



Intellectual Property in 2016

The Changing Landscape of Patent Value and Patent Risks

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END OF “PATENT OWNERS’ HEAVEN?”

- In the recent past:
 - Patents were relatively easy to obtain and difficult to challenge
 - Patents were issued with vague claims or covering abstract ideas whenever coupled with de minimis implementation through a computer
 - Damages awards for infringement were soaring
 - Patent valuations skyrocketed
 - Patent sales followed with even stronger results
 - Patent trolls emerged
- Since then the patent landscape has changed dramatically
 - *Mayo v. Prometheus* and *Alice v. CLS Bank* have curbed patent eligibility
 - The America Invents Act made it easier to challenge and invalidate issued patents
 - Damages awards have been limited
 - Unsuccessful plaintiffs face higher risk of needing to pay defendant’s attorneys’ fees

A. PATENT SUBJECT MATTER ELIGIBILITY / *ALICE VS. CLS BANK*

- Section 101 of the Patent Act: any new and useful process, machine, manufacture or composition of matter is eligible for patent protection
- Courts have developed exceptions to eligibility, including the “abstract idea” exception
- *Mayo v. Prometheus* (2012)
 - Two-step test to determine application of the “abstract idea” exception
- *Alice v. CLS Bank* (2015)
 - Computer-implemented abstract idea (financial transactions process) is patent ineligible
- Has the court gone too far?
 - Is the USPTO rejecting too many patents due to *Alice*?
 - Defining the “abstract idea” exception
 - Has patent “quality” improved as a result of *Mayo* and *Alice*?
 - How should Silicon Valley react?
 - Does *Alice* threaten innovation?

B. THE CHANGING PATENT LANDSCAPE'S EFFECT ON MY COMPANY'S STRATEGY

- Defensive vs. offensive use
- Industry initiatives
- The role of patents in M&A
- Valuation and monetization implications
 - Differ by subject matter?
 - Discounting for invalidity/unenforceability risk?
 - Overall effect on patent value and sales activity
 - Impact on valuation of standards-essential patents

C. FUTURE OF FURTHER PATENT REFORM

- The USPTO supports the Innovation Act, particularly regarding fee-shifting and heightening pleading requirements
 - Does the USPTO's increased rejection of applications or invalidation of patents accomplish the goals of patent reform?
- Damages calculations
 - Are further refinements necessary?
- Innovation Act
 - Industry reaction and prospects
- Not all non-practicing entities are “patent trolls”
 - The role of “well-meaning” NPEs in transactions and the patent marketplace, and how patent reform can be adjusted to avoid harming them