

Building Capabilities for Growth

Effective IP Strategy to Drive Innovation in the Financial Services Sector

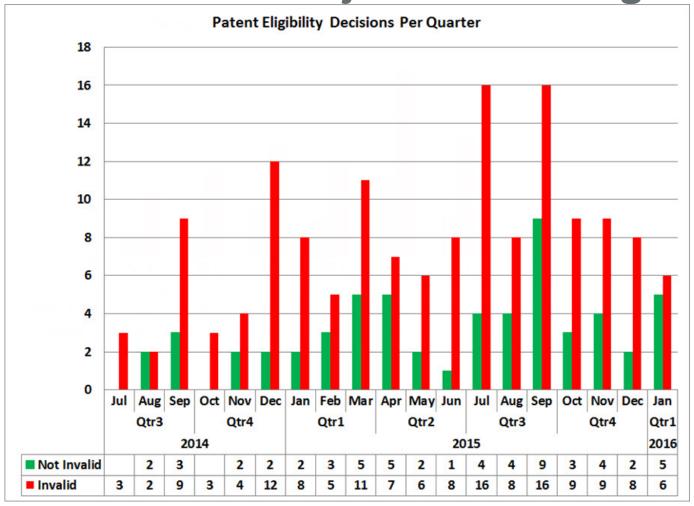
Wednesday, March 9, 2016
Live tweet using #IPOZMTFinTech

#ALICESTORM – Patent Applications

- Business method patents have been hit the hardest
 - Financial services: Over 85% rejection rate
- Impact of Alice felt in other domains as well
 - Especially software and medical diagnostics patents

買

#ALICESTORM -- U.S. District Court Decisions re Subject Matter Eligibility



Source: www.bilskiblog.com by Robert B. Sachs of Fenwick & West

#ALICESTORM -- § 101 Appeals



- One appeal has found the claims to be patenteligible
 - DDR Holdings v. Hotels.com (Fed. Cir. 2014)
- Claims were found ineligible in 22 other appeals
- Two pending appeals to watch:
 - McRO, Inc. DBA Planet Blue Methods for animating lip-synch & facial expression of 3D characters
 - Enfish v. Microsoft Two patents relating to an object oriented database structure



Building Capabilities for Growth

Effective IP Strategy to Drive Innovation in the Financial Services Sector

		, March					
Live	Live tweeti using #IPOZMTFinTech						

IP strategy provides both defensive and offensive business advantages

As a Shield

Defend against disruption

- Confirm freedom to operate
- Negotiate with your own "trading cards"

Assess risk

- Litigation risk
- Business interruption risk
- Reputational risk

Mitigate risk

- Due diligence
- Scope/strength of indemnification
- Insurance

As a Sword

Support innovative culture

- Grow internal expertise and capability
- Capture new customers

Revenue opportunities

- Monetize and commercialize
- License
- Spinoff / sell assets

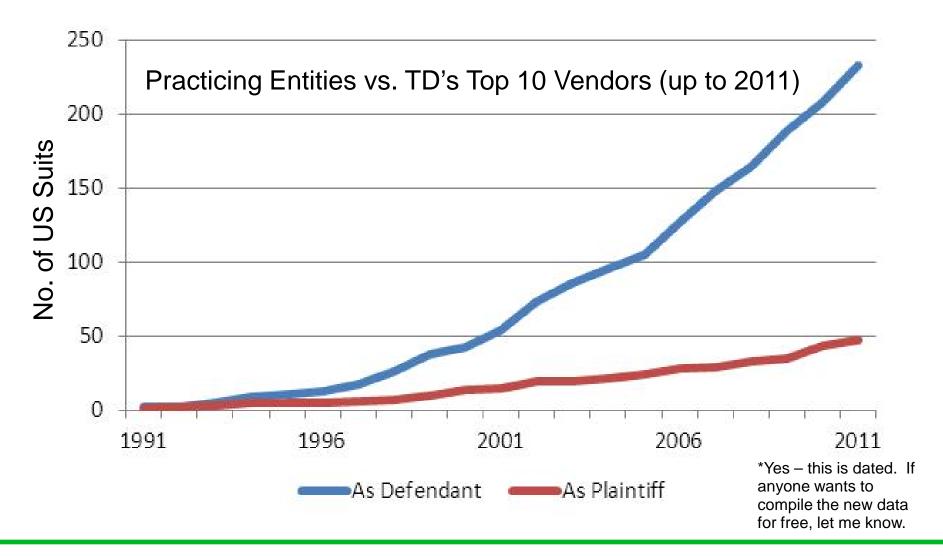
Go on the offensive

- Acquire and stake territory in a competitive space
- Pre-empt competitors from patenting

Business value is primary – IP must support business objectives

Vendor Patent Risk*





Patent Risk Matrix



	Trolls	Vendors	Competitors	
Litigation Examples	DataTreasury v. TD et al. Phoenix Licensing v. TD	Accenture v. Guidewire FICO v. Actimize	Progressive v. Allstate & Liberty Mutual	
Quantitative Risk	 Cost of settlement - dependent on Troll type. Cost of litigation. 	 Vendor transition and internal costs. Loss of leverage with plaintiff vendor. 	 Damages going back 6 yrs and associated loss of future revenue re. enjoined product/service. Cost of litigation. 	
Qualitative Risk	 Cdn - Operational and reputational risks resulting from enjoined product/service. US – injunctions unlikely. 	Operational and reputational risks resulting from enjoined Vendor product/service.	Operational and reputational risks resulting from enjoined bank product/service.	
Trending	Volume and costs dropping	Moderate volume growth	Material US portfolios are being developed but not enforced – Cold War	

Low

Moderate

High

Legal costs and damages exposure in IP infringement actions is substantial

	United States	Canada
Remedies available	Preliminary and permanent injunctions (eBay reduced likelihood)	Preliminary (difficult to obtain) and permanent injunctions (obtainable)
Damages	Reasonable royalties (most common): calculated based on the amount that a hypothetical licensee is willing to pay while still earning a reasonable profit Compensatory damages: lost profits, price erosion	Compensatory damages (most common): calculated based on lost sales, reasonable royalty, intangible losses Accounting of profits: calculated based on the infringer's profits attributable to the patented invention
Maximum punitive damages	Up to three times the actual damages available in cases of willful infringement	No statutory multiplier available for willful infringement but punitive damages are (rarely) awarded if infringement is egregious
Jury trial available?	Yes – Juries have decided 67% of cases in the past five years Patent holders successful in 77% of jury trials in the past 10 years	No – trial by single non-specialist judge
Legal fees	Published ranges between \$2M - \$60M Median legal fees approx. \$5M with legal fees in Apple case \$60M	Unpublished ranges between \$0.5M to \$10M depending on size of case – far less expensive to try same case in Canada
Damages awards	High-water marks: Samsung - \$900M+; Apple - \$500M+ Median award approx. \$3M	Largest patent infringement damages ever awarded is approx. \$180M (pharma patent case won by McCarthy)



Building Capabilities for Growth

Effective IP Strategy to Drive Innovation in the Financial Services Sector

	y, March 9, 2					
Live tweet	Live tweet using #IPOZMTFinTech					

World Class Intellectual Property (IP) Strategy

KEY CONSIDERATIONS

Competitive Dynamics

- New market entrants, Apple, Google, Facebook, PayPal
- Non-practicing entities
- Pace of technological change/convergence

Concerns and/or Opportunities

- Mobile wallet
- Mobile banking
- Loyalty programs
- Lending/Retail banking
- Security and encryption
- Disintermediation

IP STRATEGY GOALS

Mitigate Risk

- Ensure freedom to operate
- Enhance bargaining position
- Protect innovation

Commercial Exploitation

- IP cross-licensing
- · IP enforcement and out-licensing

Brand & Reputation

 Enhance brand by providing patented technology that benefits customers

INTERNAL CULTURE & STRUCTURE

C-Suite Engagement

- Innovation embedded in business strategy
- Accountable senior leader

Culture of Innovation

- Innovative product/services pipeline
- IP disclosure / patent invention processes

Innovation & IP Investment

- Resourcing
- Research and technology

GAP ANALYSIS

Baseline Assessment

- Areas of innovation
- Contractual frameworks
- Current state of IP
- Competitive dynamics

Gap Analysis

- Mapping
- SWOT analysis
- Sensing and blocking
- Defensive and offensive tactics

ADDRESS GAPS

Acquire Third-Party IP Rights

- Acquisition/in-license
- Trading/cross-licensing
- Negotiation frameworks

Protect Proprietary Innovation

- Triage and prioritize
- Select optimal protection method
- Prosecution and appeals strategy

CAPABILITIES

IP Strategist

IP-Related Contracts/ Licenses Patent Prosecution

Litigation Expertise



Building Capabilities for Growth

Effective IP Strategy to Drive Innovation in the Financial Services Sector

	y, March 9, 2					
Live tweet	Live tweet using #IPOZMTFinTech					

CPD Credits

This program qualifies for up to 2.0 hours of eligible educational activity or CPD credit under the mandatory education regimes in British Columbia, Ontario and Québec.