

The IP personalities of 2012

As it does every year, IAM has identified a group of individuals, organisations and entities who helped to shape the IP landscape in 2012

In sitting down to decide who would be our IP personalities of 2012, our focus was on those who in one way or another did something which we think will affect the people who read *IAM*: primarily, senior managers looking after corporate IP portfolios, intermediaries, aggregators and investors. And our definition of ‘personality’ is deliberately broad – it allows us to include whomever and whatever we like! With all that in mind, following are our selected 12 for 2012.

Aggregators and privateers

Aggregators were closely associated with some of the biggest patent transactions of 2012. In December, it was announced that Intellectual Ventures and RPX were behind the purchase of a portfolio of patents from Kodak for just over US\$500 million. The deal was financed in part by licences which had been agreed with 12 operating companies. A little earlier in the year it emerged that a consortium of companies spending US\$350 million on acquiring just under 500 patents from microprocessor architecture developer MIPS Technologies were doing it through a vehicle established by defensive patent aggregator Allied Security Trust.

As for privateers, they are not new; but a growing number of operating companies are now deciding that employing the privateer model, by using non-practising entities (NPEs) such as RoundRock, Rockstar, IPCOM, Acacia, MOSAID and Sisvel as surrogate patent enforcement vehicles, is a far more attractive and cost-effective way of driving

revenues (and inconveniencing competitors) than doing it directly themselves.

Joaquín Almunia

During 2012, EU Competition Commissioner Joaquín Almunia, made a number of speeches warning smartphone warriors about their use of patents to leverage market advantage, especially those which cover standards. In December, he announced a preliminary commission finding that Samsung had abused a dominant position when seeking injunctions against Apple in various member states on the basis of its mobile phone standard-essential patents (SEPs).

If the commission, which acts as judge and jury in these cases (subject to appeals to the courts), decides that a party has abused a dominant position, it can fine it up to 10% of its annual worldwide turnover. Should this happen to Samsung, it could have a material affect on the final price of its products, while also giving companies such as Microsoft, Apple and Nokia, which are not so reliant on SEPs, exceptional leverage in cross-licensing negotiations with those that are.

David Cameron

The British prime minister is not known for his interest in intellectual property, but in June 2012 he came close to scuppering the creation of the unitary EU patent with a last-minute intervention in the negotiations. He insisted that London be an integral part of the litigation system supporting the new right and also that sections of the proposed regulation dealing with the role of the European Court of Justice be dropped.

Cameron got what he wanted, something which caused consternation at the European Parliament and a further few

months of negotiation before a final deal was announced. Those reading the fine print of this may well wonder what Cameron has ended up achieving with regard to the ECJ, while domestic politics may also make the United Kingdom’s ultimate acceptance of the deal problematic. Without the United Kingdom, the EU patent will not get off the ground.

gTLDs

The single biggest IP event of 2012 was arguably the registry application regime for new generic top-level domains (gTLDs) as part of a major and on-going expansion in their availability. This controversial process, which continues to cause any number of headaches for brand owners and their trademark advisers, reached an important milestone in June 2012 when it was announced that ICANN had received 1,930 requests from diverse organisations, including many companies, to become gTLD registries. The implications of this will be far reaching, with many businesses perhaps still not realising just how much they are likely to be affected.

David Kappos

With his tireless efforts to improve quality and efficiency at the US Patent and Trademark Office, as well as the office’s impressive and on-time implementation of the many changes brought about by the America Invents Act, David Kappos had another very good year in 2012. Given his many achievements, even Republican IP practitioners found solace in his continued tenure at the office following Barack Obama’s re-election as president in November. Imagine, then, the shock they felt when the news emerged just a few weeks later that Kappos was to stand down

in January 2013. After more than three years in a hugely demanding job to which he has dedicated every waking hour, Kappos no doubt feels it is time to take a break and to give some attention to his family.

Judge Lucy Koh

Koh is the judge who presided over the *Apple v Samsung* trial in the Northern District of California which ended with a jury award of more than US\$1 billion to the US company in August 2012. That in itself was news enough, but Koh really hit the headlines in December when she ruled that despite being found to have prevailed so clearly in the case, Apple was not entitled to injunctive relief. In one 23-page judgment, she completely changed the dynamics of the global patent litigation battle in which the two companies are engaged. Not many people were expecting her to do that, but if Apple fails to have Koh’s ruling overturned, it will have to rethink its entire strategy for dealing with Android. And that really would be big news.

Paul Melin

In 2012, Nokia’s board finally seemed to grasp what everyone who looks closely at these things had known for quite a while: the company has built a mighty portfolio of high-quality patents covering a wide variety of commercially exciting technologies. Such wisdom, of course, does not emerge from a vacuum and behind the scenes Nokia chief IP officer Paul Melin and his team have been doing a lot of work not just building the portfolio and ensuring that it is as strong as possible, but also educating senior management about what can be done with it. One of the best ways to do that is to generate cash; and under Melin – who has had global responsibility for patent licensing, portfolio

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development and regulatory IP issues, as well as IP acquisitions, investments and divestments since 2010 – Nokia has already seen its licensing income rise to €500 million a year. In December 2012, the company announced the settlement of global litigation with Research In Motion that involved “a one-time payment and on-going payments, all from RIM to Nokia”. Look out for plenty of similar deals over the coming months and years.

Adam Messinger

Back in April 2012, Twitter’s VP of engineering Adam Messinger vice president posted a blog on the company’s website which tapped into a growing patent-sceptic zeitgeist in Silicon Valley and won Twitter a shedload of positive headlines, as well as a great deal of goodwill in the software development community. In it he announced the creation of what was termed the Innovator’s Patent Agreement (IPA).

Under the IPA, Messinger explained, if someone assigns a patent to Twitter, the company will promise not to use it for anything other than defensive purposes, unless the assignee agrees otherwise. What’s more, the assignee will retain the right to prevent offensive use even if the patent is no longer owned by Twitter. “With the IPA, employees can be assured that their patents will be used only as a shield rather than as a weapon,” Messenger stated.

What Messinger and Twitter have done with the IPA is to show that companies and individuals do not have to be passive victims: if there is something about the patent system they do not like, there are ways to do something about it which do not involve legislation, expensive litigation and outright bans. It is a message that others would do well to heed.

Judge Richard Posner

Normally to be found sitting on the US Court of Appeals for the Seventh Circuit, Posner had volunteered to preside over Apple’s litigation with Motorola in the Northern District of Illinois. He very quickly made his mark, chastising both sides for their use of complex language in court documents they had submitted. But he dropped his real bombshell in June when he dismissed the entire case, with prejudice. He ruled that neither Apple nor Motorola had been able to show the financial damage caused by that patent infringements they alleged had been committed by the other party, and that as a result neither side could hope to obtain injunctive relief.

Motorola welcomed the decision; Apple stayed silent. In the wider world, Posner’s judgment was widely hailed as an outbreak of sanity. In several articles and speeches, Posner then went on to ask broader questions about the state of the US patent system; something which earned him a pointed rebuke from Federal Circuit Chief Judge Randall Rader, who told him in the nicest possible way at the annual meeting of the IPO in San Antonio that he did not know what he was talking about!

Schwartz and Kesan

Over recent years James Bessen and Michael Meurer have written a number of highly publicised books and papers that have been very critical of the patent system and have questioned many of the benefits it is said to bring. In 2012, they published a paper entitled “The Direct Costs of NPE Disputes”, which alleged that in 2011 US “firms accrued \$29 billion of direct costs” as a result of NPE-related litigation. It was picked up by major news providers around the world.

Despite unease at many of the pair’s findings within the IP community, until the

appearance of a paper entitled “Analyzing the Role of Non-Practicing Entities in the Patent System”, written by David Schwartz of Chicago-Kent College of Law and Jay Kesan of the University of Illinois College of Law, nobody had actually subjected Bessen and Meurer to any real scrutiny.

The arguments that Schwartz and Kesan made were compelling. While not directly claiming that Bessen and Meurer have got anything wrong, they questioned in detail the research methodology they used and the definitions they employed, as well as the sources from which they got their raw data. There are, they said, important questions for Bessen and Meurer to answer before their work can be regarded as credible. And if that is true about their NPE study, it could well be that the same applies to the other research they have undertaken. To date, Bessen and Meurer do not seem to have responded to the issues that Schwartz and Kesan raised.

Starboard Value

In February 2012, Jeffrey C Smith, the managing member of activist shareholder Starboard Value LP, wrote to the board of AOL decrying the company’s management of its patent portfolio and the C-suite’s failure to extract significant value from it. As a result, the letter went on to say, Starboard would be challenging the composition of the current board and was proposing its own set of candidates to replace members who were up for re-election at the annual general meeting. Lo and behold! Just two months later AOL sold a portfolio of patents to Microsoft for just over US\$1 billion (Microsoft then sold on a substantial number of them to Facebook for US\$650 million).

Whether the deal was going to be done anyway, or whether more could have been raised if Starboard had not intervened with a stated bottom line, is

open to debate. But what really matters here is that an investor saw patents as an asset, decried a C-suite’s management of them and then got what it wanted. There can be no doubt that many other investors and boards of directors took serious note of that.

Christy Susman

The average cease and desist letter sent out to a party which a trademark owner believes is infringing its rights is likely to be a cobbled-together template consisting of allegation, request and threat; a very similar version of which has been sent out many times before. But Christy Susman, a senior attorney in the trademarks department at Jack Daniel’s, decided to take a different approach when she contacted author Patrick Wensink about the front cover of his book *Broken Piano for President*, which had a very similar design to a number of JD trademarks.

Instead of threatening Wensink with legal action if he did not change his cover Susman made him an offer: “Because you are both a Louisville ‘neighbor’ and a fan of the brand we simply request that you change the cover design when the book is reprinted. If you would be willing to change the design sooner than that ... we would be willing to contribute a reasonable amount towards the cost of doing so.” The letter went viral, with universal praise for the Jack Daniel’s approach.

In terms of a brand and goodwill-building exercise it could not have been better. As the company’s head of trademarks David Gooder told *IAM’s* sister publication *World Trademark Review*: “We may be a bit old-school about this, but we hold the view that you shouldn’t put something in writing you don’t want on the front page of the newspaper. In today’s world, the newspaper has become the internet – but the philosophy remains the same.”

It is a lesson for all trademark owners to follow.