

## **U.S. Patents Expert Alex Chartove: "Less Patent Applications, More of an Investment in Each Application"**

**Alex Chartove tells of the increase in patent disputes in the U.S. as a result of the financial crisis, and warns: "The American patent system is very expensive, and the party with the most money eventually wins"**

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"The economic crisis caused many companies that were hurt badly to make bad business decisions, and instead of settling they'd rather risk the courts. When it comes to patent disputes, in many cases they respond aggressively and say, 'go ahead, sue me.'" This was said by American patent expert Alex Chartove, a partner at the Morrison & Foerster international law firm, in an exclusive interview with Calcalist. "The impression my partners and I have received is that when a company loses 60%-70% of its value, it no longer makes clean and rational decisions," he says. At the same time, he notes that as far as American lawyers are concerned this is actually an advantage, as they've seen a significant increase in the number of patent litigations taking place over the past few months.

Chartove made his third visit to Israel last week to take part in the annual Morrison & Foerster conference on intellectual property – the field in which a quarter of the firm's thousand lawyers are employed. The company includes 17 branches around the world, including in London, Shanghai and Singapore, and it has an Israel Practice, which consists of about 60 attorneys, specializing, among other things, in Israeli companies seeking to file patents in the U.S. Chartove himself represents a broad variety of customers, including megacorporations such as Apple, General Electric, National Geographic and Hitachi.

Chartove recommends that Israeli attorneys wishing to file patents in the U.S. had best predict the future technologies that may be developed based on the patents they wish to file: "According to the American method, you have to be able to predict technologies developed based on your patent. Too narrow a description of possible developments may eventually lead to too narrow a legal defense in the future." Chartove explains that he helps Israeli companies file patents in the U.S., but uses Israeli lawyers to do it.

"What I mostly do is polish requests made by Israeli lawyers and adapt them to the American ear," he says, adding: "when you do business in the U.S., you have to take patent litigation expenses into account, it's unavoidable. If you succeed in the U.S. market, you'll become a target of attacks. It can almost be seen as an indicator of success: if you're successful – you become a target."

### **What impact will the financial crisis have on the field of patents?**

"You can feel the change in the U.S. and around the world already. What's certain is that the number of patent filing requests has dropped. We noted this phenomenon a year ago. Each time you file a patent, you pay a fee, and the earnings that can be produced from a patent are reduced in times of crisis. That's why the system can't function the way it did before. On the other hand, even though the number of applications is in decline, companies still try to squeeze the most out of them. Companies are investing much more money in each request, particularly the largest companies. In the past, these companies would file 1,000 patent applications per year, with the assumption that 20-30 of them would eventually have some sort of value. Today they file 500 requests, but still want the same end results.

### **Troll is too Cute**

It seems as though the only thing that makes the calm, smiling East Coast attorney lose his cool is the claim that the "trolls", those serial litigators who purchase patents only so they can sue megacorporations, are some sort of "David" fighting "Goliath."

"That's exactly what they argue in court and that's why they sometimes win," Chartove says, "while this type of argument may have certain superficial appeal, on the less superficial level, David fought Goliath for a purpose, because he had something to contribute, while the trolls contribute nothing besides getting a free ride. The term "troll" may be too cute, and it doesn't convey the threat they represent. The trolls don't develop their own technology, but merely take advantage of a certain technology to blackmail corporations. The argument the trolls make – that they're David fighting Goliath – is baseless, but that's exactly what they say in court: 'IBM has millions of dollars in earnings, and all we want is half a percent of these earnings, that's all,' and sometimes it works.

"It's important to understand that the trolls don't focus all their efforts on the megacorporations. Their basic strategy is to first go after the small companies, as they settle faster, and only if that succeeds do they use the money to attack the larger targets.

### **Pharmaceutical Companies versus Electronic Companies**

A bill that has been pending at the Senate for the past few months and is expected to instigate reform in the field of patents in the U.S., was designed primarily to block serial litigation against megacorporations. The bill features several changes to federal law, including the suggestion that the U.S. fall in line with most nations, among them Israel, by shifting from a method emphasizing the date of the invention to one based on the patent filing date.

Current U.S. law and rulings state – contrary to the rest of the world – that the rightful owner of a patent is the party to first invent it, and not the first person to reach the patent office. The meaning of this is that if someone files a patent and another person comes by several years later and proves that he documented the invention first – then the latter can become the owner of the patent. "The pharmaceutical companies were in favor of this method, which has been employed in the U.S. over the past 20 years," Chartove explains, "and it's the electronic corporations that are trying to change it, as the current system leaves them exposed to attacks by trolls. The current situation may not have changed on the legislative level, but one can see a change of attitude in the courts, even in the Supreme Court.

"Still, the big question mark is the economy. Every debate taking place in the U.S. has been viewed based on to the economy this year, whether it will help the economy or not, and no-one has yet proven the impact the change will have on the field of patents. In my personal opinion, this sort of legislation will have no great influence. I am not familiar with any economy in which the patent system has that deep an influence. In other words, even if all the changes are implemented, there will be no material impact – positive or negative – on the economy."

**There are those who say that this is a "dirty" move on behalf of the megacorporations, designed to block smaller companies.**

"The truth is that the U.S. patent system is very expensive, and anyone wishing to play that game needs a very large budget. The side with the most money eventually wins. There are exceptions, obviously, but they're not the rule. The big players like IBM and Apple have the budgets to play the game. We also represent smaller companies. There are techniques we use to help them, but the sad truth is that if you don't have the budget to play the patent game – you have no business being there."

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