



Intellectual Property Law Section

State Bar of Texas

Summer 2007

Inside this newsletter...

Chairman's Update	1
Mark Your Calendar	2
In The Section	3
Call for Submissions	3
10 Point Plan and Recommendations of the SBOT IP Section ADR Committee to Improve our IP Litigation Process in Texas	3
The Watercooler	5
On The Move	5
Practice Points	6
KSR Int'l Co. v. Teleflex Inc.: Much Ado About Nothing?	6
By the Numbers: IP Litigation Update	9
Utah Law Could Limit Keyword Advertising Nationwide	12
Caption Contest	14
Caption Contest Winner!	15
2007 Annual Meeting CLE Program & Luncheon	16

Chairman's Update

By Bart Showalter

As I wind down my tenure as Chair of the IP Section, I'll take a moment to reflect on some of our accomplishments and more importantly thank all of those that have done so much for our wonderful group. The CLE programs this year have been outstanding, and continue to set the standard for timely topics, great speakers, and enthusiastic crowds. Sharon Israel and her committee did a great job with our 2-day CLE event in Dallas, Ted Lee and his team have put together a great program for our Annual Meeting CLE in San Antonio on June 22nd, and Dan Perez is again chairing the Advanced Patent Litigation CLE in Lake Tahoe on July 12-13. Our committees continue to be active, but I want to point out



a few for specific recognition. Shannon Bates and her Newsletter Committee continue their great work, and Shannon has also helped tirelessly with Mike Alford on the logistics for our Annual Meeting CLE. Special thanks also to our committees that have selected award winners for presentation at our business lunch meeting on June 22 in San Antonio, including the Texas Inventor of the Year (Andrew Dillon), Women and Minority Scholarships (Wei Wei Jeang), and our 1st Annual IP Writing Contest (Paul Herman, Patty Meier, Paul Morico). And, of course, thank you to the Officers and Council for their leadership and dedication.

It is an honor to work with so many talented and committed people in the IP Section. Thanks again for the opportunity to serve you this year -- the IP Section has a great future in the capable hands of our Chair-Elect, Ted Lee.



Mark Your Calendar

Mark your calendar and make plans to attend the **2007 State Bar of Texas Annual Meeting and IP Section CLE on Thursday and Friday, June 21-22, 2007**, at the San Antonio Convention Center!

REGISTER NOW: www.TexasBar.com (under "Annual Meeting"), and reserve your hotel room today! The IP CLE Program details are attached.

Activities begin with a Thursday night reception from 5:30pm to 7:00pm in the Marriott Rivercenter.

On Friday, we will start the day off with a continental breakfast at 7:45am, followed by a full day of CLE beginning at 8:30am. We are pleased to offer this CLE as a benefit to our section members, free with \$150 one-day registration to the Annual Meeting. Please see the attached CLE schedule for all the details about the exciting program and the excellent lineup of speakers and panelists. The CLE program covers a wide variety of patent, trademark, copyright and litigation topics to provide something for everyone. Approval is pending for **6.5 hours of CLE, including 1.5 hours of ethics**, so take advantage of this great value offered to IP Section members!

Our section's business meeting and luncheon (\$25 per person) will also be held on Friday, where we will present the [Texas Inventor of the Year Award](#), the [Chair](#)

[Award](#), the [Women and Minority Scholarship Awards](#), and the [First Annual IP Section Writing Contest Award](#), in addition to electing new officers and council members.

The festivities conclude Friday evening with a "Show Your Colors" reception at the Tower of the Americas Sky Bar from 5:30pm to 7:30pm. Please plan to wear your school colors and join us for this casual, fun event.

We hope you are able to join us at the Annual Meeting. Registration materials are available online at www.TexasBar.com and in the *Texas Bar Journal*. We look forward to seeing all of you in San Antonio!

Third Annual Advanced Patent Litigation Course, Lake Tahoe - **July 12-13, 2007**, the Resort at Squaw Creek. Register for the course by going to www.texasbarcle.com.

For the patent litigator, the 3rd Annual Advanced Patent Litigation Course is again being offered at the beautiful Resort at Squaw Creek, Lake Tahoe, California. The course is designed with the intermediate to advanced patent litigator in mind.

Topics on the agenda for Thursday include pre-suit investigations, cost/benefit analysis of litigation, judges panel on patent rules, e-discovery and its impact on litigation, review of Supreme Court IP cases, and staying a patent case in the district court.

Topics for Friday include litigation in foreign courts, expert witnesses, damages and equitable relief, Markman hearing strategies, establishing a trial theme, and the in-house counsel's perspective on patent litigation.

The ever-popular Judges panel will be presented at lunch on Friday.



In The Section

Call for Submissions

The Newsletter Committee welcomes the submission of articles for potential publication in upcoming editions of the IP Law Section Newsletter, as well as any information regarding IP-related meetings and/or CLE events. If you are interested in submitting an article to be considered for publication or to calendar an event, please email your submission to Newsletter@texasbariplaw.org.

Article Submission Guidelines:

STYLE: Journalistic, such as a magazine article, in contrast to scholarly, such as a law review article. We want articles that are current, interesting, enjoyable to read, and based on your opinion or analysis.

LENGTH: 1-5 pages, single spaced

FOOTNOTES AND ENDNOTES: Please refrain! If you must point the reader to a particular case, proposed legislation or Internet site, or credit another author, please use internal citations.

PERSONAL INFO: Please provide a one paragraph bio and a photograph, or approval to use a photo from your firm's website.

If you have any additional questions, please email Shannon Bates, Newsletter Chair, at sbates@dfw.conleyrose.com.

10 Point Plan and Recommendations of the SBOT IP Section ADR Committee to Improve our IP Litigation Process in Texas.

Chair Hesha Abrams, Esq.

Under the theory that great minds think alike, I assembled a diverse committee of smart and pragmatic IP attorneys to work through a “wish list” plan to improve our IP litigation process in Texas. While we have no actual authority to implement any of these recommendations, we thought that pooling grey matter and coming up with a plan would be beneficial for the section and the bar.

Pending federal legislation **S. 1145** (A bill to amend title 35, United States Code, to provide for patent reform), would create a pilot program for qualifying districts establishing a small panel of judges to

Pending federal legislation... would create a pilot program for qualifying districts establishing a small panel of judges to handle IP matters within a district.

handle IP matters within a district.

Conceivably, this panel could adopt its own rules and procedures.

Over the past year, our committee met with several

judges in informal brainstorming sessions and I spoke with several more about their thoughts. While any serious reform of our

patent system is still in its infancy, our committee believes that these recommendations would increase efficiency, reduce cost, shorten the time span of a case and provide a quality forum in which to hear and resolve patent disputes.

To ensure multiple points of view, I recruited IP attorneys from large and small firms, both plaintiff and defense orientation and general counsel for technology companies. This is our plan. Consensus explanations appear in italics.

Goal: To increase efficiency, reduce cost, shorten the time span of a case and provide a quality forum in which to hear and resolve patent disputes. We believe the following recommendations are essential and apply

Presented by the State Bar of Texas
Intellectual Property Law Section

Intellectual Property in the Digital Age

CLE Program & Luncheon

2007 State Bar of Texas Annual Meeting
June 21 – 22, 2007
San Antonio Convention Center – San Antonio, TX

REGISTER at
www.TexasBar.com

Thursday June 21st
Welcome Reception

Friday June 22nd

6+ Hours of CLE (*FREE* with Registration)
• E-Discovery • Cyber Squatting • TM Licensing
• Economics of IP Litigation • Ethics Credit

Luncheon (Ticketed)
• Officer Elections • Scholarship Awards
• Inventor of the Year Award • Writing Award

Sponsored Reception

for both Plaintiff filings and Defendant DJ actions.

1. **A select panel** of judges and magistrates that hear all patent filings within a district. (*This will allow these judges to become familiar with Federal Circuit mandates, Supreme Court decisions, and the pulse of the patent bar, plus mount the learning curve necessary in technology cases.*)

2. **Firm trial date** within 12-18 months from the scheduling conference and limitations on the length of the trial. (*5-10 days sufficient in most cases – exceptions such as bifurcated trials upon court discretion.*)

3. **Quick scheduling order** within 90-120 days of filing with firm unchangeable deadlines and a meaningful scheduling conference. (*Work expands to fill the time allotted and costs soar. A speedy docket encourages settlement.*)

4. **Markman** hearing within 6-8 months after scheduling conference with a quick ruling, *i.e.* even oral indications at hearing (when possible) with written order to follow within 30-60 days. (*Markman decision feeds into mediation process so speed of the written opinion not as important as an oral indication of the Court's thinking.*)

5. **Adoption of specialized local patent rules** that provide, *inter alia*, for automatic protective orders and production of all relevant documents (*Specialized rules provide certainty and uniformity to the patent bar.*)

6. **Strong enforcement of discovery abuse** with sanctions for the losing side to deter discovery fights and unnecessary motion practice. Consistent sanctions bolster reputation of no game playing. (*This will cut costs, discovery abuses, prevent*

tactical discovery fights and give counsel cover from difficult clients. All clients want to think their counsel is ferocious.)

7. Motion to Transfer doesn't stop any deadlines from proceeding and is rarely granted. *(These motions are usually for tactical delay and drive the litigation costs up.)*

8. Two-tier Mediation, one mediation early pre-Markman after contentions exchanged *(to allow for business solutions before tensions soar and costs hemorrhage)* and if not resolved, mediate again after Markman ruling or MSJ's filed. *(now that the risks are clearer)* Mediators with special expertise in IP matters is valuable.

9. Joint tutorial for the judge in technology matters. *(Judge can request a tutorial in complicated matters- suggest 2 hours max)*

10. Allow a Second Motion for Summary Judgment limited in page length only for case clean up purposes *(with sanctions if not meritorious to discourage abuse).*

Respectfully Submitted,
Hesha Abrams, Esq.

*Chair, SBOT IP Section ADR Committee
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SBOT IP Section ADR Committee

Vincent Allen, Esq. Carstens & Cahoon	Ted Anderson, Esq. Kilgore & Kilgore
John Cone, Esq. Hitchcock Evert	Ken Glaser, Esq. Gardere Wynn & Sewell
John Harvey, Esq. General Counsel i2 Technologies	Charles Hosch, Esq. Strasburger & Price
Kirte Kinser, Esq. Brown McCarroll	John Macpete, Esq. Storm LLP
Pat McGowan, Esq. Akin Gump	Dudley Oldham, Esq. Fulbright & Jaworski

John Palter, Esq.
Riney Palter

Kent Rowald, Esq.
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Jon Suder, Esq.
Friedman Suder & Cooke

Steve Malin, Esq.
Sidley Austin

Bill Raman, Esq.
Wong Cabello

Bill Schuurman, Esq.
Vinson & Elkins

David Weaver, Esq.
Vinson & Elkins

Dan Perez, Esq.
Akin Gump

Chair:

Hesha Abrams, Esq.
Abrams Mediation and Negotiation, Inc.



Hesha Abrams has been practicing for 26 years and has been a national business and intellectual property mediator for the last 20 years. Hesha has successfully mediated for thousands of parties and is known for crafting highly creative settlements in very difficult cases. She specializes in intellectual property and highly complex and/or emotionally charged cases.



The Watercooler

On The Move

Marcella Watkins recently accepted a position as Managing Counsel – IP for Shell Oil Company in Houston, Texas. Marcella can be reached by email at Marcella.Watkins@shell.com or by phone at 713-241-1041.

Jonna Flores recently accepted a position as in-house Intellectual Property Attorney for Schlumberger in Sugar Land, Texas. Jonna can be reached by email at

JFlores33@sugar-land.oilfield.slb.com or by phone at 281-285-3658.

Drs. **Dan Krueger** and **Louis Iselin** recently formed the Houston-based intellectual property firm of Krueger Iselin LLP with offices located at 11200 Westheimer Rd, Suite 900, Houston, TX 77042. The firm phone number is 713-568-1888. Dan may be reached at Dan@Klpatents.com and Louis may be reached at Louis@Klpatents.com.

Derek Forinash recently accepted a position as in-house Patent Counsel for BJ Services Company in Houston, Texas. Derek can be reached by email at Derek.Forinash@bjservices.com or by phone at 713-895-6044.

Chris Northcutt has accepted a position as Counsel for Chevron Services Company in Houston, Texas. Chris can be reached by email at cnorthcutt@chevron.com or by phone at 713-754-7678.

Michael S. Bush recently formed the intellectual property law firm of Mike Bush PLLC with offices located at 10935 Estate Lane, Dallas, Texas 75238. Mike may be reached by email at mbush@mikebushpllc.com or by phone at 214-340-4200.

Mark Gatschet and **Daniel Nguyen**, formerly of Jenkins & Gilchrist, recently joined the Houston office of Locke Liddell & Sapp LLP as Counsel. Mark can be reached by email at mgatschet@lockeliddell.com or by phone at (713) 226-1285. Daniel can be reached by email at dnguyen@lockeliddell.com or by phone at 713-226-1292.



Practice Points

KSR Int'l Co. v. Teleflex Inc.: Much Ado About Nothing?

By: Jonna Flores and Larissa Piccardo

In a recent and anticipated decision, the U.S. Supreme Court addressed the Federal Circuit's "teaching, suggestion, or motivation" test for determining whether an invention is considered obvious. While the ruling handed down by the Court was unanimous, uncertainty still remains among many practitioners as to how the Supreme Court's treatment of this test will now be applied.

In 2003, Teleflex initiated a lawsuit asserting that KSR infringed claim 4 of U.S. Patent No. 6,237,565 directed to an adjustable pedal assembly for use with automobiles having engines that are controlled with an electronic throttle. More specifically, claim 4 is directed to an adjustable electronic pedal assembly with an electronic pedal position sensor attached in a fixed position. In response to Teleflex's assertion of infringement, KSR took the position that claim 4 was invalid as obvious in light of the prior art.

The district court granted summary judgment for the defendant in light of its finding that, at the time of the invention, all

of the limitations of claim 4 existed in the prior art. The court explained that U.S. Patent No. 5,010,782, issued to Asano et al. ("the Asano patent"), disclosed all of the structural limitations of claim 4 with the exception of an electronic pedal position sensor. The district court reasoned that electronic pedal position sensors were well known in the art and that a person of ordinary skill in the art would have been motivated, based on the nature of the problem to be solved, to combine the Asano patent and the electronic sensor references.

On appeal, the Federal Circuit vacated the district court's decision, stating that the district court had failed to make "finding[s] as to the specific understanding or principle within the knowledge of a skilled artisan that would have motivated one with no knowledge of [the] invention to make the combination in the manner claimed."

In reversing the Federal Circuit, the Supreme Court explained that the "teaching, suggestion, or motivation" test should not be so rigidly applied. Rather, in determining obviousness, a more flexible approach should be used, one consistent with cases such as *Graham v. John Deere* and its progeny that set forth a broad obviousness inquiry. The Court explained that under the correct standard for determining obviousness, a court and patent examiners may look to any need or problem known in the field to provide a reason for making the claimed combination, rather than

...practitioners are concerned that the decision will make it easier to assert a prima facie obviousness determination and make it harder to overcome such a case...

focusing solely on the problem the patentee was trying to solve. In addition, the Court stated that the Federal Circuit erred in concluding that "a patent claim cannot be proved obvious merely by showing that the combination of elements was obvious to try."

The Supreme Court did, however, note that ***A memo issued by the Patent Office to Examiners suggests that the noise over the case may, however, prove to be much ado about nothing.***

the TSM test provides "helpful insight" into the obviousness inquiry and indicated that past Federal Circuit application of the test was in

line with earlier Supreme Court decisions regarding § 103.

This case has generated a considerable amount of controversy and discussion amongst practitioners. Particularly, practitioners are concerned that the decision will make it easier to assert a *prima facie* obviousness determination and make it harder to overcome such a case, and it is clear that lowering the bar for obviousness determinations was the goal in rendering this decision. A memo issued by the Patent Office to Examiners suggests that the noise over the case may, however, prove to be much ado about nothing. The memo addresses four main points:

1. That the decision reaffirms the *Graham* factors for determining obviousness;
2. That the Court did not outright overturn the Federal Circuit's "teaching-suggestion-motivation" (TSM) test, but rather that the TSM test provides a

"useful insight" in making an obviousness determination under *Graham*;

3. That the Court rejected a rigid application of the TSM test requiring a showing of some teaching, suggestion or motivation in the prior art that would lead one of ordinary skill in the art to combine elements of the prior art in the manner claimed, and particularly requiring that the prior art contribute to solving the same problem as that addressed by the claims; and

4. That the Court confirms the requirement that a *prima facie* obviousness case provide an apparent reason why a person of ordinary skill in the art would combine the references, and that the analysis must be made explicit.

...providing evidence of the unanticipated results of a claimed combination of known elements may provide at least one avenue to overcome an obviousness rejection...

It is still too early to see how Examiners may individually read these guidelines; however, the upset amongst practitioners over the case may be for naught.

Potential Prosecution Practice points

Some of the Supreme Court's comments provide pronounced various obviousness 'principles' that, arguably, might themselves be viewed as tests in view of the *Graham* factors, or at minimum, aspects by which an

obviousness rejection may be appropriately overcome.

...to overcome an obviousness rejection, one may provide evidence contrary to a finite number of predictable solutions or that success was achieved accidentally or unexpectedly...

First, the Supreme Court noted that "The combination of familiar elements according to known methods is likely to be obvious when it does no more than yield

predictable results." (emphasis added). For this reason, when possible, providing evidence of the unanticipated results of a claimed combination of known elements may provide at least one avenue to overcome an obviousness rejection, in line with the well known fourth *Graham* factor, objective evidence of nonobviousness traditionally shown as commercial success, long-felt but unsolved needs, and the failure of others.

Second, the Supreme Court stated that "When there is a *design need or market pressure to solve a problem* and there are a *finite number of identified, predictable solutions*, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp. *If this leads to the anticipated success*, it is likely the product not of innovation but of ordinary skill and common sense. *In that instance the fact that a combination was obvious to try might show that it was obvious under §103.*" (emphasis added). Thus, to overcome an obviousness rejection, one may provide evidence *contrary* to a finite number of predictable solutions or that success was

achieved accidentally or unexpectedly, rather than while attempting the predictable solutions.

Furthermore, noting the absence of a showing of a proper teaching away and of persuasive secondary considerations, the Court implicitly reaffirmed both of these principles as counter factors to consider in a proper *Graham* analysis of obviousness.

Interestingly enough, the Supreme Court clearly expresses doubt in the ability of the Patent Office (even the expertise of the Patent Office) to issue valid claims, and particularly to carry out the *Graham* analysis during prosecution. Thus it may prove useful to force discussion of the *Graham* factors, to the extent possible, during prosecution to improve the strength of claims.

Undoubtedly, this case will drive interesting case law in the years to come, and in all likelihood, potential legislative changes.

The above article expresses the view of the authors, and not necessarily those of the State Bar of Texas IP Law Section.



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By the Numbers: IP Litigation Update

By Alan Ratliff, CPA/MPA-JD

Since the Supreme Court's 2006 decision in *eBay*, much attention has focused on the trends and quantitative metrics associated with IP litigation. This short article highlights some of the trends and data that may be of interest to practitioners in the field. While some of the studies and observations discussed herein are based on somewhat limited available data, most are statistically significant and reflect meaningful trends over a period of years.

Filings & Costs

Based on a search of the P.A.C.E.R. (the federal court electronic records system) multi-party case index data for 2006, total IP cases filed in the U.S. by type in 2006 were as follows: patent (2835), trademark (3754) and copyright (4837). This compares to previous year results reported by IPO of about 2700, 3700 and 6000, and typical ranges of 2500-3000, 3500-4000, and 2000-3000, respectively, in the previous five years. Thus, while patent and trademark litigation filings have remained fairly consistent, copyright infringement case filings have soared, doubling from 2004 to 2005, and remaining well above historical levels even through 2006. The most common explanation suggested for the increase in copyright litigation filings are the statutory damage provisions for minor but repeated acts of infringement that can really add up, as well as the increased use and enforcement of the Digital Millennium Copyright Act as the volume of digital and other on-line works continues to expand at a rapid pace.

Locally, the Eastern District of Texas has consistently become the first or second most active patent litigation docket in the country

with more than 200 such cases filed their in 2006 (ranking it second behind the C.D. Cal.), about 5% of which made it to jury trial – the most of any district and about twice the national average. Initial filing numbers for 2007 reflect that the Eastern District is the most active patent docket nationally.

While the volume of filings has increased, so has the cost. According to the AIPLA, the cost of large case patent litigation through trial has increased steadily from over \$3 to about \$5 million per party over the last 3 years. Factoring in the various stages of pre-trial disposition of patent litigations, a study prepared for the Intellectual Property & Information Law advisory council based on 2004 data, estimated that the average cost per side through disposition for all patent litigations is about \$1 million per side.

Injunctions

While it is still early, initial data reflects an increase in the rate of injunctions denied in patent cases post-*eBay*. An initial analysis reported in the fall of 2006 by the ABA in its Intellectual Property Law Newsletter reflected injunctions being denied in about half the cases decided immediately after *eBay*, although the denial rate dropped to about one-third by the end of the year. A similar conclusion was reached based on cases through the spring of 2007 as reported during the injunctions panel at the Intellectual Property Owners Association's March damages conference. Separately, based on information available through Westlaw and LEXIS, another presentation

...copyright infringement case filings have soared, doubling from 2004 to 2005, and remaining well above historical levels even through 2006.

the damage conference reflected injunctions were denied in about 16% of patent cases in the year prior to *eBay* and in about 25% of the cases in the period since. Locally, the Eastern District during this same time period granted injunctions in just over half the cases where the issue was presented.

Thus, while the data is limited for the post-*eBay* period (about 20 cases through early 2007), should this trend continue or should this change become permanent, a 50%+ increase in the rate of historical injunction denials must be considered significant, should affect litigation strategy and may affect litigation cost. Concerning the latter, for example, if the likelihood of an injunction is less, a defendant may be willing to delay settlement and fight longer, thereby increasing costs.

Damages

Comparing the 2000-2005 time period to the 1990's, PriceWaterhouseCoopers ("PWC") reported in the September 2006 issue of *les Nouvelles* that the increase in damage

According to the AIPLA, the cost of large case patent litigation through trial has increased steadily from over \$3 to about \$5 million per party over the last 3 years.

awards in patent cases is 59% while the size of trademark damages awards has remained steady. Both the average number (+59%) and size (+3%) of patent damage awards has increased. However, while the absolute numbers increased, in some respects damages other than a reasonable royalty have become more difficult to obtain. PWC reported that the mix of lost profits and royalty damages flip flopped between the decades. In the 2000's, 59% of patent damage awards are based on a reasonable royalty, 38% on lost

profits, compared to 24% and 73%, respectively, in the 1990's. This conclusion seems consistent with trends reported in the popular press concerning the proportional increase in patent infringement litigation filings by non-practicing patentee's (who, generally, are only entitled to a royalty) and in light of a number of Federal Circuit decisions scrutinizing and limiting lost profit claims.

While not all commentators agree that patent damages are increasing at a rapid pace (e.g., Kerr, *les Nouvelles* 2003 arguing most verdicts remain low and that, considering settlements,

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patent damages have been relatively flat), most reflect results consistent with the PWC study. A special study by the Department Of Justice reported by the ABA in 2007 reflects that in 2002, 140 federal IP cases were resolved by trial. Of those, 83 were won by plaintiffs (60%), damages were awarded in 53, and median awards were just under \$1 million – \$2.3 million in patent cases, \$159,000 in copyright cases, and \$84,000 in trademark cases. Based on Federal Judicial Center data presented at the aforementioned March 2007 damages conference, the median patent damages award in 2005-2006 was just under \$4 million and plaintiffs won 74% of the time.

Locally, of the 9 patent cases tried to a verdict in the Eastern District between late 2005 and late 2006, only two-thirds (67%) were won by plaintiffs and in three of those six, the damage award ranged from \$2 to \$4

million. However, the other three awards were among the nation's six largest ranging from \$74 to \$133 million. However, adjusting both the national and local results for the losing verdicts, the median awards are relatively close, \$1.8 and \$3.7 million, respectively.

Royalty Rates

Available data from a number of sources reflect that royalty rates both in real world licenses and in litigation are increasing and that royalty rates awarded in litigation are higher than those negotiated in the real world. Based on periodic royalty studies published in *les Nouvelles* and *Licensing Economics Review*, average royalty rates for real world licenses across all industries increased from 5% in the 1980's to 6.2% (median of 4.5%) in the 1990's. Since then, rates have continued to increase with an average rate for 2006 licenses of 6.8% and a median rate of 5%.

Similarly, average royalty rates awarded at trial have remained higher than their real world counter-parts. For example, a study by the Analysis Group that was reported in 1997 reflected a doubling in the average amount of royalty awards after the creation of the Federal Circuit. While an average royalty award rate was not given, about one-third of the awards involved rates ranging

...royalty rates awarded in litigation are higher than those negotiated in the real world.

from 6-10%, around one-quarter involved rates of 11-15%, roughly one-quarter involved rates of 5% or less and the remainder involved rates greater than

15%. By 2002, a KPMG study reflected that over half of royalty awards were at rates between 5% and 20%, with the remainder (just under half) evenly distributed between transactions with rates of 5% or less, or 20%

or more. A 2006 empirical analysis conducted by Professor Mark Lemley reflected awards with an average rate of 13% and a median rate of 10%, fairly consistent with the Analysis Group and KPMG distributions reflecting that most awards were in the 5-15% and 5-20% ranges, respectively.

The higher litigation rates may be explained by a variety of factors, including the difference between the settings of a real world negotiation and a hypothetical negotiation. In particular, the hypothetical negotiation assumes validity and infringement, considerations often compromised in the real world. Further, real world licenses often include other considerations such as cross-licenses, covenants not to sue, other IP, technical and developmental assistance which may suppress the actual royalty rate. And, of course, the prospect of a design around hangs over a real world negotiation and, while considered in the hypothetical negotiation, is often no more than a side note addressed after the fact when the infringer has made significant actual use of the patents, infringed for a number of years and never actually designed around.

Conclusion

In sum, (1) IP litigation filings are on the rise, though the case-type mix has changed, (2) litigation costs continue to rise at a rather alarming rate of 20% per year and may increase further depending on the injunction trends, (3) patent injunction denial rates have initially increased in the post-*eBay* era though the observations are limited in number, (4) total and average damage awards are increasing decade-to-date over the 1990's (at least most people think so), (5) average real world royalty rates are increasing and (6) average reasonable royalty rates remain higher than their real world counter-parts.

The above article expresses the view of the author, and not necessarily those of the State Bar of Texas IP Law Section.



Alan Ratliff is a CPA with a master's degree from Baylor and a law degree from SMU. He is a partner in StoneTurn Group in Houston where he serves as a forensic accountant, licensing consultant and expert witness on economics, valuation and damages issues in intellectual property and other commercial disputes.

Utah Law Could Limit Keyword Advertising Nationwide

by Jeffrey M. Becker and Leanne Stendell

On March 19, 2007, the Utah Legislature became the first state to restrict the purchase and use of trademarks as Internet search engine keywords that trigger advertisements. If the law is enforced, trademark owners, including those located outside of Utah, could seek protection under the law. Likewise, keyword advertisers and advertisement providers nationwide could be liable for acts that violate the statute.

The sale of keywords to generate advertisements, known as keyword advertising, is big business for all the major search engines. When an Internet user searches for a keyword that the advertiser has purchased, the advertiser's ad appears as a "sponsored link" along with the search results. Many search engines freely permit advertisers to purchase third-party trademarks to trigger advertisements for their competing products, a practice that has trademark owners crying foul.

Trademark owners have sought protection from the courts, filing numerous federal lawsuits for trademark infringement against both the keyword advertisers and the ad

providers, such as search engines, with mixed and often inconsistent results. The Utah law attempts to offer certainty.

The Utah law, named the Trademark Protection Act, would create a new kind of intellectual property right, the “electronic registration mark.” Trademarks, service marks, trade names, and possibly even domain names, whether or not they are registered with the federal government or with any state, could be registered as electronic registration marks, provided that they are in use in the state of Utah to identify and distinguish the source of goods or services. The registration would be valid for one year, to be updated annually.

Once a trademark owner registered its electronic registration mark, advertisers and advertising providers would be prohibited from using and selling the mark to trigger advertising that is either (1) for directly competitive businesses, products, and services, or (2) likely to cause confusion between the business, goods, or services of the electronic mark registrant and the advertiser, even if the particular goods or services are not directly competitive. The law would not apply unless the Internet user viewing the ad, the advertiser, or the ad provider is located in Utah.

The Utah law has proven controversial in the first weeks following its enactment. While some trademark owners herald it as vital protection that will prevent third-party advertisers from misleading Internet users to their sites, keyword advertisers and ad

The Utah law... would create a new kind of intellectual property right, the “electronic registration mark.”

providers object that it overreaches, prohibiting a form of permissible comparative advertising that offers consumers more options. Google, one of the largest keyword advertising providers and the defendant in several keyword advertising lawsuits, believes that the law is unconstitutional and that a court would overturn it, though Google has not confirmed that it will file suit if the law is enforced. Indeed, following discussions between Utah legislators and technology companies that object to the law, including Google, Utah delayed implementation of the law, which may be amended or repealed without ever being enforced.

Regardless of the outcome, the law, and the ensuing brouhaha, illustrates the anger on both sides of the issue and is unlikely to stand as the only legislative salvo in trademark owners’ ongoing battle against keyword advertisers.

The above article expresses the view of the authors, and not necessarily those of the State Bar of Texas IP Law Section.



Jeffrey M. Becker is a partner with the firm of Haynes and Boone, and heads its Trademark Practice Group, where he specializes in the legal aspects of brand management. Much of his work involves internet related issues, such as domain name cybersquatting and keyword advertising.



Leanne Stendell is an associate in the Dallas office of Haynes and Boone, where she focuses on procuring, prosecuting, and enforcing trademarks and copyrights for clients with domestic and international portfolios.

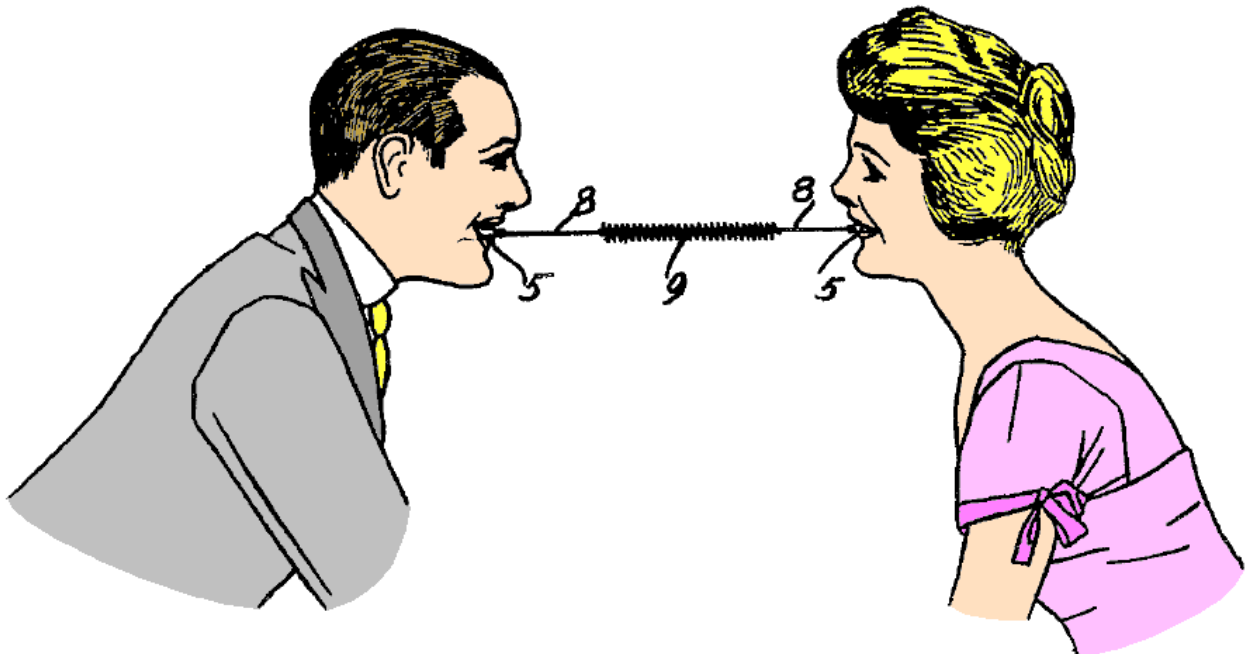
Caption Contest

WRITE A WINNING CAPTION, GET A PRIZE

The IPLS Newsletter Committee announces the fourth **Caption Contest**. The rules are simple: (1) write a humorous caption for the picture; and (2) email your entry to newsletter@texasbariplaw.org by the entry deadline. Please include your contact information with your entry. The Newsletter Committee members will select a winner from the eligible entries and award a prize, which may vary from issue to issue.

This issue's prize: \$25 GIFT CARD to the winner's choice of Amazon.com, Starbucks, or Brinker restaurants (Chili's, On the Border, Maggiano's, and Macaroni Grill).

Please submit a humorous caption for this picture showing a "unique" invention of yesteryear. To be eligible to win, your entry must be emailed to newsletter@texasbariplaw.org by July 31, 2007. **Good luck!**

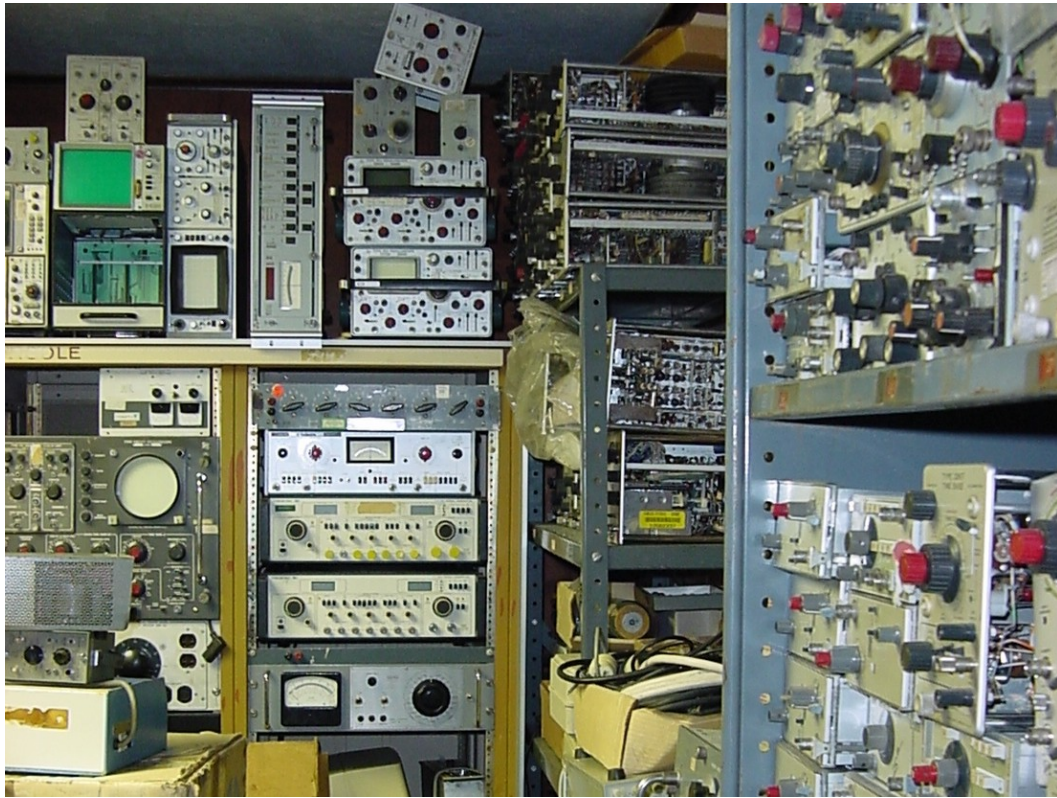


Caption Contest Winner!

In the Winter 2007 newsletter we announced the third Photo Caption Contest, and we sincerely thank all of you who took the time to submit an entry. The captions were judged by the Newsletter Committee, and a winner has been chosen.

Drum roll, please...

And, the winning caption is...



“When I said, ‘Assemble the prior art,’ I meant in a memorandum, not in the file room.” Submitted by Craig E. Bohn, Haynes and Boone, L.L.P., in Houston.

Runner Up: *“Before she was bitten by the fashion bug, Imelda Marcos collected electronic test equipment.”* Submitted by Mark V. Muller in San Antonio.

**State Bar of Texas – Intellectual Property Law Section
2007 Annual Meeting CLE Program & Luncheon
San Antonio, Texas – June 21–22, 2007**

**STATE BAR OF TEXAS
INTELLECTUAL PROPERTY
LAW SECTION**

**2007 ANNUAL MEETING
CLE PROGRAM AND LUNCHEON**

**THURSDAY, JUNE 21 (RECEPTION)
FRIDAY, JUNE 22, 2007**

**HENRY B. GONZALEZ CONVENTION CENTER
SAN ANTONIO, TEXAS**

State Bar of Texas – Intellectual Property Law Section
2007 Annual Meeting CLE Program & Luncheon
San Antonio, Texas – June 21–22, 2007

The Intellectual Property Law Section
would like to thank the sponsors of our Annual Meeting events!

Thursday Night Reception

Gold Sponsor

SIDLEY AUSTIN LLP
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Thursday Night Speakers' Dinner

Gold Sponsors

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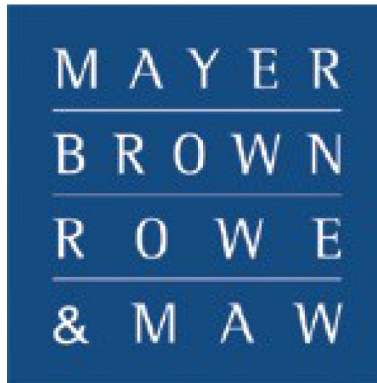
Friday Continental Breakfast

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Friday Reception

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INTELLECTUAL PROPERTY LAW

**State Bar of Texas – Intellectual Property Law Section
2007 Annual Meeting CLE Program & Luncheon
San Antonio, Texas – June 21–22, 2007**

Thursday June 21, 2007

Welcome Reception

5:30 p.m. – 7:00 p.m.

Marriott RiverCenter Hotel, Salon D

Friday June 22, 2007

Morning CLE Session

7:45 a.m. – 12:00 p.m.

TIME	TOPIC/EVENT	SPEAKERS	MODERATOR
7:45	Registration and Continental Breakfast		
8:30	Welcoming Remarks by Moderator		Sharon Israel
8:30	Death of Covenants Not to Compete in Texas is Premature	Miguel Villarreal, Jr. Gunn & Lee, PC San Antonio, Texas	
9:00	What's New in Cyber Squatting	Pamela B. Huff Cox Smith Matthews Inc. San Antonio, Texas	
9:35	Advanced Patent Prosecution	T. Murray Smith Haynes Boone Richardson, Texas	
10:05	Break		
10:15	Byte-ing Off More Than You Can Chew: Electronic Information and the Ethics of Discovery	Genie S. Hansen Hemingway & Hansen, LLP Dallas, Texas	
10:45	Effect of Recent U.S. Supreme Court Decision on Intellectual Property	Paul V. Storm Storm LLP Dallas, Texas	
11:15	Effective Use of Expert Testimony	Panel: Scott Roberts, John Cone, & David McCombs	<u>Panel Moderator:</u> Steven C. Malin Sidley Austin LLP Dallas, Texas

**State Bar of Texas – Intellectual Property Law Section
2007 Annual Meeting CLE Program & Luncheon
San Antonio, Texas – June 21–22, 2007**

Friday June 22, 2007

Luncheon & Section Meeting

12:15 p.m. – 2:00 p.m.

Section Business – Inventor of the Year – Scholarship Awards

Afternoon CLE Session

2:05 p.m. – 5:15 p.m.

TIME	TOPIC/EVENT	SPEAKERS	MODERATOR
2:05	Introductions by Moderator		Matthew M. Jennings
2:05	Changes In E-Discovery	Panel: Mark L. Greenwald & Julie Grantham	<u>Panel Moderator:</u> Judge Xavier Rodriguez
3:35	Break		
3:45	Economics of IP Litigation	Panel: Les Payne, Peter Ayers, & Ethan Shaw	<u>Panel Moderator:</u> Jeffery D. Hunt Moore Landrey, LLP
4:45	Showing Your Colors: Collegiate Licensing of Marks	Panel: Craig Westemeier, Michael Bill Huddleston & Susan J. Hightower	<u>Panel Moderator:</u> Susan J. Hightower Pirkey Barber, LLP Austin, Texas

Hosted Reception

5:30 p.m. – 7:30 p.m.

Tower of the Americas Sky Bar

This reception is a "Show Your Colors" party. Everyone should wear their school colors.