litigation, it's just going to cost more. It's the nature of the beast.

**POKOTILOW:** It's briefing as opposed to hearings in litigation. Except that the briefing, as I understand it, is specific to the issue of invalidity. Do you believe that there are specific situations that can come up which will make use of an *inter partes* review more expensive? What will that do for the defendant?

GALLI: One of the concerns I have with an *inter partes* review is similar to what you see with re-exams. There's a predisposition that something is going to come back out of the Patent Office. It may look different from what went in formerly. So my concern would be, if you don't have a total slam dunk, where you knock it out completely, are you going to end up with something that adds an additional layer on top of what you've already done? Maybe that's good and maybe it's not good.

**POKOTILOW:** Let's go to nonpracticing entities, or trolls. Are there any differences in the way you represent nonpracticing entities versus a corporation that manufactures products as a plaintiff?

GOLDSCHMIDT: As a general matter, NPEs versus practicing entities will have differing objectives. The objective for the NPE often is to enforce the patent to generate revenue. However, a client who is a practicing entity has pragmatic business considerations to take into account so that, in the end, an injunction may be all they are looking for. NPEs generally do not have such business considerations to account for, so that will affect the way you advise them.

PARKER: NPEs can be much more aggressive in how they pursue litigation. They can also leverage the unequal burdens that are going to come up in discovery. An NPE is going to have presumably very little to worry about in coming up with their own discovery production, whereas the alleged infringer can have huge burdens, which can be used effectively by the lawyer representing the NPE. And similarly, if you're a manufacturing entity, you have to be concerned if you're going after a competitor about whether or not that is going to affect your own customer base. So you have the dynamic of being concerned about your customers, whereas the NPE can be much more aggressive.

**“The Patent Abuse Reduction Act would require increasing the pleading requirements for patent infringement actions.”  
— Manny Pokotilow**

GALLI: I was thinking of it much more in terms of practical realities. I have not as yet represented any NPEs, although it's something that I explored. So perhaps I've given this more thought than others. The reality is that if you're representing an NPE, more than likely you're on contingency. Your cost may be covered; they may not be. I think the strategy perspective is going to be, number one, build a war chest. You're going to be thinking more in terms of settling cases.

**POKOTILOW:** Are there any differences in the way you would represent a company against a nonpracticing entity?

GALLI: It depends on whether or not you're going to be operating in a joint defense group and what that's going to mean. You now have to worry if the cases are going to be consolidated as a result of the AIA venue provisions. Are they going to be spread out over a bunch of different places, and is a bad claim construction ruling going to issue in a case that I have absolutely nothing to do with? If anything, it's become more complex and more difficult to manage NPE litigation now that you could have cases going around in a lot of different jurisdictions.

GOLDSCHMIDT: I can confirm a lot of what Nicole is saying from a matter I was involved in the early years of the patent troll game. We were involved in the defense of a client against a troll where there had already been prior decisions and settlements in favor of the troll, and it put us in a very bad position. Arguments could have been presented better by prior

defendants and certain positions taken were not that strong. These and other factors materially impacted the way we approached the case. We ultimately settled.

PARKER: I think there's a spectrum of NPEs. But if you're talking about the ones who have more dubious claims and are going after large groups of people, then it certainly changes the dynamic as a defendant. You should then seriously consider settling for the nuisance value early on before you're the last one standing. You can sometimes cut a deal with the NPE and say, look, let me out of this with no big cost, and I won't tell the world about this stuff I've got in my pocket. It's definitely a different world.

BRUNO: NPEs tend to sue large numbers of defendants simultaneously. I have represented defendants in cases brought by NPEs where there have been as many as 40 codefendants, often acting together as a Joint Defense Group. In some of those cases I represented the main defendant that is doing the heavy lifting in litigation. In other cases, I represented smaller companies that benefited from the hard work of those larger defendants. So if you are a smaller defendant in a big litigation, it may make sense to stay in the case a while and ride the coattails of the larger defendants.

**POKOTILOW:** What advantages are there to defending a group of defendants? Anyone want to comment?

GALLI: Joint defense groups are not new. There are two strategic advantages. One is the cost. Second, you've also got so many lawyers focused on the same thing. Clients have different experiences, different knowledge, and you're able to draw from all of that.

**POKOTILOW:** But how about where there's a single attorney representing all the defendants or a single firm representing all the defendants; do you still think that's an advantage?

GALLI: It's not something I would recommend because at least in the situations I've seen, if there isn't indemnification which creates a true community of interest, there's going to be points at which clients' interests will diverge. I truly don't see how you can effectively represent everybody in that situation and

ensure that each defendant is going to get the absolute best defense possible, particularly because oftentimes you're dealing with competitors.

PARKER: From an ethical standpoint, I don't feel that I can be involved in settlement talks if I'm representing a group of defendants. There are inherently potential conflicts if I'm trying to settle for this client versus another. So we'll say, yes, we're happy to represent you, but you've got to deal with your own settlement discussions.

**POKOTILOW:** The next topic is the Shield Act, which is presently being proposed in Congress. Under the Shield Act, non-practicing entities have to put up a bond to cover the amount determined by the court for the full cost for attorneys, should a defendant prevail. Based on your experience in this field, do you believe a practicing entity should have to put up a bond to cover the amount determined by the court for the full cost and attorney's fees, whereas non-practicing entities do not?

BRUNO: I think this part of the proposed Shield Act treats NPEs unfairly. It essentially assumes all cases brought by NPEs are weak and are brought without justification. There are only a few, special situations in the US justice system where the loser pays the other party's legal fees, and I don't see any reason to expand those here.

GOLDSCHMIDT: To Frank's point about going to a more European style system where the loser pays. I've seen contractual provisions like this adversely affect settlement discussions in that one party is economically disadvantaged in that they simply cannot afford not to settle. They are so risk intolerant that, even with a meritorious case, they cannot assume even the slightest possibility of losing and then be faced with paying the entire cost of the litigation for both parties. Not long ago I was involved in a matter where our client was forced to settle a case on very unfavorable terms, not because they didn't have a strong position otherwise, but because they couldn't afford to pay the other party's legal fees if by chance they lost in litigation. So I am not a proponent of anything that requires the loser to pay.

PARKER: Maybe I misheard you, but the Shield Act is to say that non-practicing entities have to post a bond. So we're talking about the company that probably has very few assets beyond the patents that it has

to assert. When you're dealing with two big competitors, there's not the fear that they wouldn't be able to pay if they don't prevail. I think you could probably set up a system where judges examine that early on and make a decision that's not necessarily specifically defined by category and statute, and give them the discretion to make their own judgment on that.

GOLDSCHMIDT: Or at least they have to post a bond.

**POKOTILOW:** The Shield Act requires the bond to be put up. Do you think we should go to the English system of the winning party prevails on attorneys' fees, and not use it just for nonpracticing entities?

GALLI: I think that would fundamentally revolutionize the way we litigate. We don't single any other plaintiff or any other entity in our judicial system out. And I think that we can all agree that the patent world is not the only world that is experiencing frivolous litigation.

**POKOTILOW:** The Shield Act also makes an attempt at determining whether a nonpracticing entity is either: (1) an inventor; (2) an original assignee; (3) a party that produces or sells a patented good; or (4) a university or technology transfer organization who helps universities license. Is it a waste of judicial resources to spend money on making a determination, such as whether or not someone is exempted from the act before you even get into patent litigation?

GOLDSCHMIDT: Again, I come back to being just troubled by the classification of “non-practicing entity”, and, of course, the attempts to define (as well as the exceptions that go along with) the classification. I think that such attempts merely add complexity that is unnecessary to the already complicated litigation process. It will also continue to drive the cost of litigation up and be a deterrent for legitimate plaintiffs to bring suit.

PARKER: I agree with the notion of having judges use their discretion. I think that's where I come out, that we're better off letting judges decide how to handle it. Most cases never get through to the end, so in 80 percent of the cases you're wasting your time.

**POKOTILOW:** The Patent Abuse Reduction Act would require increasing the pleading requirements

for patent infringement actions. In addition to having a requirement that each patent allegedly infringed be identified, it requires the identification of each claim in the patents identified that are allegedly infringed. It also includes a substantial number of requirements for more specificity.

**POKOTILOW:** Do you believe the pleading requirements set forth in the Patent Abuse Reduction Act would help patent litigants?

PARKER: I'm not particularly in favor of this. Can you actually determine all of the requirements? Can you really comply with all these requirements before you get discovery in many cases? I think there would have to be some leeway for generous motions to amend or to supplement.

GALLI: To look at whether these types of changes would be effective, it makes sense to look at jurisdictions with local patent rules, because within those jurisdictions, after filing the complaint and prior to getting any discovery, you're going to be turning over an infringement claim chart. Are we deterring a lot of NPEs by requiring early claim charting? No. To meet the letter of what's here is really not that difficult.

**POKOTILOW:** What types of abuses do you believe were of concern when this Act was introduced?

PARKER: I think it was a somewhat knee jerk reaction to the idea of NPEs who have dubious patents that they just broadly assert against various industries, hoping they will get nuisance value from a number of them, and really haven't put in the due diligence. So they figure, what the hell, we'll send them a letter.

GALLI: You still have Rule 11 and its requirements. So in a situation where you think that it's completely frivolous, again, you get to file a motion, the court handles it. I think we sort of forgot about judges in all of this legislation. Maybe the judges need to do more. But that's a judicial issue, not a legislation issue.

**POKOTILOW:** Who do you believe lobbied for this Act? Do you think the California electronic industry was responsible?

PARKER: Sure. It's quite possible given the rise of smartphone apps and computer technology. The problems that modern electronics bring are now huge. You could have thousands of patentable items



contained in one object or one phone or whatever, and it makes it much more difficult to analyze and deal with. It provides a fertile ground for trolls, easier than a lot of other areas.

**POKOTILOW:** Does the Act help in terms of being a defendant where you really need to know what it is that is being accused of infringement?

GOLDSCHMIDT: I was involved in a case not long ago where we had notice pleading and none of the claims were identified. We were earnestly trying to engage in meaningful settlement discussions about what we might be able to do to resolve the dispute. We couldn't even get the plaintiff to identify the claims they believed were infringed. So I would not be opposed to some level of minimum disclosure in the initial pleadings (such as the identification of claims which the plaintiff believes are being infringed at the time of filing the complaint) while maintaining the general practice of notice pleading. Of course as discovery ensues, the plaintiff would be free to amend the pleadings to remove previously asserted claims or add additional ones.

**POKOTILOW:** In addition to the items set forth above with respect to the Patent Abuse Reduction Act, the plaintiff is also required to provide a description of



PARKER: The principle issue is cost. The notion that, like this Act and others, having the right to claim construction before you're forced to go through elaborate discovery allows you to focus on what may be the keys before damages and all this other stuff. To me, the main issue is who is going to incur what cost.

GALLI: If you look at most local patent rules, which don't cover every jurisdiction, they're going to require claim construction prior to significant discovery. I can also understand wanting to have your invalidity contentions out there before you start doing claim construction. I don't see why either a plaintiff or a defendant wants to spend a lot of time and money getting into discovery that may be irrelevant anyway, depending on the Markman ruling. But not every court will allow that.

BRUNO: As Nicole said, many local patent rules already require initial disclosures that are similar to this. In those cases, parties don't seem to have any new issues beyond the usual ones, like the plaintiff complaining that the defendant hasn't produced enough detailed technical documents.

**POKOTILOW: The Patent Abuse Reduction Act permits only core discovery, that discovery which is substantially relevant to the substantive issues in the case without sanction. Discovery beyond the core issues requires shifting of the fees and costs to the person seeking this discovery. Is this feature a benefit for plaintiffs or defendants?**

BRUNO: I think this feature is a benefit for defendants for several reasons. First, it excludes computer code from core discovery production absent a finding of good cause. Often plaintiffs need defendant's code to prove their infringement case. Under this Act, plaintiffs may be forced to engage in motion practice to view the code and then pay for its production. Second, this benefits defendants in cases brought by NPEs because it protects defendants from large-scale discovery requests, which NPEs often use as a weapon.

**POKOTILOW: Another important provision of the Patent Abuse Reduction Act is that the court shall**

**award to the prevailing party reasonable costs and expenses, unless the position and conduct of the non-prevailing party is objectively reasonable, or exceptional circumstances make such an award unjust. In light of the fact that almost fifty percent of patents are held invalid, even though presumed valid, do you believe it is fair to award attorney's fees to a successful defendant as a regular cost of action in a lawsuit?**

PARKER: It's a fundamental tenet of our system that we don't fee shift. A lot of this will be, again, in the application—in deciding what's an objectively reasonable assertion or an objectively reasonable defense. I'm still a proponent of leaving things the way they are and letting the judge make the decision.

GOLDSCHMIDT: I concur completely. Under such a fee shifting system, we would have to determine what "objectively reasonable" is. At the time the lawsuit is brought, the plaintiff has a legitimate patent which was issued by the United States Patent and Trademark Office. That patent comes with the presumption of validity. Why should a patent owner be subjected to additional exposure in the form of fee shifting if the patent is found to be invalid?

PARKER: It occurs to me that, under our current system, the judge has the discretion to shift the fees. That's only going to come into play in a very small portion of the cases. Under this proposed system, you're going to have the large majority of the people thinking "mine was reasonable, so I'm going to argue about this," and we're going to have fights about it far more often. You're going to have far more litigation about who gets fees than you would under our current system.

**POKOTILOW: One of the two things that would prevent attorney's fees from being granted is that the position and conduct of the non-prevailing party is either objectively reasonable or exceptional circumstances make an award unjust. Do you think one company being an individual against a large company would be such an exceptional circumstance?**

BRUNO: We have no idea what would constitute an exceptional circumstance under the proposed Act, but

it gives the judge the option to avoid granting fees even if the losing party was unreasonable. If the size of the party is a criteria for being exceptional, then that would seem to be a ruling the smaller party will try to get at the beginning of the litigation, rather than at the end.

**POKOTILOW: Let's talk about the International Trade Commission Act. Why do you believe more ITC actions are being filed each year?**

GOLDSCHMIDT: I've not been directly involved in ITC litigation, but those who have been generally view it as a more streamlined process as opposed to going directly to district court.

GALLI: I think it's two things. One, it's the speed. As the plaintiff, you need to be completely ready to go before you file. As a defendant, you're really playing catch up. It's also more effective because of how difficult it is for NPEs to get an injunction. If you can get an exclusionary order, then you effectively have the injunction you couldn't get otherwise. So I think it's the combination of those two things.

PARKER: I've had two ITC trials in the last—less than two years. Certainly the quickness of the process is a big draw and the notion of the injunction or the exclusion order, keeping in mind that that's only going to come into play if you've got a defendant that's making products outside of the U.S. You have got to have the right fact pattern. But if you do, it's quicker. Another potential advantage of the ITC is that you can use the one suit to go after a long list of unrelated respondents. You can list off as many different respondents as you want if they're making allegedly infringing goods. Moreover, if they are foreign companies, the ITC gives you much easier access to discovery against those foreign respondents.

**POKOTILOW: What are the differences in ITC actions as opposed to patent infringement actions in the district courts?**

PARKER: One of them I mentioned, that you can have multi-respondents and that you're going against the property. Probably the most well-known difference is that you cannot get money damages but you also have to show that there's a domestic industry worth protecting. So it's a whole other dynamic when you don't have to deal with financial damages. What

you do have to deal with is: is there a public interest that's worth protecting? The notion underlying the exclusion order is that there is a U.S. industry that we want to protect, so we're going to exclude people that are infringing.

GALLI: Well, the other logistical difference is that the staff attorney is going to be involved so you have a third party in terms of litigation.

PARKER: So you spend a fair amount of time making friends with the staff attorney and trying to convince the staff attorney on the side that your positions are the right ones. The judge doesn't have to buy into what the staff attorney says, but clearly it doesn't hurt to have him on your side.

**POKOTILOW: In light of there being no testimony in an ITC action, why would a troll file a suit there?**

GALLI: If you have the right case, it's tremendous leverage, provided you can get the injunction.

PARKER: It's not the kind of scenario where you have the troll who sues 100 end users kind of thing because I just don't see the value to the troll going through the system. And I think that most of those kinds of trolls would actually prefer to have a case that isn't fixed in length.

BRUNO: It doesn't fit with their typical strategy.

PARKER: You want to try to not have a long case.

**POKOTILOW: The next topic is going to be fair use. And the question is, when it is okay to use the trademarks of another?**

In light of two cases that were recently decided in the Southern District of New York, both involved the famous Louis Vuitton trademarks, *S.A. versus Hyundai Motors*.

Louis Vuitton's trademark appeared on a basketball for less than one second in a thirty second commercial.

In *Louis Vuitton versus Warner Brothers* in the movie "Hangover Two," an infringing bag which appeared to be a Louis Vuitton "Keepall" bag in the film. The complaint of Vuitton was that many consumers believed that the Diophy bag used in the film was, in fact, a genuine Louis Vuitton bag and that Louis Vuitton consented to Warner Brothers' misrepresentation of the Diophy bag as a genuine Louis Vuitton

product. The court found for Warner Brothers, denying the complaint of Vuitton saying it was a fair use.

**Because of different results in these two cases, it raises the question: when is it a fair use of another's trademark? Any thoughts on that?**

BRUNO: The Hyundai case was a lot more straightforward than the Warner Brothers *Hangover* case. Even though the logo appeared on the screen for less than one second, it was prominently displayed on an article during a commercial.

The *Hangover Two* case presented a very different fact pattern from the Hyundai case. In the film, the use of the mark wasn't misleading as to the source of the good, because the knockoff Diophy bag was part of a joke in the scene. Early in the scene, the character is seen with authentic Louis Vuitton luggage. Later, he is seen with the knockoff Diophy bag, which he mispronounces as Lewis Vuitton. Because the character is a bit of a buffoon, we assume his mispronunciation is a mistake, but it isn't entirely clear whether he knows the bag is a knockoff or not. So I think the facts supported the finding of no likelihood of confusion, and the court made the right call here.

**POKOTILOW: Let me ask you this to follow up. Do you think that the difference between the cases is one was an advertisement and another was an alleged work of art?**

BRUNO: Absolutely. Part of the test to determine whether use of a mark is protected by the First Amendment is whether the use has artistic as opposed to commercial relevance. It is much easier to argue that the use of the mark in a joke in a movie has artistic relevance, while use in a car commercial has a commercial relevance.

**POKOTILOW: Going back to the first case, which you said there was a real large use of the Louis Vuitton mark on the basketball, that basketball showed up for less than a second in the commercial. When I saw it the first time, I didn't even know that it was a commentary in using the Louis Vuitton mark. Only five percent who actually witnessed it in a survey found that they even noticed the Louis Vuitton mark. And you think that was still too big a use of the Louis Vuitton mark?**

BRUNO: Yes. The mark may have been on the screen for a shorter period time in the Hyundai commercial,



inducer of infringement that the patent is invalid was a basis for a finding by the Federal Circuit that there was no inducement of infringement. Thus, the majority's holding can preclude a finding of induced infringement, if there is evidence of a good faith belief in invalidity. My first question is: should there be a good faith belief defense to inducement of infringement?

PARKER: I would say yes. I don't see why not. Inducement is sort of a secondary form of infringement where you're going to have to prove that somebody is deliberately infringing and that you encourage that direct infringement. So there's a requirement of intent that's built in. And I think that's a good thing.

There's some confusion in the way the people talk about this and even some of the case law, this knowledge of "infringement," and I think that really what it should be is knowledge of "liability." There are two parts for it to get to liability. It has to be: (1) infringed; and (2) not invalid, and an inducer would have to know that it can't win on either.

BRUNO: The good-faith belief in non-infringement as a defense to inducement is several years old and has been upheld in a handful of cases, so it seems pretty solid. Judge Newman clearly disagrees with the Court extending that to include good-faith belief in invalidity as an additional defense to inducement. Here, the majority extends that to include a reasonable belief of invalidity. I think these defenses weaken inducement tremendously, and I sense that Judge Newman agrees.

**POKOTILOW:** Here's a typical case. A length of time usually has some actor in the firm that is the person who causes the patent to be infringed and the company and the individual sued for patent infringement. But since the individual who made the decision doesn't carry it out, he's not considered to be the direct infringer. He is typically the person who is going to be accused of inducement of infringement. And in such discussion, he has a letter from his attorney saying that it's not infringement. Should that be a defense if the corporation is held to be liable for the infringement? Putting it into that circumstance, is it appropriate that he's not found to be an infringer

**POKOTILOW:** The Court of Appeals for the Federal Circuit in a split opinion in *Commil USA versus Cisco Systems* found that a good faith belief by an

even though the corporation is and he set the corporation into motion?

**GALLI:** To me, the question is, is infringement supposed to be akin to liability for infringement itself, which is, of course, a strict liability situation? Or is it supposed to be more akin to willfulness? And that's the philosophical divide.

**POKOTILOW:** If there's a presumption of validity, should a company that has infringed a valid patent be entitled to plead a good faith belief, particularly where the defendant had a requirement that he prove that the presumptions of validity is wrong by clear and convincing evidence?

**PARKER:** My view is yes. We're living in a world where the question is: does the entity have culpable intent? If they have a good faith belief that the patent

is invalid, there shouldn't have been liability. If they were wrong, but they had good faith, their analysis getting to a good faith belief presumably had to take into account that there's a presumption, a higher burden.

**POKOTILOW:** And it's the plaintiff that has to prove infringement.

**PARKER:** Again, I think that factors into the analysis to determine whether or not they have a good faith belief. Once it's shown that they have a good faith belief, it shouldn't matter what the basis is. To me it should be anything that gives them a good faith basis that they're not liable.

**GALLI:** I think Rik hit it on knowledge of liability versus knowledge of infringement, because that's where we're going to ultimately need an additional ruling. And I think it was much more likely that you have a good faith belief as to ultimate liability. That is the different analysis and it opens up the door to a whole host of other issues.

**POKOTILOW:** So that we're clear on that up to the *Commil USA* case, there was no defense on the basis of invalidity. In other words, it was not a defense to inducement of infringement that you thought it was

invalid. My question to you is really, is there such a good reason now to change what the law has been?

**BRUNO:** One judge said, you can't believe in something that's false. And I think that applies here. I don't think you can have a good faith belief that the patent is invalid when it's found valid.

**GALLI:** If that's the way you're going to analyze it, it would also hold true in the willfulness setting. You can only have a good faith belief if you ultimately prevail.

**GOLDSCHMIDT:** I'm coming down on the side that under certain circumstances you might have the good faith defense to the extent that liability is shown. However, there needs to be some deeper consideration of the possible unintended consequences if a good faith defense is to be introduced at all. Otherwise, everyone and their brother is going to say, "I thought that the patent was invalid."

**POKOTILOW:** I'm going back to what you said. If it was such a smoking gun, why was the patent held valid?

**GOLDSCHMIDT:** Exactly the point. Maybe the finding of validity was wrong. But then it may also be determined that there was no good faith on the part of the defendant.

**GALLI:** Maybe we need to reconsider *Global Tech* and go back to the standard of liability for inducing as if you intended to induce acts that cause the infringement. Then you get into intent of infringement when it comes to the willful analysis. This would make it more parallel with direct infringement. But that's not the world we're in now. So once you start introducing a subjective intent element, I still don't see why you should draw the line between any more defenses that you might have.

**POKOTILOW:** Should a potential inducer of infringement obtain an opinion of invalidity before proceeding with sale of that which induces infringement?

**PARKER:** I don't think that a specific invalidity opinion is necessary. If you have one, great. But an

opinion of some kind, certainly an opinion that gets you to a point that you can say you have a reasonable belief that you shouldn't be liable—whether by lack of infringement, invalidity, or something else—is a good thing in this world

**POKOTILOW:** So since there is a presumption of validity, and plaintiff has to prove infringement, should there be a difference in the standard of persuasion with respect to proving a good faith belief in invalidity, as opposed to a good faith belief in non-infringement?

**PARKER:** I would say no. It's a question of where you're looking at the analysis. At the high-level you're saying does this person have a good faith belief? What's the basis for them having a good faith belief? That standard should be the same across the board.

**BRUNO:** I think there is a fair argument that the standards for these defenses should be different and mirror the standards for proving infringement and invalidity.

**POKOTILOW:** Should I have to prove if I'm going to use invalidity as the defense that I thought would make it—make there be no liability? Shouldn't I, as a defendant, have to prove by clear and convincing evidence for exactly that I did have a good faith belief as opposed to the other level which is beyond—we're talking beyond—by a preponderance of the evidence.

**BRUNO:** Are we talking about this particular inducement area?

**POKOTILOW:** We're talking about the person who is accused of inducing infringement. Should he have to prove by a greater standard of persuasion that he believes something was invalid as opposed to not infringing?

**BRUNO:** Yes. It makes sense that the standards for showing a good faith belief in non-infringement or invalidity should mirror the standards for proving non-infringement or invalidity.

**"In the end, when counsel issues an opinion to a client, the client is entitled to rely on that opinion."**  
—John Goldschmidt, Jr.



**PARKER:** Maybe the real burden of proof here is that the plaintiff has to prove that the defendant didn't have a good faith belief in lack of liability.

**GOLDSCHMIDT:** In the end, when counsel issues an opinion to a client, the client is entitled to rely on that opinion. If the opinion confirms non-infringement or invalidity, then the defendant should be able to assert that opinion as a basis for the defendant's good faith belief of non-infringement or invalidity.

**POKOTILOW:** Should a retrial of inducement and possibly damages, without retrying invalidity, be permitted without retrying invalidity?

**BRUNO:** The issues of invalidity and direct infringement were not accepted for appeal and they are sufficiently distinct from inducement here that they can be tried separately, so I don't see a problem with retrying without them.

**POKOTILOW:** Which basically can position believability [ph] damages without retrying to invalidity. Should that be permitted?

**GALLI:** I probably would ask to retry validity if I had a good faith belief the patent was invalid. If you think about it, just as the party in that position, you're not



is and was valid the entire time?

GALLI: You shouldn't be able to because that would be too prejudicial.

PARKER: Motion in limine on saying that kind of stuff.

**POKOTILOW:** We've come to the conclusion of my questions. I would now ask each person if there's anything else they'd like to discuss.

GALLI: Since the Innovation Act of 2013 bill was just submitted, we should discuss it. It doesn't seem to add a whole lot of what the Patent Abuse Reduction Act had.

**POKOTILOW:** Where was this act introduced?

PARKER: The Goodlatte Bill was in the House. It was introduced in the last couple of weeks.

GALLI: There seems to be a lot of rallying around the Innovation Act of 2013. Apparently, the senator who introduced the Bill in the Senate is supporting the Goodlatte Bill.

PARKER: But the Goodlatte Bill has some things that are technical amendments to the AIA that actually could be radical changes. The one that jumped out at me is that apparently for *inter partes* reviews and the post-grant reviews at the Patent Office, it proposes to switch from using the broadest reasonable interpretation for claim construction to using the narrower type of claim construction methodology that is typically used in district court claim construction rulings. To me that would be a big change and probably have a fairly significant effect on whether or not defendants chose to go through the Patent Office to do a post-grant review or *inter partes* review.

GALLI: It also apparently has a provision when a manufacturer has customers who are sued for infringement, the customer may agree to be bound by the result of the manufacturer's suit, in which case the customer's case is stayed.

BRUNO: Wouldn't the patent owner argue the patent

PARKER: Under the current state of the law, the estoppel goes to anything that "reasonably could have been raised" during the review, and this bill proposes to limit the estoppel to things that were actually raised.

GALLI: Okay. And then there's this random one. Trustees no longer have the ability to cancel international licenses. So it's a little bit of an array for everything.

PARKER: In general if it seems like—if you look at the array proposed over the last year—there's been a whole bunch of stuff that is ostensibly limited to trolls or NPEs. I have to say, maybe my practice is more corporate oriented or something, but it seems like there's a lot more hullabaloo than is warranted.

**POKOTILOW:** John, do you have any comments or anything else?

GOLDSCHMIDT: I think we've had sufficient changes in our patent law, particularly over the past couple of years in the form of the AIA, that we all need to digest. We have just experienced the most radical change in our Patent law in the history of the United States. The people sitting around this table are about as experienced as you will find, and we are certainly struggling to digest all of these new changes, not to mention understanding the consequences, and unintended consequences, of those changes.

I think that these new bills that have been proposed and are currently pending are too much too soon. Therefore, we need time to reflect upon and observe how business and the legal system reacts to the AIA before we consider what the next steps, if any, should be.

**POKOTILOW:** Thank you very much for being part of this round table. I enjoyed this very much. Thank you.

**"... the Goodlatte Bill has some things that are technical amendments to the AIA that actually could be radical changes."  
—Henrik Parker**



of experience spans technology areas ranging from hard-core chemical engineering to lasers/laser drivers, medical devices, nanotechnology, and the use of the Internet and/or software for mapping, computer telephony integration, and Internet connection services.



**Mr. Pokotilow** is a Partner at the Firm of Caesar, Rivise, Bernstein, Cohen & Pokotilow in Philadelphia. For more than 40 years, his practice has consisted of all aspects of Intellectual Property law, particularly litigation, involving the enforcement of patents, trademarks, copyrights and trade secrets. He now is also focusing his practice in Alternative Dispute Resolution. He is registered to practice before the United States Patent and Trademark Office. Pokotilow has been lead Intellectual Property counsel in numerous landmark cases involving patents, trademarks and copyrights. He has also mediated to conclusion high profile cases.

He is a past chairman of the American Bar Association's Proprietary Rights in Software Committee of the Computer Law Division of the Section of Science and Technology. Mr. Pokotilow is also one of the founders of the Alternative Dispute Resolution Committee of the United States District Court for the Eastern District of Pennsylvania, and has been a member of the panel of mediators since its inception. He was also a member of the Mediation Panel of the International Trademark Association. He is a past President and Vice President of the Historical Society of the United States District Court for the Eastern District of Pennsylvania. He received Best Lawyer's Philadelphia Lawyer of the Year Award for 2012 in Patent Litigation and Best Lawyer's Philadelphia Lawyer of the Year Award for 2013 in Trademarks. He also received the award of Managing Intellectual Property Magazine for Best Intellectual Property Litigator in Pennsylvania for 2013. He also received the prestigious PBI Arthur Seidel Award in 2012.



**Mr. Goldschmidt** concentrates in serving the needs of both technology and non-technology based enterprises of all sizes and at all stages of growth. He primarily focuses on the strategic planning, leveraging, commercialization and enforcement of domestic and international rights in ideas, inventions, and other commercially valuable property through patents, trademarks, copyrights, trade secrets, and related licensing and litigation.

Mr. Goldschmidt has counseled numerous business enterprises in a wide range of industries including light and heavy manufacturing, Internet, e-commerce, computer hardware and software, pharmaceuticals, biotechnology, telecommunications, health care, environmental testing, records and information management, pulp and paper, industrial chemicals, banking and financial services, packaging, printing and labeling, con-

sumer products, construction products, high fashion, jewelry, gaming, publishing, news media, confections and other foods, home and garden products, cogeneration, synthetic and organic fibers, taxidermy, and tobacco. He has represented clients in a range of joint ventures, strategic alliances, technology transfers, asset purchases, licenses, financings and other corporate transactions.

Mr. Goldschmidt is also extensively engaged in the enforcement of industrial property rights through litigation and other dispute resolution proceedings, as well as through structured policing and settlement programs. He has significant experience in complex litigation and enforcement proceedings involving claims of patent, trademark and copyright infringement, confidentiality/trade secret misappropriation, unfair trade practices, domain name/cybersquatting, Internet theft, licensing and other transactional disputes. Exemplary matters include obtaining injunctive relief against an equipment manufacturer who disclosed a client's proprietary process in a patent application, and obtaining judgment against an Australian citizen who had used the Internet to misappropriate a client's proprietary software.

**Frank Bruno** is a partner at White and Williams LLP, where he is co-chair of the intellectual property group. Frank is a registered patent attorney with considerable experience in electrical and computer technologies with particular emphasis on software, semiconductors, and telecommunications. He has litigated numerous patent cases involving semiconductor designs and methods of manufacture, digital telephony, image compression, and global positioning systems. In addition, he assists companies in acquiring patents before the US Patent and Trademark Office, counsels start-up companies, and represents buyers, sellers, and lenders in corporate transactions, such as acquisitions and financings, where intellectual property was a significant asset.



**Ms. Galli** is a partner with the firm's Innovations, Information Technology & Intellectual Property (3iP) Practice Group, where she is Practice Group Co-Lead for Litigation and is Partner-in-Charge of the Wilmington and Philadelphia Offices. She focuses her practice on complex commercial litigation, including intellectual property litigation, and intellectual property counseling. Ms. Galli has litigated patent and patent licensing, trademark, copyright, trade secret, false advertising, consumer fraud, unfair competition, antitrust and general commercial matters and counsels clients in various aspects of intellectual property. She has handled matters for clients in a variety of industries including medical devices, software, consumer electronics, automotive, energy, hospitality, food and beverage, construction, manufacturing and health care. Ms. Galli's clients range from small start-up companies to the largest national and international companies. She has also represented a number of cultural institutions and other non-profits.

Ms. Galli has extensive bench trial, jury trial and arbitration experience in a variety of subject matters, including patent matters. She practices before state and federal trial and appellate courts throughout the nation, administrative bodies (including the TTAB, the ITC and the FTC), and in various alternative dispute resolution forums, including international arbitration panels. Ms. Galli frequently litigates in jurisdictions employing local patent rules, including the Eastern District of Texas and the District of New Jersey.



