

# insight

A RATNERPRESTIA PUBLICATION

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## FEDERAL DISCOVERY RULES AMENDED – NO “DISK” LEFT UNTURNED

BY: BENJAMIN LEAGE AND LAUREN SCHMIDT

On December 1, 2006, the Federal Rules of Civil Procedure (FRCP) were amended to explicitly recognize that businesses have moved from the paper age to the electronic age. While some of the obligations imposed by these changes have been practiced under the prior version of the rules, others are brand new. The message that these rules convey is that potential litigants should be thinking about how complying with the amendments and production of electronically stored information (“ESI”) will affect their business before they are in a lawsuit.

As more and more records are created, used and stored electronically, litigants have been faced with not only the discoverability of their paper documents, but also the discoverability of their electronic documents and the supplemental issues that accompany them, such as: form of production, inadvertent disclosure, document archival and retention policies, and document deletion. While litigants have commonly defined the term “documents” to include electronically stored documents in their discovery papers, the practice of producing electronic documents has been far from uniform.

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## THE RIGHT TERMS FOR A RIGHT TO SUE

BY: JACQUES ETKOWICZ AND PHILLIP E. GONZALEZ

A basic patent license agreement begins with a term conveying a right to manufacture, free from suit by the patentee, in exchange for compensation. Each side builds complexities onto this bare framework as they negotiate for the collection of rights that reflect their respective vision of a worthwhile deal. The rights to be licensed all flow from the exclusive ownership of intellectual property conveyed by the patent.

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Over the past few years, federal courts have confronted electronic discovery issues and have interpreted the federal discovery rules as including ESI. Some courts have sanctioned both parties and their attorneys for not producing electronic information, even where the failure to produce was not motivated by a bad-faith intent. Some illustrative cases discussing electronic discovery include: *Zubulake v. USB Warburg* "*Zubulake IV*" (obligations regarding email stored on backup tapes), *Phoenix Four v. Strategic Resources Corp.* (failure to search servers), and *Williams v. Sprint/United Mgmt Co.* (failure to preserve metadata). These cases, along with others, have resulted in the creation of different standards in different jurisdictions, with each jurisdiction imposing its own electronic discovery rules on parties and their lawyers. The amendments to the FRCP are intended to establish more uniform standards to be applied in federal courts. The amendments now make clear that discovery in federal litigation includes ESI, regardless of the jurisdiction.

## THE NEW PROVISIONS

Now that ESI is clearly discoverable under the amended rules, litigants must take a proactive approach to e-discovery issues by discussing these issues at an early stage of the litigation, when discovery planning takes place at the discovery conference. In addition to the early planning for discovery of ESI, the key provisions under the amendments primarily address the following topics:

- form of production of electronic documents;
- inadvertent disclosure of confidential information in an electronic document;
- accessibility of electronic information; and
- safe harbor provision for documents destroyed in the routine course of business.

While ESI refers to "electronically" stored information, in practice it will likely be interpreted to include all electronically created, stored or accessed media. For example, while a CD is an optical storage medium, it will likely be considered discoverable as falling within ESI because of the electronic processes involved in creating and accessing the information.

Rules 16(b) and 26(f) require that litigants address ESI discovery issues and that they do so at the beginning of the case. The consideration of these issues begins with the initial "meet and

confer" between the parties when they now must make sure to address "issues relating to the disclosure or discovery of electronically stored information" and continues through the pretrial conference. Scheduling orders may include "provisions for disclosure or discovery of electronically stored information" and this will likely become the norm. Because the new rules require attorneys to address ESI issues at the beginning of the discovery process of litigation, litigants will have to be proactive regarding e-discovery issues, even before suits are filed. Consistent with these early, proactive obligations, litigants now have to include the location and category of ESI in their initial disclosures under Rule 26(a)(1)(B).



Rules 26(f)(3) and 34(b) incorporate new provisions relating to the form of production of electronic documents. Essentially, these rules permit a party to specify the form in which electronic documents will be produced. Absent a requesting party's specification, the producing party will respond with the form it intends to use in the production of documents.

Form of production can become an important matter in discovery. Electronic documents can be produced in a variety of forms which, depending on the form, may contain metadata (embedded information about the document). With the incorporation of the new provision in Rule 34, the form in which electronic documents are produced can limit the amount and types of information a party produces. The form of the documents governs whether produced documents include metadata and the ease and ability of the adversary to search documents.

While the form of ESI that a litigant is required to produce can be very significant, a new provision in Rule 26 seeks to protect a party in discovery by limiting the burden of production of electronic information an adversary can request, regardless of its form. A party may identify ESI as "not reasonably accessible" because of "undue burden or cost" under Rule 26(b)(2)(B). This is not necessarily an easy way out of the obligation to produce ESI, because even if a party shows that the information is not reasonably accessible because of undue burden or cost, the court may still order discovery upon a showing of good cause. As with other aspects of the amendments, this is one that will be ripe for interpretation by the courts.

Another change in the rules involves the potential need for agreements relating to inadvertent disclosure of confidential information (i.e. “Clawback agreements”). Due to the electronic and mobile nature of modern business, more documents are generated and more copies of documents are stored, which in turn increases the possibility of inadvertent disclosure of confidential information during production. For example, if it is common for a business to include many people on email circulations, even where privileged information is involved, it is possible that during production of documents, an email from one of these many recipients may be inadvertently disclosed.

Rule 26(b)(5)(B) states the actions a party may take in the event privileged information is produced. This rule does not decide whether the privilege attached to the confidential information is ultimately waived. The rule merely sets forth procedures that parties must follow if confidential information is produced. As a practical matter, this rule serves to raise awareness of the possibility of inadvertent disclosure, and the need for litigants to create an agreement early on to address the situation if and when it arises.

Rule 37 has been amended to incorporate a safe harbor provision with regard to sanctions. This new provision serves two purposes. First, it extends a safe harbor to companies who have deleted information in the routine course of business. Second, because this provision assumes that companies have document archival procedures in place, it stresses not only the importance of having a document archival policy, but also serves as a warning to companies who are not following or do not have a policy in place.

#### MY COMPANY IS NOT IN LITIGATION, SO WHY SHOULD I CARE ABOUT THESE RULES?

Forward thinking and anticipation is the key. While every company officer hopes that their company will not be in litigation, it is tough to avoid the fact that litigation is often part of the cost of doing business. Awareness of the issues raised in the amendments, and implementation of document policies and practices may help a company minimize its risks of inadvertent disclosure and costs of litigation in the event that a lawsuit becomes a reality. Efficient and effective policies and practices which are followed can protect your company from disclosure of unnecessary information, help decrease the cost of discovery, and avoid sanctions for failure to retain discoverable ESI.

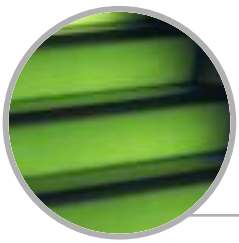
Discovery is a very expensive part of litigation, and the document review process (including the review of outgoing and incoming documents) plays a role in this area. With the ease of electronic communication and the decreasing costs of memory and storage media, the volume of documents a company accumulates has become massive. More and more individuals within a company maintain their own copies of documents, particularly emails and attachments. Some companies have become more diligent in data backup/restoration procedures in an effort to safeguard information in the event of a system crash. With all of this storage taking place, a failure to have in place or strictly follow a document retention and destruction procedure will likely increase the amount of documents that need to be reviewed by your lawyers and potentially increase the number of documents that an adversary can discover.

In order to keep costs of litigation down and retain control of the amount and types of discoverable information, a company should assess its IT system, document archival/retention policies and data backup/restoration procedures. This includes looking at the system in place to determine: 1) whether the IT system is even designed to follow the document policy in place; 2) whether employees are strictly following the company’s policy; and 3) whether there are multiple, conflicting policies in place.

Every company should assess its IT system and determine whether the document policy is even amenable to the system. For example, a policy may be in place which requires archival or deletion of files by the IT department, after a certain amount of time has passed, without any provision for deletion from a user’s workstation or laptop. While a document may be capable of an automatic deletion from the servers, not all systems allow for an automatic deletion from an individual user’s workstation.

Further, although data restoration is a necessity in this electronic age, data restoration should be used for its specific purpose - usually to restore the system in the event of a system crash or other failure. Thus, it should be crafted to reflect the appropriate amount of time to account for its intended purpose.

While the new provisions in the FRCP are designed to manage discovery in federal litigation, the reality is that they will serve as a constant reminder for businesses to implement, review and enforce their document storage, retention and destruction policies to not only meet their business needs, but also, to minimize their costs and risks in litigation.

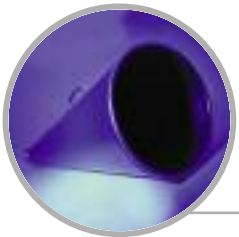


## RP ON THE MOVE

**Stan Weinberg** has moved to an Of Counsel position with the firm. Stan has extensive experience both in litigation and in prosecution of patent applications in the electrical, mechanical, optics, and medical device arts. Before joining RatnerPrestia, Stan served for twelve years as an Assistant U.S. Attorney in Washington, D.C. and the Eastern District of Pennsylvania trying civil cases and white collar criminal cases. He also argued appeals in the U.S. Court of Appeals for the Third Circuit, the District of Columbia Court of Appeals, the Pennsylvania Commonwealth Court, and the Pennsylvania Superior Court.



**Keith Walter** has joined RatnerPrestia's Litigation and Dispute Resolution Department. Keith has litigated patent cases involving a wide range of technologies including mechanical devices, consumer electronics, semiconductor manufacturing, medical devices and pharmaceuticals. He has also served as local counsel on a number of patent cases filed in the District of Delaware while he was an associate in the Wilmington office of a national intellectual property law firm. Prior to joining RatnerPrestia, Keith was an associate in the intellectual property department of a large New York firm.



## ANNOUNCING

**Robert Seitter's** article, entitled, "U.S. Supreme Court Ruling Puts Patent Royalties in Play" was published in the January 31, 2007 edition of *The Legal Intelligencer*. The article analyzes the Court's holding in *MedImmune v. Genentech* handed down on January 9, 2007 and its consequences with respect to existing license agreements as well as future license negotiations and agreements taking into account *Lear v. Adkins*, 395 U.S. 653 (1969) and its progeny.



**RatnerPrestia** hosted the January program of the Product Development and Management Association (PDMA), Greater Philadelphia Chapter. Professor John B. Ochs, Ph.D. of Lehigh University presented "Lessons Learned in Implementing Integrated Product Development (IPD) between Academia and Industry." Professor Ochs explained projects completed by Lehigh University's innovative Integrated Product Development (IPD) Program, described the role of industry sponsors in the IPD Program, detailed the infrastructure that supports the IPD Program, and presented the lessons learned by the students and companies that participate in the IPD Program.

**Ken Nigon's** article, "Advanced Specification Drafting Issues for Computer and Electronic Inventions" will be published in the April 2007 issue of *Computer & Internet Lawyer*. The article provides guidance to patent practitioners when preparing written descriptions of inventions in view of recent caselaw from the Court of Appeals for the Federal Circuit. It also analyzes the interim guidelines on patent eligible subject matter published by the U.S. Patent and Trademark Office and describes how the patent specification and claims may be drafted to avoid rejections under 35 U.S.C. § 101.



**RatnerPrestia** is pleased to have co-sponsored the Early Stage East Bio-Life-Tech Princeton Conference on December 4, 2006. Carefully selected early stage companies gave formal presentations at the conference in hopes of attracting venture capital funding. Keynote speaker, Katherine Crothall of Animas Corporation, shared stories of her success and reviewed common mistakes found in growing companies.



# SPEAKER'S FORUM

On April 18th, **Joy Mulholland** will give a panel presentation on "Protecting Your Intellectual Property: Patents, Trademarks and Thieves" for the Delaware Technology Breakfast at the Delaware Biotechnology Institute. Other members of the panel will include



Dr. Gretchen Temeles of Fish & Richardson, Mark Gunderson of McCarter & English, and Joe DiDonato of Flaster/Greenberg.

**Joy** gave a lecture on Intellectual Property and Entrepreneurship on February 5, 2007, to Temple University Biomedical Engineering students in Dr. Mohammad Kiani's class. Joy was invited to speak by Chris Pavlides, Executive Director of the Innovation and Entrepreneurship Institute of Fox School of Business & Management, who spoke about financial and management issues entrepreneurs must consider.

**Joy** also presented "Why IP?" at a Technology Breakfast sponsored by the Small Business Development Center of Delaware on September 6, 2006.



**Ben Leace** will be speaking at the PBI Intellectual Property Law Institute in Philadelphia on April 17, 2007. Ben, who will be speaking about Patent trials, will share the hour with Dianne Dannoff of the Dechert firm.

**Chris Dervishian** and **Phil Gonzalez** participated in a presentation at the February meeting of the Benjamin Franklin American Inn of Court, titled "Scope of Protection – What is SmallCo Really Buying." The presentation focused on issues pertaining to the sharing of opinions of counsel and waiver of attorney-client privilege in business transactions.

Over the past several months, **Rex Donnelly**, **Joy Mulholland**, **Steve Weed**, and **Frank Tise**, along with members of the University of Delaware's Office of the Vice Provost for Research, have each made joint presentations to University of Delaware faculty groups relating to the basics of patent law, the perils of public disclosure prior to patent application filing, and University-specific patent procedures.



**Rex** will be presenting the topic "European Community Trade Mark (CTM) Registration" for HalfMoon Seminars' upcoming program titled "International Trademark Practice: A Workshop for Paralegals" to be held on June 13, 2007 in Philadelphia.

**Rex** was interviewed on the subject of patent law and the Delaware courts by Joe Sheeran of WHY? for a forthcoming television program. The program will feature a discussion of a patent infringement suit involving the Nintendo Wii controller brought by Interlink Electronics, Inc. against Nintendo of America in the Federal District Court for the District of Delaware.

At the AIPLA Mid-Winter Institute in New Orleans in January 2007, **Harrie Samaras** spoke on a panel before a plenary session with two other intellectual property litigators about Pre-Litigation Preparation and Investigation. Harrie also spoke on a panel at the committee meeting of the Young Lawyer's Committee in a program entitled, "Everything Young Lawyers Need to Know," which focused on how to get involved in legal and community organizations that will develop your career.



At the January meeting of the Benjamin Franklin American Inn of Court, **Lauren Schmidt**, a member of the Litigation and Dispute Resolution Department, argued before Judge Richard Linn of the U.S. Court of Appeals for the Federal Circuit and

Judge Berle M. Schiller of the U.S. District Court for the Eastern District of Pennsylvania, in a program entitled, "The Role of 'Due Care' in Willfulness Determinations: Mock Supreme Court Review of Underwater Devices Under Current Knorr-Bremse Precedent."

**Josh Cohen**, a Shareholder of RatnerPrestia, was a featured speaker at the 31st International Design Management Conference in Vermont. In a presentation entitled, "Design Ownership--Where Law Meets Design to Feed the Bottom Line," Josh used



iconic product designs to illustrate the concept of "design ownership" and its crucial role in business success. Josh also shared strategies aimed to achieve design ownership by securing comprehensive IP protection, avoiding IP rights of others, and integrating IP-building efforts into the design process.



# TRADEMARKS

Welcome to the inaugural Trademarks section of INSIGHT®. In each issue of INSIGHT®, this page will bring you updates and important information regarding U.S. and international trademarks. Also, see RatnerPrestia's updated trademarks web page for online copies of articles and informative reference materials relating to trademarks.

## BEWARE OF FRAUD!

If you have made any substantive U.S. trademark filings with RatnerPrestia recently, you received our letter warning about the importance of verifying that your mark is used in connection with ALL of the listed goods/services. The reason for this warning is because of a growing list of cases decided by the United States Trademark Trial and Appeals Board (TTAB), beginning with *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 USPQ2d 1205 (TTAB 2003).

In *Medinol*, the registrant filed a Statement of Use alleging use in commerce on "stents and catheters," when it had never used the mark in connection with stents. An attempt to subsequently amend its application to remove "stents" was not permitted, and the registration in its entirety was cancelled for fraud. The TTAB reasoned that Medinol knew or should have known that the mark was not in use on all of the listed goods, and its "reckless disregard for the truth" established an intent to commit fraud.

A long line of unreported cases has followed the *Medinol* decision, with similar results. Arguments by trademark owners that they made an inadvertent mistake, had a good faith belief the mark was in use on all the listed goods, did not have an attorney assisting them, or misinterpreted the forms, were all unavailing.

The TTAB justifies its strict view of fraud because it does not review the truthfulness of statements submitted by applicants, and allowing carelessness by applicants would therefore result in registrations being improperly given legal presumptions for goods or services in connection with which the mark is not used.

## RAMIFICATIONS FOR TRADEMARK OWNERS

Cancellation or refusal of a trademark registration for fraud will not preclude a trademark owner from using its mark or from

asserting common law trademark rights against others.

Owners of unregistered marks may still sue others for trademark infringement and obtain lost profits, damages, and costs from an infringer, as well as obtain an injunction to stop an infringer from using the mark based upon common law rights.

Nonetheless, federal registration provides several advantages to trademark owners, including the presumption of validity and ownership, constructive notice to third parties, use of the ® symbol, eligibility to become incontestable after five years of continuous use, the right to sue in federal court, the right to claim statutory damages for counterfeiting, and the right to deposit a copy of the registration with the U.S. Customs Service to block infringing imports. All of these rights may be lost, if a trademark registration is canceled.

## STEPS TO AVOID VULNERABILITY TO CANCELLATION FOR FRAUD

- 1 If you become aware that your U.S. trademark registration or application based on use lists more goods/services than are supported by actual use, contact your trademark attorney immediately to review the facts specific to that registration. Not every oversight will necessarily risk a finding of fraud, but where the risk exists, filing a new trademark application may be the answer.
- 2 Whenever declaring use of a mark in connection with goods or services for a filing with the U.S. Patent & Trademark Office, make sure to thoroughly review the list of goods and services and discuss any uncertainties with your trademark attorney.
- 3 Make sure actual trademark use is well-documented. Keep specimens relating to all the goods/services listed in a registration (or send them to RatnerPrestia for safekeeping in our files) so that if an accusation of fraud ever arises, comprehensive support for your declarations of use will already be close at hand.

Law professors often teach the concept of “property” using an analogy comparing property ownership to a bundle of sticks. Each stick represents an individual right conveyed by its ownership: the right to sell the property, the right to license the property, and the right to secure a loan using the property as collateral. The goal of this analogy is to encourage an understanding that ownership of property is composed of several individual, and usually, independent rights that can be exchanged as part of a transaction. The Court of Appeals for the Federal Circuit, however, has recently reminded us that there is a special stick - the stick representing a right to sue for infringement of a patent. That particular stick does not change hands so easily. It requires that other sticks come along as well.

The Federal Circuit’s decision to deny a licensee’s right to sue in *Propat International Corp. v. RPost, Inc.* was another step towards providing the minimum circumstances that support a valid transfer of the “right to sue” stick. In *Propat*, a patent licensee had been granted a series of rights that are summarized as a scorecard below:

PROPAT LICENSEE	PROPAT LICENSOR
+ Right to license third parties to make, use or sell	– Limited right to be consulted with and give prior approval for licensing
+ Right to enforce the licensing agreements	
+ Right to a share of the licensing royalties	– Right to remainder of licensing royalties
+ Right to sue infringers	– Limited right to be consulted with and give prior approval for bringing suit
+ Right to a share of any judgment or settlement resulting from litigation	– Right to remainder of judgment or settlement
+ Right to assign its rights under the agreement	– Unilateral right to forbid licensee’s assignment
	– Duty to maintain the patent
	– Right to terminate license if licensee does not meet performance benchmarks

Viewed as a whole, the licensee’s role could be equated to “licensing manager” because it does not appear to have the right to practice the patented invention; that conveyance was conspicuously absent from the licensing agreement. The Federal

Circuit observed this deficiency and noted that it was unclear who had the right to practice the patent.

The *Propat* panel began its analysis by recognizing the general rule that it is “a patentee” who is entitled, by statute, to sue for patent infringement. Case law has expanded on this limitation to permit a party who has been assigned “all substantial rights in the patent” to file suit in its own name without naming the patentee as co-plaintiff. Analyzing the licensing agreement in this case, the Federal Circuit found that the licensee could not bring suit as the sole plaintiff. The panel did not base its decision on any one particular shortcoming it perceived in the licensee’s rights. The panel paused over the licensee’s inability to freely transfer its license, however, and remarked that it was “particularly significant” and “a strong indicator.” Nonetheless, the court assessed the totality of the agreement’s terms and found the licensee’s ownership interests, collectively, did not rise to the level of “all substantial rights in the patent” so that it did not have standing to sue as sole plaintiff.

The Federal Circuit went on to recognize case law permitting a party to bring suit with the patentee as a co-plaintiff if it has an exclusive license. Again, however, the *Propat* licensee’s rights were held insufficient based on an assessment of the licensee’s overall rights. Without the ability to sue in its own name, or the ability to join in the suit as a co-plaintiff, the court affirmed dismissal of the licensee’s suit.

The *Propat* decision does not mean that there is no place in the law for licensing managers like the licensee in *Propat*. It is easy to envision a situation where there is a valid and valuable service to be rendered: a foreign patentee, unfamiliar with the U.S. product market, seeks assistance licensing and enforcing its rights here. *Propat* means that parties who want to establish such a relationship need to take care to provide the licensee with the sufficient rights to enforce the patent. The Federal Circuit’s earlier decisions in *Speedplay v. Bebop* (Fed. Cir. 2000) and *Vaupel v. Meccanica Euro Italia* (Fed. Cir. 1991), both discussed by the *Propat* court, suggest a way to meet this objective by transferring an exclusive license together with the right to sue.

In *Speedplay*, the Federal Circuit recognized the standing of an exclusive licensee to sue in its own name. The *Speedplay* licensing agreement granted the licensee the exclusive right to manufacture, have manufactured, distribute, market, use and sell the patented products, and the exclusive right to enforce the patent.

# INSIGHT...

INTO BUSINESS APPROACHES  
TO DISPUTE RESOLUTION



## THE MINITRIAL – A SIZEABLE OPTION FOR RESOLVING DISPUTES

Contrary to what the name implies, a minitrial is not really a trial. It is a voluntary, nonbinding settlement process (a form of alternate dispute resolution (ADR)) in which parties, typically through counsel, present a summary of their “best case” to executives having full settlement authority from their respective companies. The process generally follows more relaxed rules for discovery and case presentation than might be found in a court and the parties usually agree on limited periods of time for presentations and arguments. The particular process, to which the parties agree in advance, is conducted by a “neutral,” i.e., an individual who is present during the minitrial to ensure that the proceedings are carried out in accordance with the parties’ intent. The neutral’s role is generally limited to coordinating the proceedings, although this role can expand to other functions, as discussed below. Although testimony and arguments are presented to the neutral, the real audience for the testimony and arguments are the corporate executives in attendance at the minitrial.

Minitrials are more structured and involved than other forms of ADR such as negotiations or mediations. Consequently, they are more likely to be used for large, complex disputes that present sharp differing views of what the parties would present at trial. To commence the minitrial process, parties often negotiate the structure and rules they want to follow, committing these to writing. The simplicity of the minitrial, compared to litigation, can result in a relatively rapid completion of the process and settlement. Thus, the period from when the parties first design their minitrial process to when the case is settled can be a matter of months.

A minitrial has two distinct parts: the first is the information exchange between the parties (both before and during the minitrial); and the second is the intensive negotiations between the parties’ executives. The objective of the information exchange before the minitrial is to enable the parties to define the key issues to be presented in the minitrial and to learn the principal strengths and weaknesses of their cases. As a rule, such discovery should be far less extensive and formal than discovery conducted in preparation for a trial. The principal form of discovery is likely to be the production of relevant documents. Interrogatories would not generally be appropriate and depositions, if any, would be taken of one or two key witnesses and confined in scope to the key issues to be presented at the minitrial. The parties may authorize the neutral to assist in the exchange of information in preparation for the mini-trial. After the exchange of information, but before the actual minitrial is held, the parties may exchange position papers that frame the key issues to be presented as well as the evidence, law and arguments in support of their respective positions.

At the minitrial, counsel will present their best case through the presentation of documents, focused direct and cross-examination of fact and/or expert witnesses, and arguments or statements by counsel. The process may also allow the executives and the neutral to question the witnesses. The atmosphere of the minitrial is typically businesslike. Notwithstanding that, because the presentations in a minitrial are a springboard for tandem negotiations, and because the executives (negotiators) may have only heard their attorneys’ view of their side of the case, it behooves counsel to vigorously and persuasively advocate their position to the opposing executive.

After the presentation, the corporate executives meet privately in an attempt to settle the case. It may be that the executives fail to reach an agreement after the presentation. The parties can plan for this contingency in the preparation stages by providing rules that allow the neutral to assist in the settlement process. For example, the neutral may become actively involved as a mediator or render a nonbinding opinion of the strengths and weaknesses of each side’s position after which the executives may resume their negotiations.

Generally, executives do not become deeply involved in litigation until the case reaches the courthouse steps. At that time, after considerable time and money have been spent on legal fees and costs, the executive must confront hard questions about the chances of success, the cost of a full-scale trial, the outside possibilities of the corporation's liability, the chance that trial could create undesirable publicity, and the effect of a loss on the business. One important benefit of a minitrial is that it imparts objectivity to the process of resolving a dispute, first and foremost to the chief executive officers or other senior executives observing the presentations and serving as negotiators. It also occurs in a private setting, where negotiations can remain confidential. As is often the case each of the parties and their counsel get enmeshed and entrenched in the facts which are most favorable to their position and the outcome that should be derived from those facts. The structure of the minitrial described above, including watching trial counsel present information as "evidence" through witnesses, exhibits, examination and argument compels each side to learn new facts and see their case and their opponent's case as it will be presented to and perceived by a fact finder or decision maker (judge or jury). As with mediation, the negotiations are more likely to succeed if the negotiators have not been directly involved in the dispute and, therefore, do not feel a need to defend past actions. Furthermore, more senior management may have the authority to offer a greater range of options for settling the case.

A minitrial may be seen as a sophisticated form of settlement conference, combining elements of private negotiation, mediation, and adjudication. The theory behind minitrials is that many disputes are primarily business problems, rather than legal problems, that are best settled through prompt negotiation involving executives of the disputing businesses. Thus, minitrials are an effective method for resolving disputes in which the underlying law is settled. On the other hand, parties may not want to consider a minitrial when the underlying legal issues are uncertain or when they want to create legal precedent for other cases.

Likewise, a minitrial is, in reality, a dry run for at least a significant portion of a subsequent court trial. This aspect of the minitrial may be considered a disadvantage insofar as the parties are providing advanced warning of future trial strategies and important, undisclosed evidence. With regard to the latter, parties that proceed to litigation will likely obtain the evidence disclosed at the minitrial from discovery. Despite the possible drawbacks, a dry run allows parties to weed out unimportant, collateral or technical problems that may be obscuring the real dispute and to eliminate areas in which the parties are in agreement. In many circumstances, the benefits of the minitrial are likely to outweigh any disadvantages.

**In summary, minitrials are beneficial because they are:**

- less costly and timely than an actual trial;
- typically a confidential process;
- more structured than mediation but less formal than an actual trial;
- a flexible process that can be tailored to fit the parties' needs;
- likely to preserve business relationships more than arbitration or litigation;
- a means to provide an objective view of key evidence and arguments to decision-makers;
- an opportunity (often times the first opportunity) for the parties to interact directly with one another;
- a means for considering how a third-party (the neutral) will perceive each party's case;
- apt to result in a settlement that is more creative and responsive to business needs than a court judgment or arbitrator award; and
- a means for narrowing issues for trial, even if a settlement does not occur.

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You have choices and we're here to help you make the best ones.

*Harrie Samaras*  
*RatnerPrestia's Alternative Dispute Resolution Group Leader*

In *Vaupel*, the Federal Circuit also recognized the standing of an exclusive licensee to sue in its own name. The *Vaupel* licensing agreement included the exclusive right to make, have made, use, sell, lease, rebuild and maintain in the U.S. the patented devices, the exclusive right to grant sublicenses to others under patent, the right to sue for infringement, and the ultimate decision to file suit.

*Speedplay* and *Vaupel* suggest one potential approach to setting up a licensing manager. In each case, part of the licensee's right to make, use, and sell included the right to have the licensed product manufactured. This may mean that while the Federal Circuit seems unwilling to sanction a litigation-ready licensing manager as "agent" it might be more receptive to a licensing manager who acts as general contractor. The following terms may help to equip a licensee with what it would need to fulfill this role; taking on its own exclusive rights and distributing those rights to sublicensees/subcontractors.

- An exclusive license under the Patent to make, have made, use, and sell in the United States goods claimed by the Patent
- The right to grant sublicenses to others under the Patent with the prior consent of licensor which it shall not unreasonably withhold
- The right to sue for infringement (past, present, and future) of the Patent and to seek injunctions and damages with the prior consent of licensor which it shall not unreasonably withhold
- The right to assign licensee's rights to a third party with the prior consent of licensor which it shall not unreasonably withhold

Of course, the reality is that every situation is different.

A thorough review of every clients' circumstances should be conducted by a qualified attorney to ensure that its current and future goals are being met. A sound licensing strategy often entails anticipating future concerns that are too easily overlooked in the face of pressures to complete a deal and compete in the marketplace.

RatnerPrestia specializes in patent, trademark, and copyright matters and realizes an obligation to keep its clients, and others, informed in those areas. The articles in this newsletter are intended to provide only a brief, general overview of each subject and are not necessarily the opinion of this firm. Nothing herein should be construed as legal advice. RatnerPrestia recommends that readers seek specific information and/or legal advice on particular matters of concern.

Insight is published by RatnerPrestia. The firm welcomes your articles, ideas for articles, comments, and suggestions. Please contact Christopher A. Rothe, the editor, at our Valley Forge Office.

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