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IP WEBINAR SERIES

BETTER SAFE THAN SORRY

006 Patent Transfer

August 26 | Jitsuro Morishita

Patent Transfer Industry Background

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OpCo Patent Sales Triggered More NPE Litigation in Q1 and Primed the Pump for Further Campaigns

June 2, 2021

Defendants Added to District Court Litigation by Patent Origin

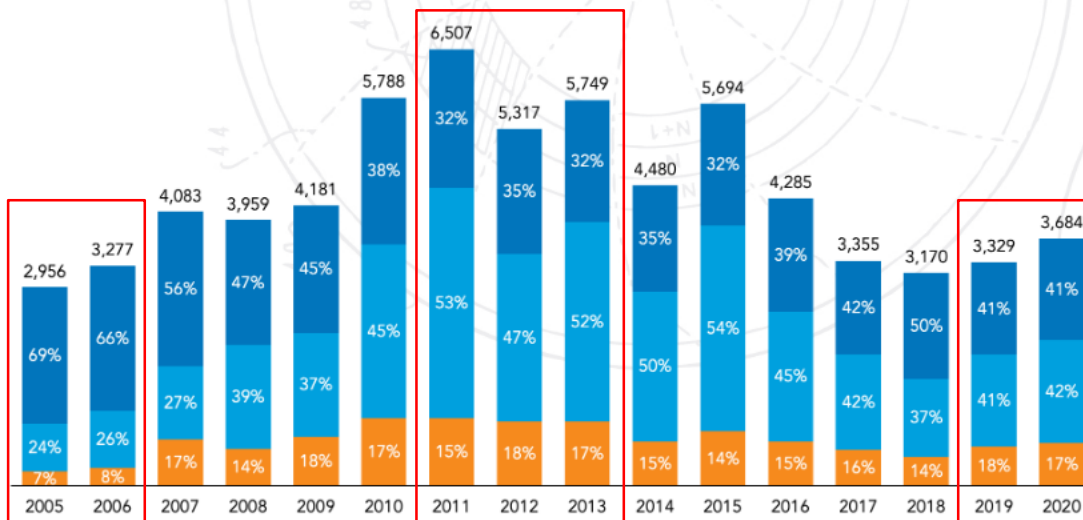
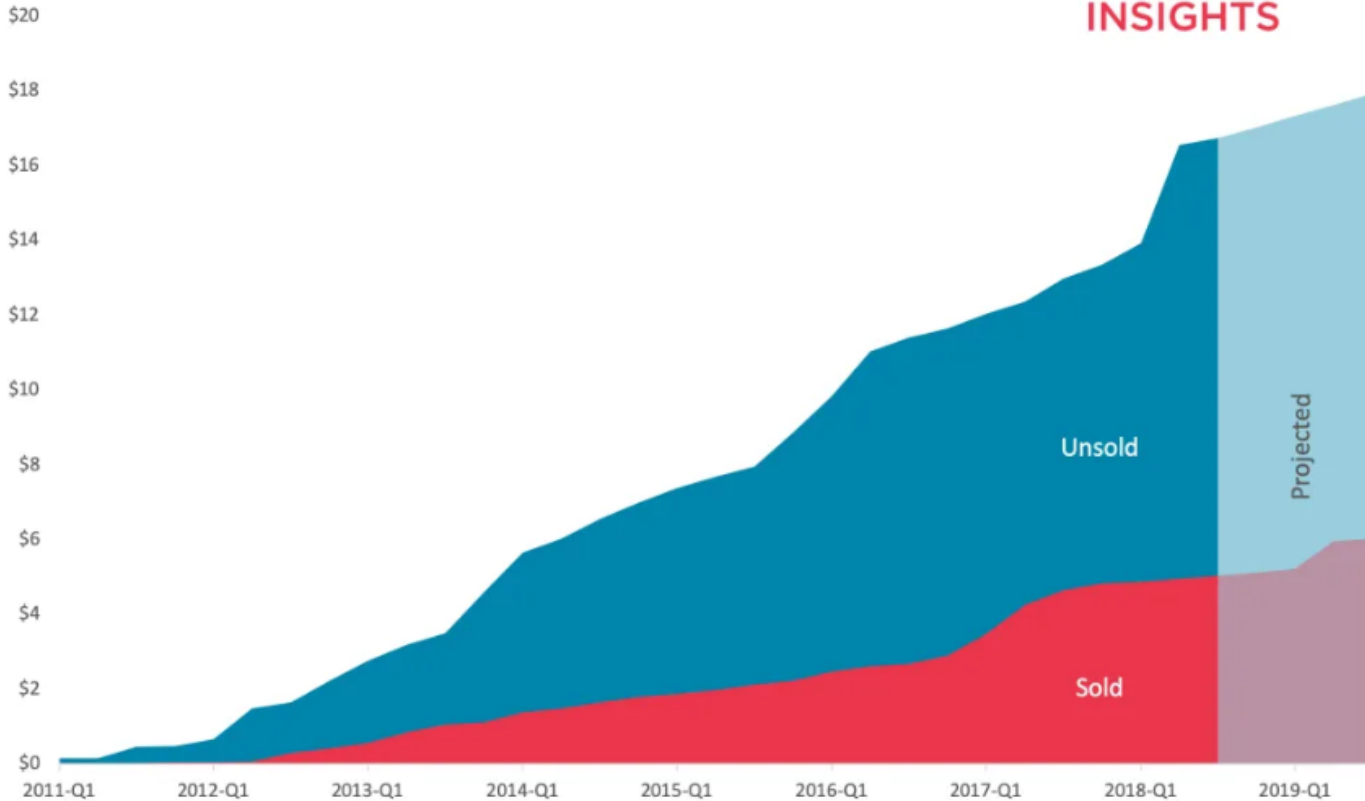


Figure 1. Cumulative sum of asking prices (\$ billion)

Brokered and tracked private market



U.S. Litigation Funding On the Rise

Active U.S. funders are committing more money to litigation finance deals

■ Capital committed to lawsuits



* 41 active funders


** 46 active funders

Source: Westfleet Advisors

Bloomberg

New customer on the secondary patent market: litigation finance companies

Angela Morris
20 April 2022

 Print article



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SELLER SIDE CONSIDERATIONS

Who are the Buyers ?

Operating Company



by Wombo

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Patent Aggregator

INTELLECTUAL
VENTURES®

RPX
RATIONAL PATENT®

AST
ALLIED SECURITY TRUST

Non-Practicing Entity



by Wombo

Open Auction v. Closed Auction

Open Auction

- **Public**
- **Anyone can join**
- **Seller is obligated to sell**

Closed Auction

- **Confidential**
- **Seller may select buyers**
- **No obligation for Seller to sell**



OCEAN TOMO®

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What are the Roles of Brokers?

Technical Analysis



Network



Negotiation



Engaging Brokers

- Fees are usually between 20 to 40% depending on the patent assets and status of the preparation by the seller
- Ask for past successes, closing rate and portfolio handled (per year), depth of technical analysis and resources
- Be aware of **withholding tax** issues



How Much Does It Cost to Engage a Patent Broker's Services?

Upon the successful sale of a patent portfolio, a reputable patent brokerage will command a fee of 20-40% of the net sales price of the portfolio. Like any service, a broker that charges on the lower end of the scale typically offers fewer services, manages lower quality portfolios, and may not address crucial parts of helping you buy and sell patents successfully. A patent seller should be wary of any brokerage that charges up-front fees, as this likely indicates a lack of confidence in the broker's ability to successfully market and sell the patent portfolio. Alternatively, a brokerage that operates under a commission fee is a broker that is confident in its ability to market and sell the patent portfolio. Moreover, by waiting until the close of a sale to assess a fee, the broker becomes a partner to the patent holder, creating a shared interest in the successful completion of the transaction.



\$5,000 per month with 25% commission
(monthly fees deducted from commission
upon consummating a transaction)

Information Control

- ❑ Control of **Launch** information
- ❑ Control of **EOU** information
- ❑ Control of **Whitelist/Blacklist** information
- ❑ Control of **Offer Price** information
- ❑ Control of **Multiple Layers of NDAs**

Patent Sales Agreement

- ❑ Grant Back Clause is usually included
- ❑ US Standing issue needs to be properly addressed
- ❑ Be aware of post-sales Cooperation Obligations
- ❑ Be aware of broad Rep & Warranties
- ❑ Address the Withholding Tax Issue while negotiating the purchase price



There are over 3,445,880 patent assets and 2300+ members in the network

LOT Network members include global industry leaders and innovative up-and-coming startups committed to long-term protection against PAE litigation



LOT User's Annual Revenue	LOT User's Annual Fee
< \$25 million	Free
\$25 million+ to \$50 million	\$5,000
\$50 million+ to \$100 million	\$10,000
\$100 million+ to \$1 billion	\$15,000
> \$1 billion	\$20,000 (capped)

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BUYER SIDE CONSIDERATIONS

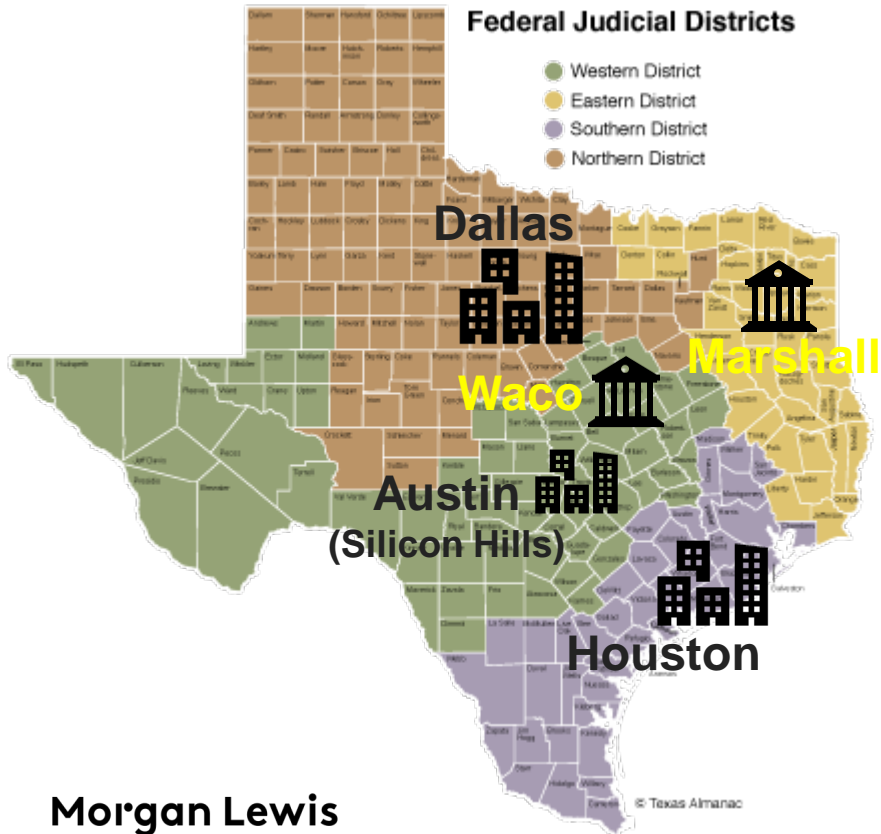
Buyer Specific Issues

- ❑ Request **Exclusivity** with caution
- ❑ Balance the cost/effort for **Technical Analysis**
- ❑ Consider **Cherry-Picking** the patents
- ❑ Price is what the **Market** decides
- ❑ Ask for **Timeline and Priority**
- ❑ Do not easily believe what you are told re: **Pricing**
- ❑ Act **Sincerely** (words gets around)

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RECENT CHANGES VENUE

Western District of Texas



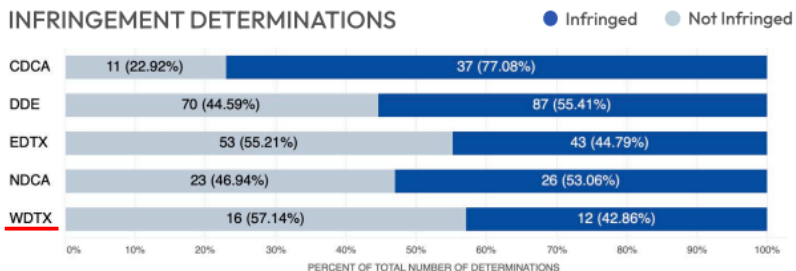
TC Heartland (U.S. 2017)

A case for patent infringement:

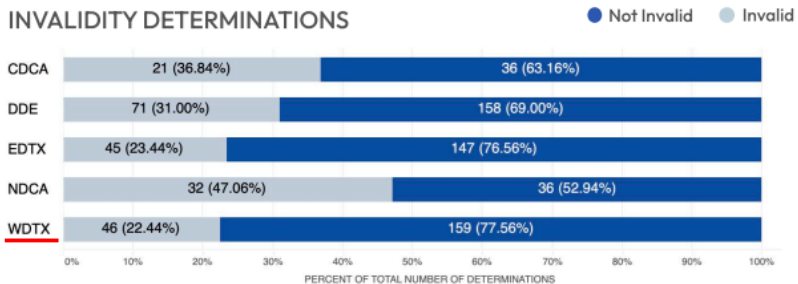
1. “may be brought in the judicial district where the defendant **resides**”
 - ❖ Resides: State of Incorporation (reason for increase in cases in Delaware)
2. “[may be brought] where the defendant has committed acts of infringement and has a **regular and established place of business**”

Western District of Texas: Waco

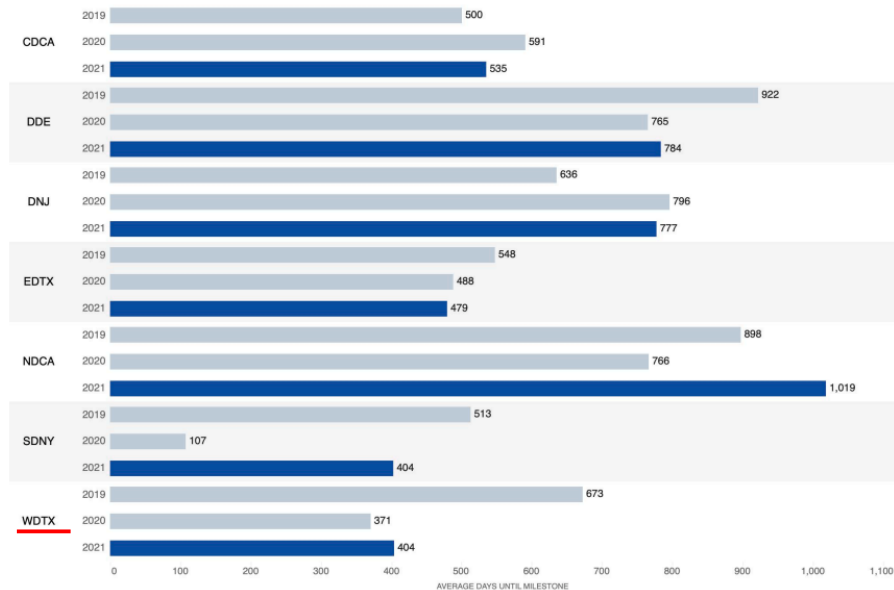
INFRINGEMENT DETERMINATIONS



INVALIDITY DETERMINATIONS



AVERAGE TIME TO CLAIM CONSTRUCTION



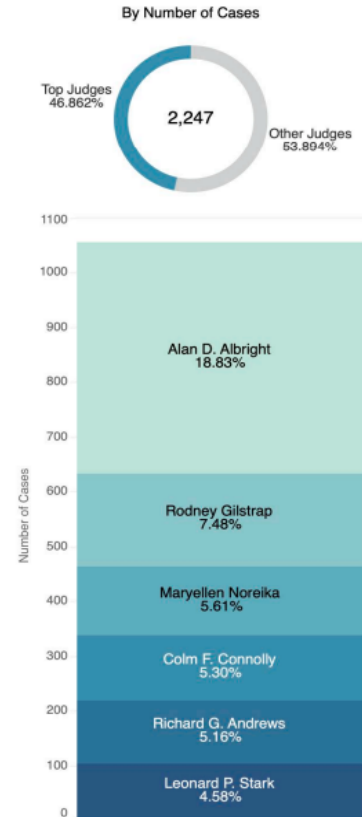
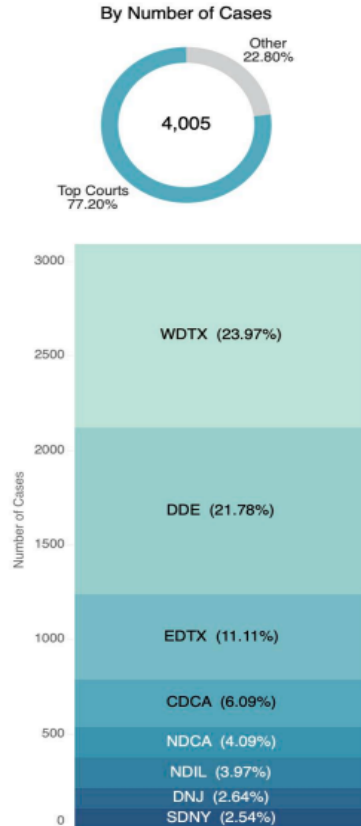
Western District of Texas: Waco



Judge Albright (62)
Appointed by President Trump in 2018

1 in 5
Number of patent cases nationwide
assigned to Judge Albright

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Reaction from the Federal Circuit

- Several of the most important factors bearing on the transfer decision strongly favor transfer, and **no factor favors keeping the case in the WDTX.** *In re Apple Inc.* (Fed. Cir. 2021)
- This factor is plainly **insufficient to warrant keeping this case in the Texas forum** given the **striking imbalance.** *In re Google LLC* (Fed. Cir. 2021)
- We recently granted a similar petition in a case involving Juniper because the district court's refusal to transfer amounted to **a clear abuse of discretion...** We once again grant the mandamus petition and **direct the district court to transfer.** *In re Juniper Networks Inc.* (Fed. Cir. 2021)

Reaction from the U.S. Congress



Sens. Patrick Leahy, left, D-Vermont, and Thom Tillis, right, R-North Carolina.

NEWS

Sens. Leahy and Tillis Slam the Nation's Busiest Patent Judge, Calling for Study of 'Actual and Potential Abuses'

Morgan Lewis

United States Senate
COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

VIA ELECTRONIC TRANSMISSION

November 2, 2021

The Honorable Chief Justice John Roberts
Presiding Officer
Judicial Conference of the United States
One Columbus Circle, NE
Washington, D.C. 20544

Dear Mr. Chief Justice:

We write you to express our concern about problems with forum shopping in patent litigation. Our understanding is that in some judicial districts, plaintiffs are allowed to request their case be heard within a particular division. When the requested division has only one judge, this allows plaintiffs to effectively select the judge who will hear their case. We believe this creates an appearance of impropriety which damages the federal judiciary's reputation for the fair and equal administration of the law. Worse still, such behavior by plaintiffs can lead individual judges to engage in inappropriate conduct intended to attract and retain certain types of cases and litigants.

We are particularly concerned with this problem in the context of patent litigation. In the last two years our nation has seen a consolidation of a large portion of patent litigation before a single district court judge in Texas. In 2016 and 2017, this single district court heard only, on average, one patent case per year.¹ Last year, however, nearly 800 patent cases were assigned to one judge in this district.² This year, this district appears to be on track to have more than 900 cases.³ This means that roughly 25% of all the patent litigation in the entire United States is pending before just one of the nation's more than 600 district court judges.⁴

The concentration of patent litigation is no accident. We understand that a single judge in this district has openly solicited cases at lawyers' meetings and other venues and urged patent plaintiffs to file their infringement actions in his court.⁵ Our understanding is that this single

¹ See Anderson & Gugliuzza, "Federal Judge Seeks Patent Cases," 71 Duke Law Journal __ (2021) (forthcoming), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3668514, at 2.

² See Dani Kass, "Judge Albright Now Oversees 20% Of New US Patent Cases," Law360, March 10, 2021 (noting that 793 patent cases were assigned to Judge Albright in 2020).

³ Ryan Davis, "WFDX Now Has 25% Of All US Patent Cases," Law360, Jul. 2, 2021 (noting that "nearly all" of the 489 cases filed in W.D. Tex. have been assigned to Judge Albright).

⁴ *Id.* (noting that over the past six months roughly 25% of U.S. patent cases have filed in W.D. Tex. and that almost all of these have been assigned to Judge Albright).

⁵ See Anderson & Gugliuzza, *supra* n. 1, at 3, 29 (noting that since his appointment, Judge Albright "has spoken at patent law conferences, been the keynote speaker at dinners hosted by patent valuation companies, appeared on law firm webcasts about patent litigation, and presented at numerous patent bar events, all with the express purpose of encouraging patentees to file suit in his court.").

Reaction from the U.S. Congress

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Common-Sense Reforms Recommended by Prof. Anderson

- (1) *district judges should, by law, be **randomly assigned to cases**, and*
- (2) *venue in patent cases should be **tied to divisions** within a judicial district, not just the district as a whole."*

Reaction from the U.S. Supreme Court



Chief Justice Roberts

Reconciling these values is important to public confidence in the courts, and I have asked the Director of the Administrative Office, who serves as Secretary of the Judicial Conference, to put the issue before the Conference. The Committee on Court Administration and Case Management is reviewing this matter and will report back to the full Conference. This issue of judicial administration provides another good example of a matter that self-governing bodies of judges from the front lines are in the best position to study and solve—and to work in partnership with Congress in the event change in the law is necessary.

FILED

JUL 25 2022

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS

§
§
§

CLERK, U.S. DISTRICT COURT
WESTERN DISTRICT OF TEXAS
BY RLG
DEPUTY

**ORDER ASSIGNING THE BUSINESS OF THE COURT AS IT RELATES TO
PATENT CASES**

Upon consideration of the volume of new patent cases assigned to the Waco Division, and in an effort to equitably distribute those cases, it is hereby ORDERED that, in accordance with 28 U.S.C. § 137, all civil cases involving patents (Nature of Suit Codes 830 and 835), filed in the Waco Division on or after July 25, 2022, shall be randomly assigned to the following district judges of this Court until further order of the Court.¹

Chief U.S. District Judge Orlando Garcia, San Antonio Division
U.S. District Judge Fred Biery, San Antonio Division
U.S. District Judge Alia Moses, Del Rio Division
U.S. District Judge Lee Yeakel, Austin Division
U.S. District Judge Kathleen Cardone, El Paso Division
U.S. District Judge Frank Montalvo, El Paso Division
U.S. District Judge Xavier Rodriguez, San Antonio Division
U.S. District Judge Robert Pitman, Austin Division
U.S. District Judge David Counts, Midland/Odessa and Pecos Divisions
U.S. District Judge Alan Albright, Waco Division
U.S. District Judge Jason Pulliam, San Antonio Division
Senior U.S. District Judge David Ezra, San Antonio Division

SIGNED this 25th day of July 2022.



ORLANDO L. GARCIA
CHIEF UNITED STATES DISTRICT JUDGE

What can be ahead

- 11 Judges in WDTX adopts Judge Albright's **local patent rules** and WDTX keeps its place as patent friendly venue with assistance from Magistrate Judge Derek Gilliland (**heavy criminal and immigration dockets in WDTX may prevent this**)
- EDTX may rise again as chosen patent forum, especially for **foreign companies** where TC Heartland does not apply
- The number of cases in **Delaware** will likely rise due to many companies being incorporated there



Magistrate Judge
Derek Gilliland
Assigned in 2022



Jitsuro Morishita



Jitsuro Morishita

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Jitsuro Morishita devotes his practice to resolving complex global disputes in the areas of intellectual property, antitrust, governmental investigations, environmental issues, and labor.

Early in his career, he worked in-house for two global technology companies, Pioneer Corporation and Fujifilm Corporation, bringing unique expertise to advocate using profound understanding of Japanese company cultures.

Jitsuro is devoted to bringing his clients (i) easy communication using excellent communication skills, (ii) pleasant surprises from creative and out-of-the-box ways of thinking, and (iii) deep satisfaction through great results and client-friendly experiences.