

D.C. LITIGATION DEPARTMENTS OF THE YEAR

A SPECIAL REPORT

LATHAM & WATKINS

INTELLECTUAL PROPERTY WINNER

LATHAM & WATKINS' IP DEPARTMENT gets the nod for a series of major appellate victories in 2017, demonstrating the strength of a well-rounded practice that has been years in the making.

In March, the U.S. Court of Appeals for the Federal Circuit returned favorable decisions for Ford Motor Co. on all four appeals Latham partner Matthew Moore had argued on a single day in December 2016. The rulings affirmed the result of inter partes review proceedings before the Patent Trial and Appeal Board, which had invalidated claims on two Paice LLC patents for hybrid vehicle technology.

Moore and fellow Latham partner Gabriel Bell followed up those victories by successfully arguing a combined 16 appeals for Ford in December, bringing its total appellate-win count for Ford to 20.

In June, Latham prevailed in an Empire IP subsidiary's challenge to a \$2 million "exceptional case" attorney fee award for Jaguar Land Rover North America.

But Latham's successes in front of the PTAB and the Federal Circuit also extended to its work before the International Trade Commission, where the firm represented high-profile clients in disputes over a wide range of technologies.

Moore, the former co-chair of Latham's IP litigation practice co-chaired by Michael Morin, said the 2017 results were "proof of concept" for the firm's plan, launched years ago, to build its IP group



MATTHEW MOORE

into one of the premier practices in the country. Since 2010, Moore said, Latham has been able to attract a core group of 10 "first-chair" attorneys, with the bulk of its resources spread between Washington, D.C., Chicago and Silicon Valley.

"It's the idea of developing such a broad bench of first chairs really working," he said of the past year.

Also in June, Latham and partners Doug Lumish and Bert Reiser nailed down a big turn-around defense win for Arista Networks Inc., after prevailing in a copyright trial in late 2016. An ITC administrative law judge found no infringement of any Cisco patent claims, helping Arista to avoid considerable penalties and potential loss of billions of dollars in sales.

Since taking over the case, Cisco has dropped or Arista has been found not to infringe nine of 14 patents. Of the five that the ITC had found infringing, Arista has successfully designed around three.

"We were able to come in with a different strategy and were able to change the result," Moore said.

Latham continued to grow last year, adding ITC specialists Jamie Underwood and Kevin Wheeler in lateral hires and placing the firm in a strong position for 2018, Moore said. And even more recently, the firm added seasoned litigator Tara D. Elliott.

"I think we have the room to grow," he said, "but we don't need to, so we can be very selective."

—TOM MCPARLAND

firm facts

Name: Latham & Watkins
Founded: Los Angeles
Total number of attorneys: 2,459
Litigators as percentage of firm: 30 percent
Litigators as percentage in D.C.: 50 percent
Litigation partners firmwide: 206
Litigation associates firmwide: 516
D.C. IP litigation partners: 8
D.C. IP litigation associates: 14

keys to success

- Assembling a tremendous group of litigators strategically, to ensure we have the best team to handle client issues in any forum.
- Understanding our clients' business objectives and providing the best results in an efficient manner and on budget.
- Bringing all of Latham's venerable resources to bear, from IP as well as from regulatory, anti-trust, appellate, and transactions practices. —Michael Morin

has acquired is so large that IV has achieved hold-up power even though the portfolio contains patents that are invalid, not infringed and individually weak,” Latham & Watkins partner Matthew Moore contends in court filings for Capital One.

Capital One is the only bank to file antitrust claims so far, though others have assembled high-powered legal teams to fight the patent claims in court and before the PTO. Wilmer Cutler Pickering Hale and Dorr; Jones Day; Reed Smith; Goodwin Procter; Kecker & Van Nest and Durie Tangri are among the law firms representing the banks, along with Latham. Kirkland & Ellis is co-counsel in each case. (Kirkland is also representing IBM Corp., the vendor of the targeted software, in a suit to invalidate the IV patents in administrative proceedings at the PTO.) Sidley Austin represents insurance companies that were sued in a second wave of suits over some of the same patents.

For IV, Feinberg Day Alberti & Thompson is spearheading the bank litigation, with help from several other firms: Freitas, Angell & Weinberg; Funk & Bolton; Goldstein & Russell; Sterne, Kessler, Goldstein & Fox; Knobbe Martens Olson & Bear; and Nix Patterson & Roach.

Capital One’s antitrust claim likely faces long odds, but it holds the potential to disrupt Intellectual Ventures’ business model and further reset the playing field on patent litigation. It’s also forced the privately held IV to hand over discovery about its investors, licensees and litigation strategy.

“It’s an interesting and aggressive theory,” says Rutgers law professor Michael Carrier, who has written about the case. “The fact that they’re invalidating patents supports their claims that these patents are weak and designed to be used in a collection as a bludgeon.”

To succeed, Capital One will have to prove that IV has vacuumed up all of the patents on the technology at issue, leaving it no options whatsoever for designing around IV’s patents or licensing alternative technology

from others. Even then, Capital One may have to prove that IV is engaging in “sham litigation,” which the U.S. Supreme Court has defined as claims that are objectively baseless, and filed with the subjective knowledge of their baselessness.

“I can count on one hand the cases that have been successful on that theory,” says Orrick, Herrington & Sutcliffe partner John Jurata, whose practice focuses on patent law and antitrust and who is not involved in the case. “It’s a long shot.”

A spokesman for Intellectual Ventures said that the company had no comment on the litigation at this time. In court papers, IV argues that Capital One is trying to have it both ways, calling its patents worthless but at the same time crushingly monopolistic. “Presumably, even when a bank does the math, the collective ‘value’ of any number of patents each having zero value is still zero,” Funk & Bolton partner Michael McCabe writes for IV in court papers.

INTELLECTUAL VENTURES WAS founded in 2000 by former Microsoft Corp. executives Nathan Myhrvold and Edward Jung and joined soon after by former Intel Corp. IP chief Peter Detkin and Perkins Coie partner Gregory Gorder. In a little over a decade, the company raised more than \$5 billion from investors, including tech giants Apple Inc., Microsoft Corp. and Google Inc. and universities including Stanford University and Northwestern University. IV describes itself as an “invention marketplace” where investors, government entities, businesses, academia and inventors can buy, sell and license IP assets. The company has acquired 70,000 patents and applications, with 40,000 in active monetization programs.

For 10 years, the company did its licensing outside of the courtroom, striking a \$350 million deal with Verizon Communications Inc. in 2008 and a \$120 million license with Intuit Inc. the following year. Myhrvold told The Wall Street Journal in 2008 that the

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size of IV's inventory was one of the keys to its licensing success. "I say, 'I can't afford to sue you on all of these, and you can't afford to defend on all these,'" he told the Journal.

The company began bringing lawsuits for patent infringement in 2010, first targeting the tech industry. Then in 2013 it turned to the banks.

Cory Van Arsdale, IV's vice president of strategic business development, and Cris Leffler, then its director of patent litigation, met with Capital One's chief counsel for litigation, Stephen Otero, and associate GCs Heather Caputo and Brent Timberlake in August of that year, according to court filings. Van Arsdale and Leffler informed the bank that IV held 3,500 financial services patents, with about 1,000 related to retail banking. But the executives would identify only 100 of them, and even then only if Capital One agreed not to attack them with inter partes review, a guarantee that Capital One apparently refused to make.

IV gave the bank several options: It could license the five patents IV was

asserting against Capital One plus six others asserted against the other banks for \$75 million. Or Capital One could take a global five-year license to the 35,000 patents held in IV's two Invention Funds for \$131.7 million.

"In effect," Moore writes in Capital One's court papers, "IV was attempting to make Capital One pay in excess of \$100 million without ever even showing Capital One what it would be paying for."

The business of acquiring and asserting patents probably hit its apex in 2011, when a consortium formed by Apple, Microsoft and three other companies paid a whopping \$4.5 billion for Nortel Networks Corp.'s patents. But the litigation environment has become more challenging for patent owners ever since.

First, the 2011 America Invents Act established administrative procedures for quickly and cheaply challenging patent validity at the U.S. Patent and Trademark Office.

Then, in May 2013, the U.S. Court of Appeals for the Federal Circuit

LATHAM & WATKINS' MATTHEW MOORE: IV TRIED TO FORCE CAPITAL ONE TO PAY MORE THAN \$100 MILLION FOR LICENSES TO PATENTS THAT IT REFUSED TO IDENTIFY.

splintered on the issue of software patent eligibility. That set the stage for the Supreme Court's landmark 2014 decision in *Alice v. CLS Bank*, clamping down on patentability for software-related inventions.

CAPITAL ONE CHOSE TO FIGHT IT OUT in court. IV dropped two of the patents that it was asserting in the Virginia federal court case and stipulated to non-infringement of a third. U.S. District Judge Anthony Trenga then ruled in April 2014 that the fourth and fifth patents were too abstract to be eligible for patenting under Section 101 of the Patent Act.

That ended the Virginia litigation, but by then IV had already opened a

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I can count on one hand the cases that have been successful on that theory,” says one observer, Orrick, Herrington & Sutcliffe partner John Jurata. “It’s a long shot.”

new front, suing Capital One in U.S. district court in Maryland over five other patents. Capital One has prevailed there too—one by stipulation of noninfringement, four others on Section 101—but Capital One counsel Moore says that there’s nothing to stop IV from suing over and over again, each time costing the bank extraordinary time and expense.

“The power of IV’s portfolio is not rooted in the value or lawful scope of its constituent patents, but in the sheer size of the portfolio and IV’s consequent ability to impose litigation costs and uncertainty on its victims,” Moore argued in Capital One’s 2015 antitrust complaint.

IV says that it’s doing nothing different from other NPEs or operating companies that set out to construct and enforce patent portfolios. “No case has ever found it unlawful to acquire even an entire portfolio of patents,” IV counsel McCabe writes in IV’s opposition. If it were so, then surely the feds would have stepped in to block Apple and Microsoft from acquiring Nortel’s 6,000 patents in 2011, he says.

IV’s lawyers also suggested in a court hearing this summer that the money that Capital One has spent defending its patent suits is “chump change” compared to what it pays its CEO and on other operational expenses—hardly the kind of expense that might cripple Capital One’s ability to compete.

That traditionally requires defining a specific region or set of products. But Capital One doesn’t compete against IV in any market, the judge noted, and if IV’s patents are as shabby as the bank alleges, then there’s no commercial market for them at all. Or as IV has put it: “The proposed relevant market is defined to include all, but only, those financial services patents that are owned by Intellectual Ventures. This is not a market definition cognizable under antitrust law.”

Toshiba Corp. has made a similar antitrust counterclaim before U.S. District Judge Sue Robinson in Delaware, saying that IV is unfairly wielding a 3,700-patent portfolio in the semiconductor market. Robinson at first allowed Toshiba’s claims to proceed alongside IV’s patent claims, but then put them on hold last fall. The judge said that Toshiba was focusing too much on the quality of IV’s patents, which under patent law must be presumed valid until proven otherwise.

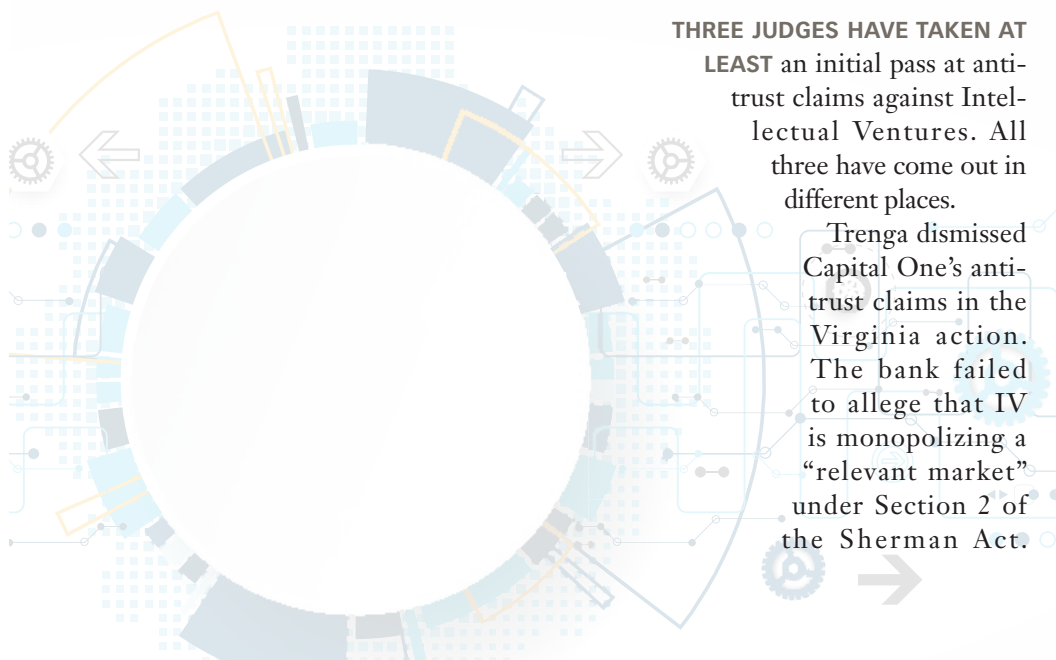
Toshiba would have done better to focus on the numerosity of IV’s patents and its allegation that IV builds its patent portfolios around technology that’s already been widely adopted, the judge suggested.

U.S. District Judge Paul Grimm in Maryland has been more hospitable. He looked to a U.S. Supreme Court case that held that Eastman Kodak could be liable for monopolizing the aftermarket for spare parts to Kodak copying machines. “Like the Kodak customers with no choice but to seek parts and services directly from Kodak ... the banks have no choice but to pay licensing fees to the Intellectual Ventures companies” to operate online banking, he wrote, according to Capital One’s allegations.

“At this prediscovery stage in the litigation, counterclaimants adequately have alleged a plausible relevant market,” Grimm said in a March 2015 order denying IV’s motion to dismiss the antitrust claims. “Moreover, discovery is necessary to determine whether, in this case, a need to avoid endless litigation is a business necessity.”

THREE JUDGES HAVE TAKEN AT LEAST an initial pass at antitrust claims against Intellectual Ventures. All three have come out in different places.

Trenga dismissed Capital One’s antitrust claims in the Virginia action. The bank failed to allege that IV is monopolizing a “relevant market” under Section 2 of the Sherman Act.



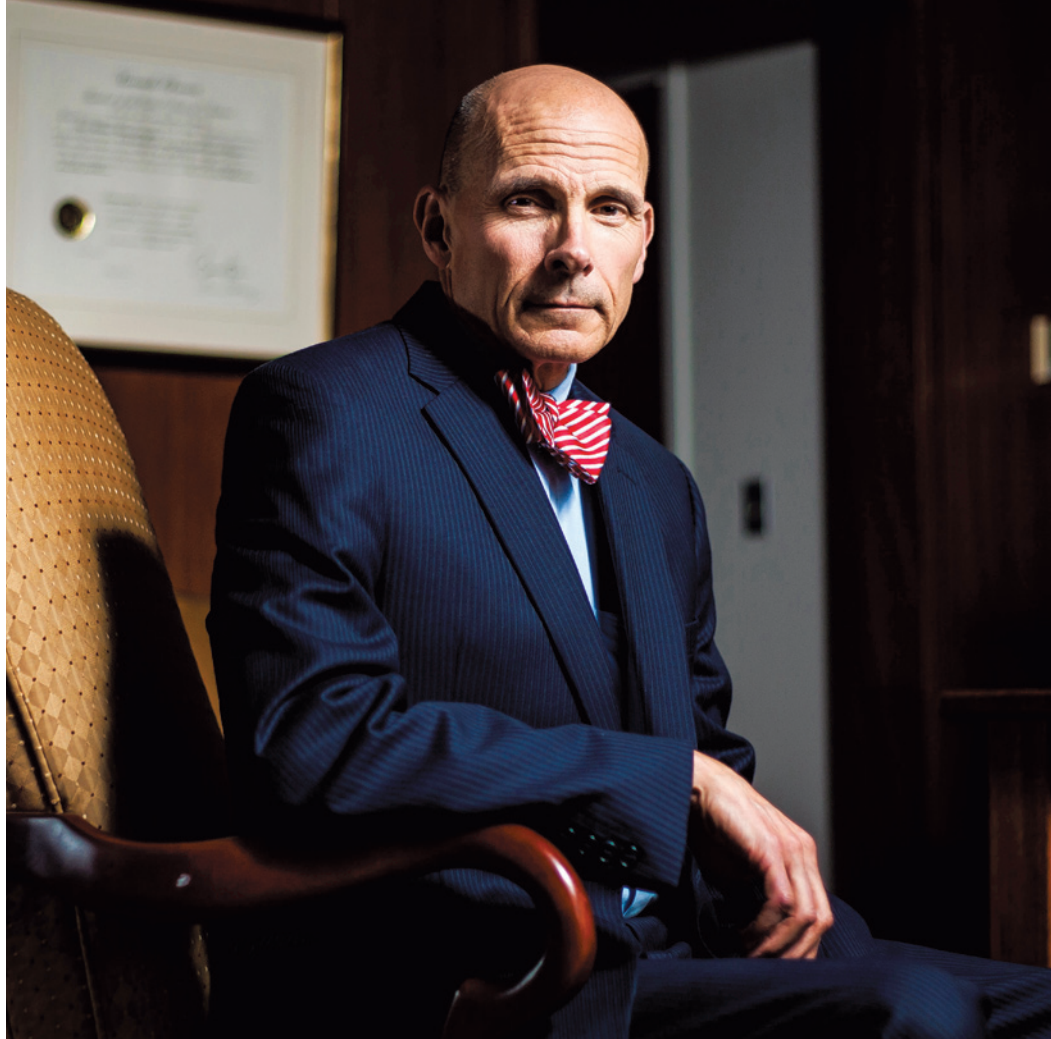
Rutgers' Carrier says that defining a relevant market remains one of the tallest challenges of Capital One's theory. "The difficulty with this whole area is that it's tough to figure out what a patent covers," he says. "Just by looking, it's not easy to know if there are alternatives out there."

"DISCOVERY" IS PROBABLY THE LAST thing that IV wanted to hear from Grimm. Intellectual Ventures is known for holding its cards close to the vest, although in December 2013—three months after Capital One filed its first antitrust complaint against IV—the company began listing most of its patents on its website.

IV has since been forced to turn over information from its customer database about licensees, investors and litigation targets, and emails from Myrhvold, Detkin and other executives that discuss licensing policy or strategy. IV claimed attorney-client privilege on a whopping 13,000 emails, with Capital One demanding hundreds that involved patent acquisitions, negotiation strategies or decisions about which patents to assert. "Because litigation is at the 'core' of the IV's operations, documents discussing IV's general use of litigation to further its business interests are not automatically shielded by the attorney-client privilege," Troutman Sanders partner Mary Zinsner, who is running discovery for Capital One, wrote in an Aug. 5, 2016, letter to Grimm.

That rationale makes patent assertion entities "second-class citizens who possess lesser rights with respect to privileged attorney-client communication" than other litigants, Freitas Angell & Weinberg partner Robert Freitas replied a week later for IV.

Orrick's Jurata says that these kinds of disputes arise frequently in licensing cases, where lawyers are often the people making business decisions. A lawyer's gut reaction might be that documents should be shielded because they're written by or to an attorney, he says, but "when you actually take a look at why they were created, it's for a business function."



Or, as Grimm told the IV and Capital One lawyers this summer, "if a lawyer wears two hats, [giving] business advice as well as legal advice, the primary purpose for the communication has to be legal" for the privilege to apply.

Ultimately, Grimm ordered IV to turn over many of the disputed documents, in part because the company had waived privilege by failing to provide a sufficient factual basis for it.

IV AND CAPITAL ONE ARE EXPECTED to litigate discovery for several more months, with summary judgment motions due in May 2017 and a trial by year's end.

Orrick's Jurata sees a lot of hurdles remaining for Capital One. Its antitrust claims are "difficult claims to pursue, and I think Capital One's lawyers have done a nice job keeping them alive," he said. They could provide useful leverage if IV files yet more patent claims and Capital One wants to strike a licensing deal "to make IV go away," he says.

Jurata also notes that for 30 years, antitrust claims like Capital One's ran

OF THE JUDGES WHO HAVE CONSIDERED ANTITRUST CLAIMS AGAINST INTELLECTUAL VENTURES, U.S. DISTRICT JUDGE PAUL GRIMM HAS BEEN THE MOST RECEPTIVE.

into *SCM v. Xerox*, a Second Circuit case that held "where a patent has been lawfully acquired, subsequent conduct permissible under the patent laws cannot trigger any liability under the antitrust laws."

But the tectonic shifts in patent law over the last few years have cast doubt over that maxim too. The U.S. Supreme Court didn't mention the case explicitly, but the logic of its 2013 *Actavis* decision on reverse settlement payments seems to have shaken its foundation.

Says Jurata: "The antitrust IP space for the next few years will continue to be an active area."

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