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ATTORNEYS AT LAW

Fox Rothschild Podcast

Featuring Partner Jim Singer in Pittsburgh

We are talking today with Jim Singer on Fox Rothschild Podcast. Jim is a partner with Fox Rothschild in Pittsburgh. He provides strategic guidance to clients throughout the process of identifying, acquiring, licensing and protecting their intellectual property assets. Jim publishes a popular blog, "IP Spotlight," and he recently authored an article in IP Litigator *titled "Patents in the Era of Online Advertising: Reaching the Target Audience Without Becoming a Patent Litigation Target."*

Jim, welcome to the podcast.

Jim Singer: Thank you. Glad to be here.

Question*: Jim, in your article, you talk about the recent explosion in advertising-related patents, and how this will be an important feature in advertising for years to come.*

Jim Singer: Yes. As advertising and order fulfillment systems become intertwined with new media like Facebook and other social networking sources, as well as smartphones, and other technologies, advertisers must be prepared for possibility of a patent infringement claim. As the number of patents covering advertising methods and systems rises, so will the number of enforcement actions. So all successful companies should expect that at some point, they will be sued for patent infringement so they need to be prepared.

The article explains that good preparation helps ensure that the company does not increase its own exposure because of a failure to follow proper communications and reporting procedures. For example, after receiving a patent notice or an infringement claim, the company should promptly involve their patent counsel, they should limit written internal communications and promptly notify IT vendors and insurance providers of the claim. All of these actions will place the advertiser in the best possible position to assess, defend against and hopefully resolve the claim as efficiently as possible.

Question*: Jim, what are some of the more prominent advertising patents and patent lawsuits you're seeing right now in the market?*

Jim Singer: Today's advertising patents tend to focus on methods and systems for marketing and selling products and services online or through mobile electronic devices like smartphones. For example, in the past five years companies like Accenture, Google, IBM, Microsoft,

Motorola, Navteq, Qualcomm, Yahoo! and many others all received patents for methods and systems for providing consumers with location-based advertising. So, if you are a company that provides location-based advertising or if you host an e-commerce web site or interact with your customers on social media, you need to start thinking about these types of patents.

In the field of order fulfillment, one of the best-known patents is Amazon.com's United States patent called "Method and System for Placing a Purchase Order via a Communications Network." It is commonly known as the "one-click" patent and it's often cited as the key impetus for efforts to reform the Patent Act and improve quality at the Patent and Trademark Office. After much public criticism, in 2006 the Patent Office ordered a reexamination of the one-click patent. But the patent emerged from that re-exam largely intact. During the re-exam, Amazon.com amended the claims to require that products be purchased either by a one-click method or a shopping cart model. But other than that, the patent remained largely unchanged.

***Question**: Jim, non-practicing entities (NPEs) do not use the patented invention to sell products or services. Rather, they license the invention to others to sell products or services. Tell us a bit more about NPEs.*

Jim Singer: Universities and research institutions have followed models like this for years, but NPEs are different. They are for-profit entities and are more willing to enforce patents through litigation. In some cases the lawsuit may be the first time that the accused infringer even becomes aware of the patent or has the opportunity to license it.

One of the first and best-known NPEs is Acacia Research. They made their mark several years ago by sending patent notice letters to, and in many cases suing, a number of operators in the entertainment industry. These patents involve streaming media technologies. Acacia claims to own more than 200 patent portfolios today, and fields that they have patents in include Database Access, Electronic Message Advertising, Internet Radio Advertising, Online Ad Tracking and Online Promotion.

Another NPE that pioneered litigation relating to patents and online advertising is a company that's been known as Clear With Computers, and also known as Orion IP. Orion IP and its affiliates asserted patents against more than 500 companies including automotive firms, big box retailers, software providers and others in fields relating to parts catalogues and online ordering systems.

***Question**: Jim, what does a patent holder typically seek when pursuing an infringement action?*

Jim Singer: It may depend on who the patent holder is. If the patent holder is an NPE, the advertiser should expect to receive a demand for a royalty or maybe a flat fee in exchange for a patent license. That royalty may be a percentage of products or services sold using the advertising method, it might be a percentage of the advertiser's total revenues, or there might be some other measure of value. The amount that is initially demanded probably is going to be steep, but often it is much less than a court would award if the holder would succeed in litigation, and sometimes it's even less than the cost of litigation itself.

On the other hand, if the patent holder is a competitor, the stakes may be higher. The competitor may not be interested in licensing the patent to you. Instead, they may want to stop the infringement with an injunction so that they, the patent holder, are really the only entity that can make, use or sell the patented process while the patent is in effect.

***Question**: Jim, can you briefly describe what businesses can do to protect themselves against – or at least be prepared for what seems to be the inevitability of – patent litigation?*

Jim Singer: When an NPE or any other patent holder accuses a company of infringement, the initial contact may be a cease and desist letter, or it might be a more informal letter "inviting" the recipient to purchase a patent license. On the other hand, the patent holder may simply skip that and go straight to court. Any of those situations should be taken seriously. The company that receives that letter or complaint should prepare their staff to respond to, and defend against, the allegations. All communications involving the claim should be limited to staff who have been properly trained in patent litigation procedures.

***Question**: Jim, how important is it to train corporate staff?*

Jim Singer: It's critical. Corporate staff should immediately forward any complaint, cease and desist letter or other communication relating to the patent to their in-house or external legal counsel. Although it's tempting for technical staff or management to start by performing their own analysis of the patent before contacting the attorneys, they really should not do that. The resulting documentation can create significant risks for the company. Patents are highly specialized legal documents, and the scope of the patent is defined by a particular series of sentences known as the claims. However, technical staff and managers who are untrained in patent procedures may start by looking at other sections of the patent, and they might reach incorrect conclusions based on that initial review.

If a staff member creates a document with incorrect conclusions, that document might be used against the company if it's not privileged, that is, if it's not directed to counsel. So companies should train their staff to not create any internal e-mails, communications, notes or other

documents relating to the accusation of patent infringement. Instead, all of their communications should be directed to counsel.

***Question**: Jim, what about vendor contracts?*

Jim Singer: This is an area where companies can look to shift some of their liability. Most businesses today engage in at least some online advertising or sell products online. But the technical details are often left to third-party vendors, like software suppliers or web hosting services. If the accused activity or web site function was developed or supplied by a third-party vendor, that contract might provide for warranties or indemnities against infringement. A warranty or indemnity won't prevent the defendant from owing damages to the patent holder, but it might allow the defendant to turn around and be fully or at least partially reimbursed by the vendor.

***Question**: Jim, what about a review of insurance contracts?*

Jim Singer: This should happen quickly. Advertisers should consider, when they first get a claim, whether their insurance policy will require the insurer to defend or indemnify the company against the claim. While specialized policies that provide protection against IP infringement are typically rare and often very expensive, most commercial general liability insurance companies do have an advertising injury policy. While that will not cover most intellectual property infringement claims, recent court decisions suggest that when a patent claim includes an advertising process, then the "advertising injury" clause of the CGL may protect the defendant.

***Narrator**: Well, thank you Jim. This is all quite fascinating. Listeners, to receive a copy of Jim's article in* IP Litigator*, please contact him at 412-391-2486 or at jsinger – that's J-S-I-N-G-E-R – at foxrothschild.com. Also, for more about the business side of intellectual property, check out Jim's blog at ipspotlight.com.*

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