

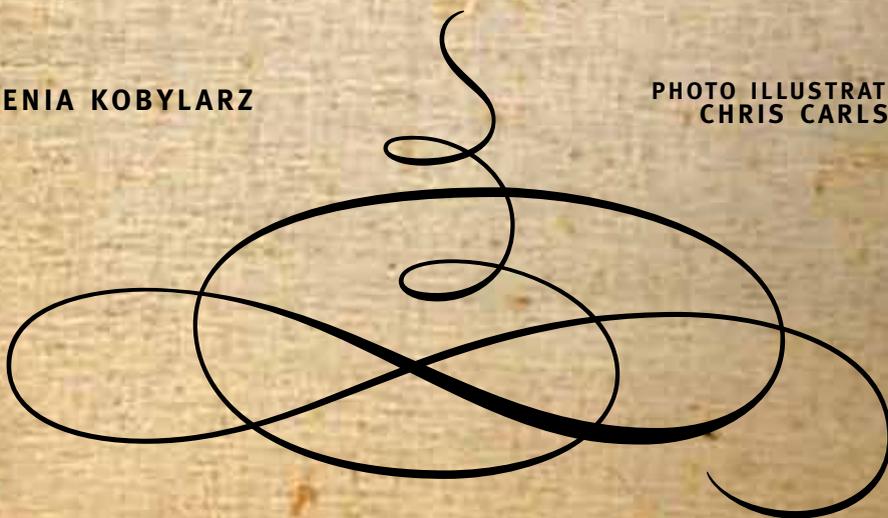
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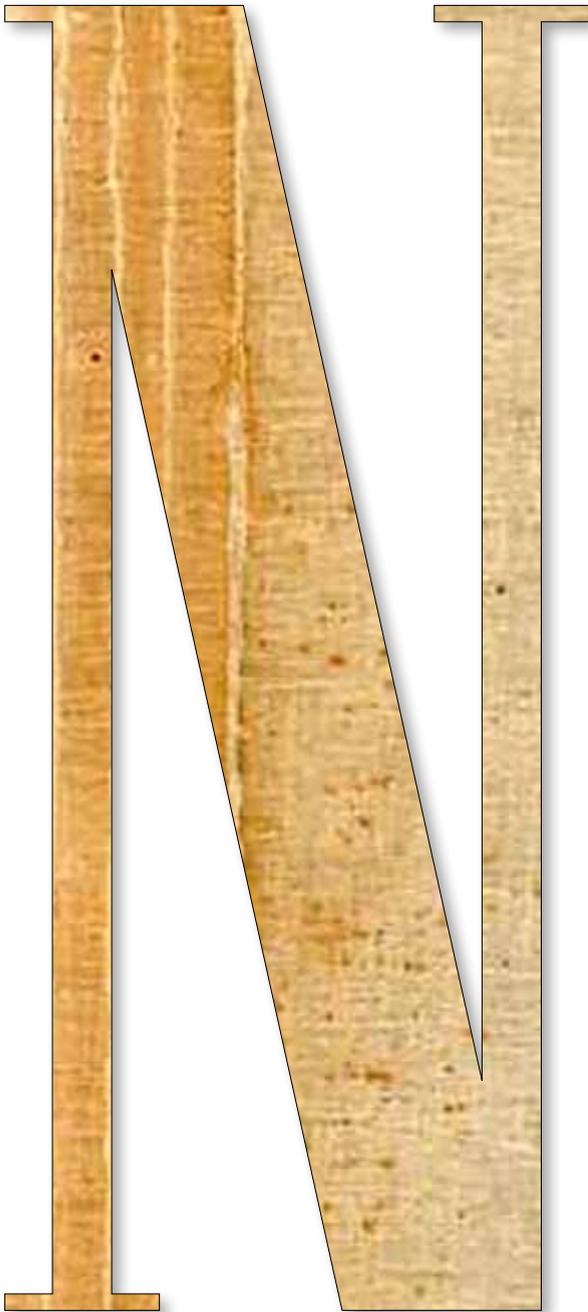
Prospector

The New IP Lawyer

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PHOTO ILLUSTRATION BY
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The founders of three-year-old Chicago-based Global IP Law Group have profited from a well-timed bet that the market for buying and selling patents has finally come of age.

structure their executive ranks: In July, Amazon announced it was looking for an “Acquisition and Investment Leader” who would advise the company in strategic patent purchases.

While the patent acquisition trend is changing the way corporations look at intellectual property assets, the trend has also helped transform the once staid practice of patent law and is creating a new generation of entrepreneurial IP legal professionals. In recent years, some top intellectual property lawyers have left their big law firms and corporations to set up their own IP shops to more creatively monetize assets for themselves and their clients. Some of these firms are playing pivotal roles in many of these big-ticket patent deals.

One law firm in particular, Global IP Law Group, has been at the center of many high-profile patent acquisitions, including Nortel. Founded by veteran patent litigator David Berten and Steven Steger, a longtime in-house IP counsel for various technology companies, Global IP Law Group began in 2009 in downtown Chicago. Today, the firm has grown from two lawyers to a dozen, operating globally with affiliate lawyers in nine countries.

According to several reports, Global IP played a crucial role in the outcome of the Nortel patent auction. Intellectual Asset Management magazine noted that “without the early and detailed input of specialist IP advisers, the Nortel auction may not ever have happened, let alone raised the amount that it did.” The article also attributed the success of the auction to Global IP’s ability to demonstrate the potential value of the portfolio to “non-IP parties” and persuade those C-level executives who know very little about patents to spend billions of dollars on them.

STARTING OUT ON HIS OWN

Four years ago, Berten was a traditional patent litigator. He began his career as an associate in 1989 at Kirkland & Ellis, where he worked under the tutelage of famed Chicago trial lawyers Fred Bartlit and Philip Beck. As a young litigator, Berten did mostly commercial litigation

Nortel Corp.’s historic \$4.5 billion patent portfolio auction in January 2011 was heralded as a tipping point for patents and how corporations value them. A few months after Google lost in the Nortel auction, they bought Motorola Mobility for \$12.5 billion. The purchase included 20,000 patents. The deals were followed by Microsoft’s acquisition of more than 800 AOL patents reportedly worth more than \$1 billion.

The corporate appetite for patents has increased exponentially in the last few years. Bloomberg Business Week recently reported that while the volume of traditional mergers and acquisitions is down 24 percent this year, patent deals have skyrocketed in the same period, to \$18.8 billion from \$450 million from the year before. The trend is reflected in how some companies

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– DAVID BERTEN, CO-FOUNDER, GLOBAL IP LAW GROUP



with a heavy focus on patent litigation. When Bartlit and Beck left Kirkland to form their own firm in 1993, Berten joined them as a partner and continued doing patent litigation work for the fledgling firm, Bartlit Beck Herman Palenchar & Scott. In 1999, Berten left to focus on patent litigation and formed his own firm, Competition Law Group.

Unlike most patent litigators, Berten, 48, is a technology agnostic; he has tried all types of patent cases across a range of industries. One can navigate the growth of technological innovation in the U.S. just by reading the list of matters he has handled over his more than 20-year career, from medical devices, advanced thermal barrier coatings, financial products, vehicle navigation systems, genetic markers, machine vision systems and bar code systems to cellular-based data entry devices.

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– JOSEPH SIINO, FOUNDER, OVIDIAN GROUP

While Berten was litigating patent cases, around 2004, he started getting cold calls from clients asking him if he could monetize their patents. At the time, one of the biggest tech stories was the patent suit filed by NTP, Inc., a small Virginia-based patent holding company, against Blackberry maker Research In Motion. NTP, which owned approximately 50 U.S. patents, ended up collecting a \$450 million settlement in 2005.

The first call Berten got came from a client “out of the blue” asking if he could sell a patent for them.

“I thought it could be saleable, but I’ve never done it before,” Berten recalled thinking. He successfully sold the patent and the same client came back asking him to monetize 400 more patents. By 2008, Berten’s litigation practice turned into a one-man machine, 80 percent focused on patent sale and licensing transactions and 20 percent on litigation.

“I started thinking that there’s a real opportunity for a firm that would be organized as a law firm advising people on how to sell their patents,” he said.

But his former partners “just wanted to focus on patent litigation,” Berten explained. Then he met Steger in 2008 while working on a patent sale transaction. At the time, Steger, 42, was the chief IP counsel at Ygomi, a technology company that developed 4G wireless software. Like Berten, Steger started his patent career in private practice doing patent litigation, first with Brinks Hofer Gilson & Lione and then with Mayer, Brown, Rowe & Maw. As Berten described it was like meeting one’s soul mate.

“Steve and I both liked the monetization process and we felt that there really is no firm out there that combines selling, licensing and litigation,” he said. “In this space you’re either a non-lawyer broker who negotiates a sale or you have law firms that would generally focus on litigation.”

Berten left Competition Law Group to start Global IP with Steger. Shortly after, 32-year-old patent attorney

Ragnar Olson, who was a former director of Ocean Tomo’s patent transaction group, joined them. Chicago-based Ocean Tomo, an IP consulting firm, was the first to introduce the idea of selling patents to the highest bidder. The patent community greeted the firm’s first patent auction, held in 2006 at the San Francisco Ritz-Carlton, with surprise and skepticism. The auction attracted more than 300 attendees. The company managed to get about 400 patents in 77 lots, or groups of patents, on the

block; 24 of the lots were reportedly sold. To critics of the public auction, the result was tepid at best. But for the believers, the auction, which attracted enormous media coverage, opened up the IP market to the general public and presented a novel way of monetizing IP.

Berten considers Olson’s experience with Ocean Tomo “invaluable” and his addition was the last piece to complete Berten’s vision of an IP law firm whose lawyers not only know about patent law but also how to mint money out of patents.

“He knows a lot of patent buyers and sellers,” Berten explained.

Global IP could not have timed their market entry better. Nortel was selling all its operating business units in a bankruptcy auction. Included was a portfolio of approximately 7,000 patents, which created a big buzz in the high-tech industry, as it was the first time a portfolio of that size covering such a huge swath of wireless technology was available for sale. But selling the portfolio proved difficult, as Nortel’s in-house legal



Global IP Law Group handled Nortel's \$4.5B patent auction, increasing the corporate appetite for patents.

department was no longer around to help the trustees value the company's IP assets.

The Nortel trustees put out a request for proposal to assist with the valuation and auction process. Global IP was among the firms that responded, which also included large law firms and IP licensing and brokerage firms. Maybe it was the copy of an issued patent that Berten distributed to the 25 or so trustees who were mostly investment bankers and bankruptcy lawyers that did the trick; Berten guessed correctly that most of them had not seen a real patent before. Or it could have been the tutorial Berten gave on how his group would analyze the portfolio, which contains more than 11,000 patent claims covering various types of mobile technology, and assessing the individual and collective value of the patents within the context of current market forces in the mobile industry.

"Normally, a firm our size would not have a chance to get a project this big," Berten said. "In-house counsel are known to hire big-name firms for high-profile work."

Fortunately for Global IP, Nortel no longer had an in-house legal department and investment bankers from Lazard were the ones doing the hiring. The firm got the job and the rest was patent history. Nortel's patent portfolio set off a bidding frenzy, earning the company more money than its entire operating business units, which sold for a combined \$3 billion.

Berten's phone has not stopped ringing since. The

headline-grabbing success also landed them Eastman Kodak's bankruptcy patent sale.

"We didn't initially set out to do bankruptcy work," Berten chuckled, "but like any other startup we had to tweak our business model quickly."

Since opening its doors in 2009, Global IP partners have reviewed tens of thousands of patents and have handled patent transactions involving more than 10,000 patents valued close to \$5 billion.

AN EVOLVING MARKET

The business of selling, licensing and enforcing patents has been murky. Unlike other business transactions, no one really knows how much companies pay for intangible assets like patents. Even companies looking to purchase IP find it difficult to value a patent. For years, the only straightforward way to find out the value of a patent was to sue infringers and get a settlement or a verdict. Patents changed hands between companies through licensing or acquisition but very little quantifiable data were available to determine how much patents cost. Even companies with an army of patent lawyers are still hard pressed to put a real figure on their IP portfolio.

But the litigation strategy created backlash as many big companies, often targets of multiple patent infringement suits by lone inventors or nonpracticing patent entities, viewed it as a way to extort money from legitimate businesses – those that make and sell tangible products. Technology companies have poured money into lobbying

to curtail rampant patent rights abuse.

The push for patent monetization has continued unabated, however, and the business model has become so successful that even operating businesses with huge patent portfolios have started dusting off their unused patents to generate revenue streams and turning to their IP lawyers for help. One such company reportedly lured heavyweight patent litigator John Desmarais to leave behind “a several-million dollar partnership draw” to start a nonpracticing entity of his own, Round Rock Research. According to the Wall Street Journal, Desmarais was offered by his former client Micron Technology the opportunity to buy 4,200 patents it owns in the semiconductor space. Desmarais managed to raise enough capital to buy the patents and started his firm. The firm’s business model is straightforward enough, to strike licensing deals with companies that are infringing on the patents. If they don’t pay, they get sued. So far, his firm has reportedly settled suits against some companies and has sued companies such as Dell and Macy’s. (Desmarais declined to speak to Lawdragon for this story.)

Matthew Powers, another superstar patent litigator, left 1,200-lawyer firm Weil, Gotshal & Manges in 2011. He started Tensegrity Law Group, which has recently filed suits against Amazon and Sony and is planning to file more cases in the near future. His firm is also founded on the same premise: find valuable patents and go after infringers. The inventory of “really good” cases is enormous, he says.

“I am just astonished at the size of the potential market for something like this,” Powers said. “We vet these cases very carefully and we’re only going for very, very high quality matters.”

Like any entrepreneur, the potential for huge profits is what drew many of these IP lawyers to leave their multimillion-dollar partnerships at big firms. But Powers says it is also the opportunity for doing really interesting work that finally made him decide to leave the big firm environment.

“Most patent litigation at big firms has become more like claims processing,” Powers noted. “The cases are not going to trial and they are low-end work and mostly not interesting. If you are on the plaintiffs’ side, you can choose your cases.”

A NEW BUSINESS MODEL

Joseph Siino, founder of Berkeley-based IP consulting firm Ovidian Group and a former big-firm patent litigator and senior IP counsel at Yahoo!, says the exodus of talented IP professionals from large, general practice firms to more entrepreneurial startup environments will continue in the coming years.

“It’s a massive trend,” Siino said. “When IP lawyers see some of the best of the best in their profession opting to move outside the traditional law firms, it will obviously impact

the career planning of younger lawyers. Opportunities for IP lawyers outside of law firms are just growing and firms doing traditional IP work will have a hard time attracting and retaining the best IP lawyers.”

Berten agrees. He believes more patent lawyers are going to go the entrepreneurial route if they want to tap into the IP monetization market.

“A lot of the work we do is on a contingency basis, and for general practice firms that is still a hurdle,” he said. Berten is speaking from experience. He had to leave the firm he founded, Competition Law Group, because his fellow partners weren’t comfortable with contingency fee arrangements.

Berten wasn’t sold on the idea of contingency work until veteran Silicon Valley computer engineer and serial entrepreneur Larry Cooke called him in 2006. Cooke’s company owned nine patents on a chip technology and wanted to sell or license them to others. His company couldn’t afford to hire a lawyer so he tried to do it on his own, but it didn’t work.

“This is one marketplace where the customer does not want to see you,” Cooke said, laughing. “How can you be a salesman in that kind of marketplace?”

He knew he needed a lawyer. But finding a qualified lawyer who’d take his company as a client on a contingency basis was tougher than he realized. Cooke went through a series of lawyers. Some agreed to a contingency arrangement but didn’t understand the technology. Others couldn’t do full contingency work.

When Cooke finally connected with Berten, Berten surprised him. Berten understood enough of the technology to know the market implications. Cooke told Berten that he would get a percentage of the sale or license fees if he managed to find someone willing to buy or license the patents. If he failed, Cooke’s company would not pay.

“It took a while to hammer out the fee arrangement,” Cooke said. “I spoke to him in early 2007 and he didn’t get back to me until later that year.”

Berten finally took the case on pure contingency. Six months later, he sold the patents for an undisclosed amount and his firm got a percentage of the sale.

“Berten got a substantial share of the agreement,” Cooke says. “From our perspective it was reasonable because he managed to sell the whole lot for more than what we expected to get.”

Berten’s experience with Cooke convinced him that the IP market was ripe for the picking and that a law firm like Global IP would be very much in demand. He was right, but so far Global IP appears to be one of just a handful of firms that have tapped into the patent monetization market.

“It wouldn’t surprise me if you see more patent lawyers going this route,” Berten said. “But they’re not going to be at large general practice firms.” ■