

NPE Litigation and Counseling Group

non practicing en-ti-ty (nā-
prak'tis -yng en'tə tē) n., (or NPE)
1. A patent owner who does not
manufacture or use a patented
invention, but seeks to enforce its
right through litigation and/or ne-
giation of licenses.

JENNER & BLOCK

CHICAGO | LOS ANGELES | NEW YORK | WASHINGTON, DC



NPE Litigation and Counseling Group

Jenner & Block made its reputation as a trial firm. We enjoy a well-earned national reputation for excellence in handling our clients' most important and demanding legal disputes, including patent trials.

In recent years, our clients have struggled with a surge of patent lawsuits brought by “non-practicing entities,” also referred to as “NPEs” or more pejoratively “patent trolls.” Perhaps the defining characteristic of an NPE is that its only motivation for suing is to sell the defendant a license. It does not want to enjoin the defendant, and it will not seek to compete with the defendant. Its entire litigation strategy is aimed at closing the sale of a license through a settlement before, during or after trial.

We knew that we would need a new strategy for handling these cases in order to protect our clients from this new and growing class of plaintiffs. We knew that developing such a strategy would call on our experience as hard-nosed, but practical trial lawyers. This is the genesis of Jenner & Block's NPE Litigation and Counseling Group.

A recent study found that annual filings by NPEs increased from approximately 300 in 2005 to 500 in 2008.

We knew that we would need a new strategy for handling NPE cases in order to protect our clients.

*A recent study found that five federal district courts accounted for 36% of all identified decisions involving an NPE as the patent holder.**

We have handled dozens of NPE cases and are familiar with some of the most prolific NPEs, such as:

- *Acacia*
- *Spangenberg*
- *Alliacense*
- *Zilka-Kotab P.C.*
(a.k.a. Aloft Media, Stragent and Azure Network)
- *Helperich*
- *Katz*
- *Rembrandt*
- *Individual Inventors*

OUR EXPERIENCE

We have handled dozens of NPE cases and have become familiar with the various strategies and techniques used by NPEs. We also have substantial experience litigating patent cases in the venues NPEs typically target, including the Eastern District of Texas and the District of Delaware. Our familiarity with these venues gives us several advantages:

- » We have first-hand experience with the judges.
- » We have established working relationships with leading local lawyers whom we use as local counsel.
- » We are familiar with the local rules and legal precedents of these venues.
- » We monitor these venues for trends and new developments.

These advantages enable us to assess the merits of a case quickly and to strategize for resolving a matter efficiently.

Success Against NPEs

- » *We have successfully invalidated patents at summary judgment*
- » *We have been successful in transferring cases out of the Eastern District of Texas*
- » *We have successfully resolved cases before discovery commences*

* 2010 Patent Litigation Study, *The Continued Evolution of Patent Damages Law*, PricewaterhouseCoopers

NPE STRATEGIES

Many NPEs set the price of a license so as to encourage a defendant to choose to accept the license rather than to defend the lawsuit. The NPE understands only too well that many defendants – even those who believe they are innocent of patent infringement – will choose to take a license rather than incur the costs of going to trial, given that there is no guarantee of a favorable outcome at trial.

*Since 2001, damage awards for NPEs have averaged more than triple those for practicing entities.**

Other NPEs seek licenses for sums that are far greater than the cost of defense. In these cases, the choice to defend is easier for the client, but because an NPE case is by definition not brought by a competitor, the technology in dispute may not be strategic to the business. There is an understandable reluctance on the part of a defendant to invest heavily to defend technology that is not strategic. Thus, many defendants choose to defend cheaply – perhaps pursuing a summary judgment – then settle if the inexpensive defense does not succeed.

In both cases, there is great value to the client if the costs of defense can be reduced. Lower costs of defense create options and may permit a defendant to defend a case rather than yield to the extortion of a “low cost” license. Alternatively, lower costs of defense offer a defendant the option of defending non-essential technologies in a trial when the defendant believes the accused technology does not infringe or the patent is invalid.

NPE GROUP STRATEGIES

Often times, the critical skill to succeeding in NPE cases is not knowing what to do, but knowing what not to do. That does not mean, however, preparing a minimal defense and then settling. Rather, the trick is seeing early on which defenses to invest effort in and which not to invest in. Knowing what not to pursue is a skill our NPE lawyers have nurtured in patent litigation. Below, we describe this strategy and other counter tactics our NPE Group may employ in NPE cases.



* 2010 Patent Litigation Study, *The Continued Evolution of Patent Damages Law*, PricewaterhouseCoopers



ASSESSMENTS

A rigorous early case assessment is crucial in determining how to defend an NPE case. At the beginning of any NPE case, our group energetically investigates the strength of the available defenses. As part of that assessment, we also evaluate the NPE. The goal is to differentiate the cases that should be settled early from matters that will have to be defended through claim construction, summary judgment and possibly trial. For example, individual inventors, who are personally invested in the patent,

are less likely to settle a case early and are more likely to litigate the case. On the other hand, patent holding companies often are not looking for a trial, but quick settlement agreements instead. To encourage early settlement, our early case assessment focuses on issues that we can use to apply pressure on NPEs such as aggressive counterclaims, including: inequitable conduct claims, inventor/ownership claims, and spoliation of evidence claims, among others. Understanding the NPE's motives and how it might be pressured will help dictate our approach to defending the case.

When an inexpensive settlement is not available and the case must be defended, our early assessment gives the client confidence that the monies invested in the defense will be well spent.

CONCENTRATED EXPERIENCE

We have created a group within our patent litigation group that specializes in NPE litigation. Because NPE cases tend to resemble one another, experience on one NPE case is often very relevant to the next NPE case. By concentrating this work in a smaller group, our lawyers are steeped in NPE litigation nearly full-time. That concentrated experience makes our NPE defense lawyers smarter and better prepared to defend our clients efficiently.

INTELLIGENT STAFFING

Our goal is to staff each case as efficiently as possible. We use lawyers from our NPE group, who already understand how to litigate NPE cases. Our NPE cases typically are staffed with one partner and one associate who have a background in the technology at-issue. When needed, we will use low hourly rate staff or contract attorneys for labor-intensive tasks, such as document review. A senior partner will also be staffed on the team, but will be used for strategy and trial where the higher hourly rate has optimal value. When we can, we staff cases with attorneys who have previous experience with the client. This results in increased efficiencies because the attorneys are already familiar with the client and the organization of its people and documents.

PREEMPTIVE ACTIONS

In certain circumstances, a client may want to take a proactive approach before any NPE litigation arises. Our NPE Group has experience working with clients to identify potential NPEs and/or patents that may present a threat. Once a threat is identified, we then counsel our client on preemptive measures that may be taken to counter it.

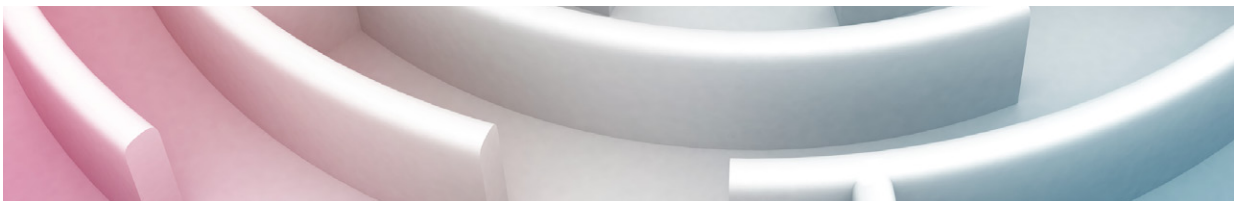
JOINT DEFENSE GROUPS

In multi-defendant NPE cases, Joint Defense Groups (“JDGs”) offer a great opportunity to save on defense costs. We recommend one of two approaches. In the first approach, the defendants form a JDG that permits them to collaborate and share privileged and work product information confidentially. In this approach, defense work is divided among the defendants so that the work and out-of-pocket expenses are shared among the members of the group while each defendant continues to be represented by its own law firm. This approach gives each defendant the comfort of having its own lawyer while spreading defense costs among a larger group to reduce the cost of defense for any single defendant.

The second approach involves the group choosing one law firm to represent the entire group. This often is possible when litigating against an NPE. In most NPE litigation, there is little likelihood that a conflict in strategy will arise among the defendants, because all are similarly situated vis-à-vis the NPE. This approach is highly cost effective and works quite well when the defendants do not require their own separate counsel.

DOCUMENT DATABASE

Our NPE Group has a pleadings database which includes the pleadings and documents that are needed recurrently in NPE cases. We avoid reinventing the wheel because the group already has template interrogatories, document requests, requests for admission, motions to stay pending reexamination, motions to transfer and joint defense agreements, among other pleadings and documents commonly used in NPE cases.



ALTERNATIVE FUNDING

When asked by a client to do so, our NPE Group investigates whether there are indemnity agreements and/or insurance agreements that our clients can rely on to assist in funding the defense. Jenner & Block has one of the leading insurance coverage practices in the nation and will engage that expertise – when asked – to our clients’ benefit in seeking insurance protection against NPE cases.

MANAGING OUTSIDE COSTS

Our NPE group works diligently to keep outside costs to a minimum. For example, we have identified several vendors for graphics, document review and electronic document management, etc., who will provide their services at a fixed fee or other alternative billing arrangement. In addition, we explore ways in which we can minimize the amount of document discovery needed. Indeed, we have found that NPEs, for their own reasons, are often willing to agree to limits on document discovery, which in turn reduces our clients’ costs.

MULTI-DISTRICT LITIGATION

The Multi-District Litigation (“MDL”) rules can be a valuable tool in NPE litigation. By concentrating numerous NPE lawsuits from around the country in one courtroom, the defense group may avoid millions of dollars in duplicative fees and expenses.

If you would like to know more, please give us a call.

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