

**Questions Of Senator Patrick Leahy (D-Vt.),  
Chairman, Senate Judiciary Committee  
Hearing on “Protecting Small Businesses and Promoting Innovation by Limiting  
Patent Troll Abuse”  
December 17, 2013**

**Questions for Phil Johnson, VP of Intellectual Property at Johnson & Johnson  
and member of the Coalition for 21st Century Patent Reform**

**Senator Leahy’s Question #1:**

You have expressed concern that some efforts to address the problem of patent trolls may have unintended consequences for legitimate patent holders seeking to protect their rights. What do you think are the most promising strategies for addressing abusive conduct by certain actors, without unduly burdening legitimate patent holders?

**Mr. Johnson’s Answer to Question #1:**

The most promising legislative strategies now under consideration for addressing abusive patent litigation behavior are: (a) providing for stays of suits brought against off-the-shelf retailers and customers who are using the purchase products as intended by the manufacturer; (b) providing for the FTC to treat false and deceptive assertions of patents as an unfair trade practice; (c) providing for disclosures in infringement proceedings of information relating to those with a financial interest in the patent(s) being asserted, and to the USPTO relating to assignments that result in changes in the ultimate parent entity; (d) making corrections to the America Invents Act so that the post-grant PGR and IPR proceedings established to allow for public challenges of patents will work as originally intended, and (e) if not mooted by the Supreme Court in the meantime, relaxing the applicable standard for awarding attorney fees to prevailing parties in patent cases. The Coalition for 21st Century Patent Reform (“21C”) believes that through careful, targeted drafting, each of these strategies may be crafted into provisions that deter or punish abusive behavior while avoiding undue burden on patent holders seeking to protect their rights.

An example of such successful drafting is found in the transparency provisions of Section 3 of the Leahy-Lee bill, S.1720. Section 3 ensures that appropriate information concerning the ownership of patents is disclosed in court proceedings and to the United States Patent and Trademark Office. In court proceedings, the provision requires that every party asserting a patent disclose to the court and the other parties certain information relating to all persons holding a financial interest in the asserted patent, while allowing confidential information related to those disclosures to be governed by an appropriate protective order. Section 3 of the Leahy-Lee Bill further assures that assignments of all substantial rights that result in a change to the ultimate parent entity of any patent issued on or after the date of the act “shall be recorded in the Patent and Trademark Office within 3 months of the assignment.” This provision further contains measured penalties for non-compliance that are limited to the loss of the patent owner’s

right to collect enhanced damages or attorney fees in a subsequent litigation “with respect to infringing activities taking place during any period of noncompliance” and to an award “to the prevailing accused infringer [of] reasonable attorney fees and expenses incurred in discovering any previously undisclosed ultimate parent entities in the chain of title.” Together, these transparency provisions will ensure that appropriate information concerning patent ownership is made available, while not unreasonably burdening the inventor community.

Other proposed changes in the Leahy-Lee bill similarly make corrections to the estoppel, claims construction and double patenting aspects of the America Invents Act that will allow this Act to work as intended, and should be passed as drafted.

The 21C also supports the concept of a customer stay provision that would allow a manufacturer or supplier to intervene in patent infringement actions brought against certain resellers and/or end users. Discussions with affected stakeholders have revealed that the fewest unintended consequences will result if such a provision is limited to stays of suits against “off-the-shelf” resellers who do not alter or modify the product in any way, and to end users who do nothing more than use the accused products as instructed or clearly intended by their manufacturers. Proposals that would reach further up the supply chain have proven to be problematic, risking the disruption of previously negotiated bargains that determine where the risk of defending against allegations of patent infringement lies.

Appropriate provisions to allow the FTC to address abusive demand letter behavior are also achievable, but run the risk of serious disruption to the business of innovation if not (a) cabined to apply only to statements that are clearly false or deceptive at the time made, (b) limited to situations where the demands are widespread, where hundreds or thousands of unrelated entities are blanketed with such demands, (c) a preemption of potentially burdensome and conflicting state legislation on the same subject, and (d) accompanied by safe harbor provisions that will ensure that legitimate patent notice, licensing, marketing and assertion activities will not be affected.

As I have explained in my written and oral testimony, other suggested approaches to the problem of abusive patent litigation behavior would bring with them unintended consequences which outweigh any benefit they might achieve. Proposed heightened pleading requirements, for example, will do little or nothing to deter the abusive filing of patent cases, but will bog down many meritorious claims in motion practice relating to the sufficiency of the pleadings and/or the need to amend them, thereby delaying the merits phase of the litigation while driving up litigation costs. This additional delay and expense will only add to the leverage that abusive plaintiffs will then use to coerce higher settlements in view of the anticipated higher costs of a successful defense.

Proposals to require courts to delay merits-based discovery pending claim construction will similarly lengthen patent litigation and drive up its cost, also strengthening the hands of abusive patent plaintiffs, especially in cases where other issues exist which could have led to an early case disposition. The proposed discovery stays will be especially

injurious to patent owners who have been manufacturing and/or marketing products, the sales of which are being hurt by infringing competition. With merits-based discovery being stayed for a year or more while the court and parties wrangle over the meanings of patent claim terms, patent owners will suffer substantial continued losses of sales and market shares, and of the jobs that depend on them. Recognizing that the vast majority of patent cases do not involve assertions by non-practicing entities, the nature and timings of initial disclosures, discovery, dispositive motions, exchanges of contentions, filings of expert reports, Markman hearings and other pre-trial procedures should all be left to the sound discretion of the courts, which are best positioned and experienced to tailor each proceeding to achieve a just and expeditious result.

While several reasonable proposals have been introduced for allowing attorney fees to be shifted to non-prevailing parties, issues remain concerning how to deal with the circumstance where the non-prevailing party is unable to satisfy such an award. Of the three suggested approaches to this problem – joinder, bonding, or imposing contingent liability upon related persons – only the third has the potential of achieving its intended purpose of deterring abusive conduct without unduly burdening patent owners seeking to press meritorious claims.

Mandatory joinder of parties with tangential financial interests in the asserted patents would equally impose burden and expense on interested affiliates of the vast majority of patent owners who are seeking to press meritorious claims, while being easily avoided by persons whose design is to pursue abusive assertions. As a result, such joinder provisions will do little or nothing to solve the problem sought to be addressed, and will impose undue burdens on many innocent persons.

The imposition of bonding requirements on certain classes of plaintiffs without regard to the merits of the cases they have brought unfairly discriminates against these plaintiffs, and imposes financial burdens on these assertions that may foreclose their access to the courts in many instances.

The burdens created by the bonding and joinder proposals mentioned above are particularly harsh in view of the availability of a more straightforward proposal that, in the event of an attorney fees award, would impose contingent liability upon persons controlling the non-prevailing party's litigation conduct and/or with a substantial financial stake in the proceeds of the case, but only where such award is not otherwise collectable from the non-prevailing party. By definition, such an approach would impact only those persons who control or who have a financial interest in the fruits of an abuse, and would come into play only if the original fee award against the non-prevailing party remained unsatisfied.

### **Senator Leahy's Question #2:**

The Supreme Court has agreed to hear several important patent cases this term, including a case focusing on the patentability of computer-implemented inventions. In your testimony, you state that next year “the landscape of patent litigation may look significantly different than it does

today” as a result of those cases. Please elaborate on that statement. Do the cases before the Court have the potential to address some of the concerns that have been raised by businesses that are being targeted in patent suits?

### **Mr. Johnson’s Answer to Question #2:**

The Supreme Court has been very active in in addressing issues that are pertinent to patent litigation reform, granting *certiorari* in five significant patent cases to be decided this year. Depending on their outcomes, all five of these cases could have significant impacts on the on the concerns raised by businesses that are defending patent infringement suits.

#### *Attorney Fees Cases:*

On October 1, 2013, the Supreme Court granted petitions for writs of *certiorari* in two patent infringement cases raising the issue of when an award of attorney fees to a prevailing party is appropriate under 35 U.S.C. § 285. In *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, Docket No. 12-1184, the Court will consider the test used to determine whether a case is “exceptional” under Section 285, which is a requisite finding for the award of fees to the prevailing party. The petitioner challenged the "rigid and exclusive" test that the Federal Circuit uses to determine whether a case is "exceptional," presenting the following question that the Court accepted for review:

Whether the Federal Circuit's promulgation of a rigid and exclusive two-part test for determining whether a case is "exceptional" under 35 U.S.C. § 285 improperly appropriates a district court's discretionary authority to award attorney fees to prevailing accused infringers in contravention of statutory intent and this Court's precedent, thereby raising the standard for accused infringers (but not patentees) to recoup fees and encouraging patent plaintiffs to bring spurious patent cases to cause competitive harm or coerce unwarranted settlements from defendants.

In *Highmark Inc. v. Allcare Health Management Sys.*, Docket No. 121163, the Court will consider the deference to be given, if any, to a district court’s determination that a case is “exceptional” within the meaning of Section 285. The question presented to the Court is:

Whether a district court's exceptional-case finding under 35 U.S.C. § 285, based on its judgment that a suit is objectively baseless, is entitled to deference.

The Solicitor General, as well as many *amicus curiae*, has argued that the Court should lower the standard needed to find a case to be “exceptional” under Section 285, thus permitting fee shifting in favor of prevailing parties more frequently in patent infringement cases.<sup>1</sup> In an *amicus* brief filed in the *Octane Fitness* case by Johnson & Johnson and other 21C Steering Committee member companies, we have urged the Court to realign the interpretation of Section 285 with traditional principles of equity, as applied in the context of the claims, defenses, and issues arising in patent litigation, and with acceptable norms of litigation conduct. The district courts should be empowered to determine which cases are “exceptional,” and whether and in what amount fees should be shifted upon such a finding, through exercise of their sound equitable discretion based on the totality of the record. By doing so, fee shifting in patent cases will

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<sup>1</sup> See [http://www.americanbar.org/publications/preview\\_home/12-1184.html](http://www.americanbar.org/publications/preview_home/12-1184.html) (collecting *amicus* briefs in *Octane Fitness*); [http://www.americanbar.org/publications/preview\\_home/12-1163.html](http://www.americanbar.org/publications/preview_home/12-1163.html) (collecting *amicus* briefs in *Highmark*).

serve the same purposes this Court has indicated it serves in other areas of litigation: a case management tool for courts to discourage certain types of claims or defenses and to sanction misconduct.

The Court will hear arguments in both *Octane Fitness* and *Highmark* on February 26, 2014. Decisions are expected by the end of the Court's current term in June.

Should the Supreme Court reverse the Federal Circuit's holding, the result may be that attorney fees will be more readily awarded against non-prevailing parties who have been found to have brought specious cases. Such a change in the dynamics of the litigation playing field may well discourage parties from bringing specious claims to court, and/or may penalize them by imposing awards of attorney fees for doing so.

Under the circumstances, Congress may decide that prudence dictates waiting for the outcome of this case before enacting changes involving attorney fees shifting in patent cases.

#### *Computer Implemented Inventions:*

On December 6, 2013, the Supreme Court granted a petition for a writ of *certiorari* in *Alice Corp. Pty. Ltd v. CLS Bank Int'l*, Docket No. 13-298, to consider the patent eligibility of computer-implemented inventions. The question presented to the Court is:

Whether claims to computer-implemented inventions – including claims to systems and machines, processes, and items of manufacture – are directed to patent-eligible subject matter within the meaning of 35 U.S.C. § 101 as interpreted by this Court?

In this case, the Supreme Court will revisit the issue of how to determine whether a software-related claim is directed to a patent-eligible invention or an ineligible abstract idea. The *Alice Corp.* patent is directed to software-implemented business methods for mitigating settlement risk in certain financial transactions.

The Supreme Court decision is likely to have a profound impact on many of the issues underlying calls for legislative action to combat patent infringement litigation abuse. The GAO report, for example, concluded that the recent increases in patent infringement litigation were not caused by non-practicing entity cases, but rather by the growth in litigation involving software patents:

Public discussion surrounding patent infringement litigation often focuses on the increasing role of NPEs. However, our analysis indicates that regardless of the type of litigant, lawsuits involving software-related patents accounted for about 89 percent of the increase in defendants between 2007 and 2011, and most of the suits brought by PME's involved software-related patents. This suggests that the focus on the identity of the litigant—rather than the type of patent—may be misplaced.

Likewise, calls for expansion of the transitional review program for covered business method patents have focused on the perceived need for additional review of software patents. Thus, the Supreme Court's opinion, expected by the end of the term in June 2014, may go a long way toward addressing some of the fundamental questions regarding the patent eligibility of the types of patents that have spurred calls for the changes reflected in several of the pending legislative proposals in both chambers of Congress.

Given the importance of this case, Congress would be well advised not to make substantive changes in the scope or duration of the transitional program for covered business method patents pending the Supreme Court's forthcoming decision.

### *Claim Indefiniteness:*

On January 10, 2014, the Supreme Court granted a petition for a writ of *certiorari* in *Nautilus v. Biosig Instrument*, Docket number 13-369, to address the issue of claim indefiniteness. The questions presented to the Court are:

- (1) Whether the Federal Circuit’s acceptance of ambiguous patent claims with multiple reasonable interpretations – so long as the ambiguity is not “insoluble” by a court – defeats the statutory requirement of particular and distinct patent claiming; and
- (2) whether the presumption of validity dilutes the requirement of particular and distinct patent claiming.

The decision in this case will be of great interest to patent litigants because determinations of validity and infringement often turn on the court’s understanding of the degree of definiteness required to satisfy the requirement of 35 U.S.C. 112(c), that the “specification ... conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as the invention.”

This issue assumes greater importance because cases of alleged patent litigation abuse are often characterized by accused defendants as involving patents having claims that are so ambiguous as to not have fairly placed the public on notice of the subject matter claimed. Indeed, much of the (misplaced) impetus for mandating that discovery be stayed pending the district court’s interpretation of the asserted claims comes from just this perception. For example, at pages 8-9 of its brief in support of *certiorari*, the Electronic Frontier Foundation (“EFF”) argued that the current test for ambiguity authorized by the Federal Circuit “has fostered business practices that abuse the patent system by exploiting...sanctioned vagueness in patent claims” and that:

[A]mbiguous patents—mostly relating to software—have fed the recent explosion in litigation by non-practicing entities (also known as patent trolls). By revitalizing the law of indefiniteness, this Court could improve patent quality and reduce opportunistic patent litigation.

Accordingly, should the Supreme Court hand down a definitive ruling on the issues presented, the guidance provided thereby may make it easier for the courts to distinguish between specious and meritorious assertions, may obviate the need perceived by some to bring patent litigation to a virtual standstill pending the court’s claim construction ruling, and, if EFF is correct, reduce opportunistic patent litigation.

The imminence of the Supreme Court’s decision on this issue provides yet another reason why Congress should decline to require that courts delay merits discovery in patent cases pending the district court’s ruling on the meaning of claim terms.

### *Whether Direct Infringement May Result From the Combination of Multiple Actors*

On January 10, 2014, the Supreme Court granted *certiorari* in *Limelight Networks v. Akamai Technologies*, Docket Number 12-786, to address the issue of whether patent infringement liability under 35 USC 271(b) (for inducement) requires the existence of an underlying direct patent infringement. 35 USC 271(c) simply states “[W]hoever actively induces infringement of a patent shall be liable as an infringer.” In *Akamai* it is undisputed that all of the steps of a claimed method were performed by Akamai except one, which was performed, as intended by Akamai, by its customer. Accordingly, while

no single person or entity involved in the activity had performed all of the steps needed to constitute a direct infringement, under these circumstances, Akamai was nonetheless found liable for infringement as an inducer. The question presented to the Court for decision is:

Whether the Federal Circuit erred in holding that a defendant may be held liable for inducing patent infringement under 35 U.S.C. § 271(b) even though no one has committed direct infringement under Section 271(a).

An *amicus* brief seeking grant of this review filed on behalf of several advocates<sup>2</sup> for legislative action argues that the liability standard established under *Akamai* “exacerbates the exorbitant cost and potential for abuse in patent litigation,”<sup>3</sup> stating:

The manner in which Akamai expands liability also exacerbates the problem of abusive patent lawsuits. Armed with an expansive rule that can impose liability on a company for supplying otherwise noninfringing products and services, opportunistic plaintiffs are likely to pursue even more companies to seek extortionate settlements largely divorced from consideration of the merits of the claims. And companies that decline to settle meritless cases will be forced to invest even more money in investigating and litigating divided infringement claims before they can effectively evaluate the merits and settlement value.<sup>4</sup>

These amici further argue that the complexity of the current rule injects additional uncertainty into patent litigation, and that if certainty were brought to these issues, settlements of all cases, including meritorious claims of infringement, would be encouraged.<sup>5</sup>

Depending on how the Supreme Court decides this issue, it could provide yet another reason not to stay merits discovery pending Markman rulings in patent cases (if the volume of needed discovery is reduced), and could affect the frequency of suits being brought against resellers and end users who are using the accused products or processes as intended and/or instructed by manufacturers or suppliers. In the event the Court decides that suits must be brought against resellers and/or end users to establish liability, there is a potential that current legislative proposals to automatically stay such cases may not be as effective as hoped in reducing patent litigation.

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<sup>2</sup> See the Amicus in support of the petitioner filed by Google, Inc.; Cisco Systems, Inc.; Oracle Corp.; Red Hat, Inc.; SAP America, Inc.; Symantec Corp.; Xilinx, Inc. (12-786.)

<sup>3</sup> *Id.*, heading on page 14.

<sup>4</sup> *Id.* at 16.

<sup>5</sup> *Id.* at 17.

**Hearing: “Protecting Small Businesses and Promoting Innovation  
by Limiting Patent Troll Abuse”**

**Question for the Record of Sen. Sheldon Whitehouse**

**Question for All Witnesses**

**Proactive Action by Corporate Defendants**

Many Rhode Island businesses have been the victims of patent troll abuse, receiving bad-faith demand letters and being forced to settle lawsuits or engage in costly litigation based on dubious patent claims. Small and medium-sized companies, many of whom do not have an attorney on staff, often do not have the resources to effectively fight patent troll abuse, which is why reforms such as prohibiting bad-faith demand letters and allowing manufacturers to stay suits against customers are necessary and appropriate.

Large corporate defendants, on the other hand, may have additional resources at their disposal that could allow them to take proactive steps to combat abuses by patent trolls. Consideration of such steps should be included in the discussion of how to address patent troll abuses.

Independent of legislation to reform the patent litigation system, what are some proactive steps that large corporations that are frequently defendants in patent suits could take to better defend themselves against patent troll abuses? In particular, please address the positive and negative aspects of the following potential actions:

- Referring patent trolls and their attorneys who initiate frivolous lawsuits and fraudulent and harassing conduct to the appropriate law enforcement authorities and disciplinary bodies, including, in the case of attorneys, state bar disciplinary boards;
- Pursuing equitable remedies, such as injunctions against future suits by trolls with a demonstrated record of frivolous litigation, fraud, and harassment;
- Pursuing Rule 11 sanctions against attorneys bringing frivolous suits;
- Increased use of joint defense agreements;
- Purchase of patent litigation insurance;
- Increased licensing and purchase of relevant patents; and
- Simply refusing to pay unjustified claims.

**Mr. Johnson's Answer:**

The following are my comments, by topic, on the suggested potential actions to respond to patent litigation abuses:

- *Referring patent trolls and their attorneys who initiate frivolous lawsuits and fraudulent and harassing conduct to the appropriate law enforcement authorities and disciplinary bodies, including, in the case of attorneys, state bar disciplinary boards*

The first order of business when responding to the institution of a frivolous charge of infringement or frivolous patent infringement lawsuit is to place the person asserting the

patent on notice that the charge of infringement is unfounded, and to provide such non-confidential evidence as may be available to demonstrate that fact to the party pressing the infringement issue. In our experience, when faced with such evidence, most legitimate entities will immediately give up their claim, or, if they are not convinced, respond in an effort to resolve any lingering doubts they may have. Sometimes it is necessary to enter into a confidentiality agreement allowing for the exchange of more information between counsel who are permitted to share their conclusions, but not the disclosed evidence, with their clients. Almost invariably, if the evidence shows that the case is or would be baseless, the claim is dropped.

Very occasionally, the person asserting the claim insists on pressing the claim further. In some of these instances, the patent owner is an independent inventor or an unsophisticated business person who has a good faith, but mistaken, belief concerning the existence of an infringement. Such a mistaken belief may be founded, for example, only on the similarities between the patented product or process and the ones accused, without taking into account the effects of the prior art, claim limitations or limiting arguments that will preclude the patentee from prevailing.

In other instances, there is no good faith belief that there has been an infringement of a valid patent, and the matter is pressed simply for the purpose of extorting a settlement that will cost the defendant considerably less than the cost of a successful defense. At this point, the only reasonable course of action for the accused infringer is to seek to establish the frivolous nature of the action in court, as this is a practical prerequisite to seeking any further redress from the court, or other sources. Law enforcement authorities and disciplinary bodies, including, in the case of attorneys, state bar disciplinary boards, are not equipped to distinguish between frivolous and meritorious patent claims, and thus they are not, and probably should not be, interested in such controversies before a federal court has assessed the claim and declared it to have been specious.

But fortunately, unlike other areas of litigation, 35 U.S.C. 285 does allow for the collection of attorney fees and expenses in connection with exceptional patent cases, so that an accused infringer who elects to defend against a frivolous claim to the point of victory has some possibility of recovering fees and expenses. *MarcTec, LLC v. Johnson & Johnson and Cordis Corporation*, 664 F.3d 907 (Fed. Cir. 2012) is one such case in which the defendants were awarded \$4 million in fees and expenses after it was found that the plaintiff continued to press its case in bad faith.

Once a case has been established to have been frivolous, or to have been pressed in bad faith, in practice further referrals of the matter become the responsibility of the federal district court judge handling the matter. Depending upon the nature and source of the abuse, the judge may take action against the lawyers, experts or witnesses involved by rebuking them in his/her opinion, or through more formal channels, such as by referrals to the appropriate law enforcement authorities and disciplinary bodies, including, in the case of attorneys, state bar disciplinary boards. Since most of these referrals are confidential, the prevailing party may not even be aware that they have occurred. Where the rebuke has come in the court's

opinion, the opinion itself normally comes to the direct attention of state and USPTO disciplinary authorities, who may institute disciplinary investigations or other proceedings.

Even if the only punishment is a written rebuke contained in the court's opinion, the consequences may be significant. Attorneys so sanctioned usually suffer losses in their reputations, present and future representations, and many of the benefits of their existing professional affiliations. Indeed, it is quite common for firms to expel such attorneys, and for existing representations to be withdrawn by clients who do not want to be further associated with such counsel.

- *Pursuing equitable remedies, such as injunctions against future suits by trolls with a demonstrated record of frivolous litigation, fraud, and harassment*

Pursuit of equitable remedies against future conduct is neither common, nor would it likely be effective. The nature of any future claim to be brought by a real party in interest is unlikely to be the same as any previous unsuccessful claims. A real party in interest whose objective is to press frivolous claims will always be able to find a new patent, or to find or create a new plaintiff, or both, for that purpose. Just as in the criminal context, the fact that a party has acted badly in the past will not generally be deemed by the courts to be sufficient justification to presume they are acting badly in the present case. Accordingly, the better policy approach would be to ensure that persons who abuse the court system by pressing frivolous claims in bad faith are punished accordingly.

- *Pursuing Rule 11 sanctions against attorneys bringing frivolous suits*

Rule 11 allows a party in a pending suit to seek sanctions for failing to comply with the requirements of Rule 11(b) relating to the certifications that are made to the court when a party presents a pleading, written motion or other paper for the court's consideration. These certifications include that "to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances," the paper is not being presented for any improper purpose, that the positions taken therein are warranted by existing law or a reasonable extension thereof, that factual contentions have or are likely to have evidentiary support, and that denials are warranted by evidence, or if so identified, by reasonable belief or lack of information.

Rule 11 sanctions are most often sought with respect to specific violations of this rule, rather than the entirety of the case, where collections of fees and expenses under 35 U.S.C 285 are preferred. Rule 11 does not apply to disclosure and discovery requests, responses, objections, and motions under Rules 26 through 37, sanctions for which are provided under Rule 37. Seeking Rule 11 sanctions may be preferred in some circumstances because they are available to "deter repetition of the conduct or comparable conduct by others similarly situated," and may include "nonmonetary directives."

When appropriate, the availability of Rule 11 sanctions can be quite effective, and represent a meaningful tool for use in deterring abusive litigation conduct.

- *Increased use of joint defense agreements*

The use of joint defense agreements is most common when a single cause of action is brought against two or more parties who may share joint and several liability. It is less common when actions are brought by third parties that allege separate causes of action for patent infringement based upon the manufacture, use or sale of different allegedly infringing products or processes. In these cases, the defendants are often competitors of each other, and are unwilling to share, or are even prohibited from sharing, competitively sensitive information. Fortunately, joint defense agreements are often not needed as there is little or no need to share the specifics of the different accused instrumentalities: the basis of each defendant's invalidity positions (including any allegedly invalidating prior art) is usually made public and discovery under appropriate protective orders will normally allow defendants to learn all that may appropriately be learned with respect to the relevant testimony and documents adduced in other proceedings.

- *Purchase of patent litigation insurance*

Most companies see patent litigation as a routine business risk, and don't insure against it. Many companies work to minimize the likelihood that meritorious claims can be brought against their products through established patent clearance processes. Sophisticated competitors routinely assess the scopes of patents held by others, and, if they are determined to be likely valid, seek either to design their products to be free of claims under those patents, or obtain licenses to them.

While claims based on other forms of insurance relating to patent assertions sometimes arise, successful collections on them are relatively rare.

- *Increased licensing and purchase of relevant patents*

As mentioned above, most companies work to avoid infringing the valid patents of others, and, as appropriate, license or cross license patents of interest with others in their fields. Such licensing and cross licensing activities are highly beneficial, allowing companies to aggregate all of the rights they need to develop and introduce products incorporating cutting edge technologies. In today's technologically complex economy, it is vital that routine patent assertion and licensing activities not be adversely affected, as few if any technologically sophisticated companies own all of the patent rights that they will need to develop tomorrow's breakthrough products.

Some companies whose business model involves aggregating many different technologies appear to have elected not to deal with patent infringement issues during the product development stage, leaving them for later resolution when third parties bring claims against them. These companies more often find themselves subject to patent demands from others, and more often involved in patent litigations as accused infringers. For these companies, an upstream, proactive in-licensing strategy would likely help them avoid future patent litigation.

- *Simply refusing to pay unjustified claims*

Most companies prefer to refuse to pay unjustified claims, and often do so. Nonetheless, there is a fair amount of uncertainty in the outcomes of court cases, especially when juries are involved, as they routinely are in patent trials. Moreover, under existing precedent in this country, awards of attorney fees in cases where the claims were unjustified remain relative rare, meaning that even a win in court will most often result in a loss on the balance sheet.

In other countries, the award of attorney fees and expenses to prevailing parties is authorized as a matter of course. In our experience, under these rules, frivolous cases are deterred and meritorious ones are encouraged. Companies who see themselves as winning more than losing are normally comfortable with such systems, as on balance they see themselves facing less litigation, and coming out ahead on attorney fees when they do litigate.