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Discussion after the Speech of Michael J. Buchenhorner

Discussion

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Discussion After the Speech of Michael J. Buchenhorner

COMMENT, *Mr. Bauer*: Thank you, Michael. We do have time for a few questions, so we will be happy to take them.

QUESTION, *Mr. Kasoff*: On your list of steps to take, at what point would you include a joint venture, in a country like China, as a way of protecting your property and getting some money back?

ANSWER, *Mr. Buchenhorner*: I think that is an excellent thing to do at any time. My past employers have done business through joint ventures in many countries for a variety of reasons, including just local influence.

I think that other countries' approach to law is not necessarily ours. We like to regard ourselves — I am talking about the United States — as a country of laws and not men. I think some countries are truly countries where there are laws that are controlled by who you are. I think joint ventures facilitate that.

You may get somebody who is powerful enough, and may have the clout. But, you do not want to be perceived as being the foreigner who is coming in and taking money away from a national economy or otherwise retarding the development of the industry. So I like that approach where you can do it.

QUESTION, *Mr. Faye*: We all read in the papers about big judgments and so forth, and we think of this. But there are times when patents are just knocked out by a little company against a big company. And the big amount they were expecting does not come in.

I wondered if you would talk about how the industry collapses on it. There are companies like Interdigital that will license a lot of people, and consequently are getting a stream of money in. All of a sudden, one defendant comes up and knocks out the patent, and the rest of the money is still going to keep coming in. Your comment?

ANSWER, *Mr. Buchenhorner*: Well, you are going to collect after the determination of invalidity, is that your issue?

COMMENT, *Mr. Faye*: I just mean that the rest of the companies would stop paying, at least that has been my concern.

ANSWER, *Mr. Buchenhorner*: Sure, that happens. What I can say about that is that we have had situations of licensing in Europe where we have been requested to return money in the event that a patent is ultimately invalid. This is an unusual provision, because a patent is valid until it is stricken down by an authority that has the power to strike it down. We should not have to pay. But in some cases we had to agree to that sort of thing. That is a danger you always face.

If you are viewing patents seriously as a source of revenue, I think that strategy pervades the whole process from the point where you are

picking the patent. So, you have patents where infringement is clearly demonstrable, and you have a patent which would survive any kind of invalidity or unenforceability defense. I think the solution really is to go right to the beginning and make sure that the patents you are going to start will have survivability.

QUESTION, *Mr. Bauer*: Mike, you referred several times to the CAFC, that is the Court of Appeals for the Federal Circuit in Washington. Now, recently some of the decisions I have been reading there seem to be taking a restrictive view of what is covered under a patent. But I take it from some of your comments, maybe you would not agree with that. The way I read these decisions, it seems that they are getting concerned about the size of the judgments. You have, for example, the Litton Honeywell Case, navigational equipment for commercial airliners. And the case where the alleged infringer was found to be an infringer by a jury. Everyone agreed total sales of the device was in the neighborhood of 180 million dollars, and the jury returns a verdict of two billion dollars. You have to wonder what kind of a reasonable royalty could that possibly be.

ANSWER, *Mr. Buchenhorner*: Well, I think you can certainly view that as a hostility in the American regime. We have civil cases that are heard before a jury, and I think it is really a travesty in fact cases. I think we had a recent case also where a California corporation which had a data compression program, sued Microsoft, and got a judgment of 120 million dollars. I looked at those patents, and they are very complex, and yet a jury made that determination.

I think that other countries do not have that kind of thing. Actually, when we did that study at the ITC, one of the complaints was that the civil remedy did not discourage infringement to the degree it should. If you sue somebody, they are not going to be any worse off if they lose but for the attorney's fees, because there are not treble damages, and there are not punitive damages such as would result in those kinds of recoveries. I think it is a balancing act. I think that is a peculiar aspect of the United States. I do not know any other country that has recoveries that are that harsh.

Again, other countries, if they are unhappy with being sued in the United States, have their own resources to change that. I think some people would like to change 301, as well. In the Federal Circuit, there has been some recent thought that the document of equivalence, which is applied where there is not a clear-cut case of infringement from the language in the claims, has been restricted. I think that that is something which really addresses what we heard yesterday about the Japanese view that American claim coverage is too broad. I only view it as an adjustment, not really as a problem.

COMMENT, *Mr. Bauer*: Even if they knock a few of yours out there, Mike, they will still have a few thousand left to travel around

Latin America with.

QUESTION, *Professor King*: I had one question on enforcement. What do you look for in terms of enforcement? Are fines adequate or jail sentences? Has Taiwan gone to jail sentences?

ANSWER, *Mr. Buchenhorner*: The United States does not have any criminal penalties for patent infringement, whereas Taiwan does. I do not do much in Taiwan, but I have talked to some of my foreign associates there, and there is a lot of disparity in the way they enforce those criminal penalties. Frankly, I think they are good remedies. Again, they go a long way in discouraging infringement, and especially where you may have inadequate civil remedy. You cannot get a huge judgment against a Taiwanese company, but you get the guy in jail, and you can probably stop infringing.

QUESTION, *Professor King*: So it is the fact that it exists, that would be the threat?

ANSWER, *Mr. Buchenhorner*: I think the fact it exists is certainly important, but we had an agreement with Triumph of People's Republic, and there was not much enforcement. So the subsequent agreement, which happened just a few weeks ago, was an undertaking to go and raid factories and destroy the infringing merchandise, and indeed get the people who were responsible and throw them in jail. I think that that is the whole package. In our country, we do not have criminal penalties, but we do have a pretty strong judicial system.

