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COVER STORY

With clients like Garmin, Sony and video game giants, an Overland Park law firm quickly is becoming the stuff of intellectual property lore.

THE PATENT PROTECTORS

A Kansas City boutique law firm is defeating trolls in the highly technical world of patent law

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Once upon a time, trolls hid in the dark recesses of the business landscape, preying on unsuspecting companies that they claimed had trespassed on their intellectual property. The trolls offered to relent – but only in return for legal settlements. But three years ago, a new champion appeared on the outskirts of Corporate Woods in Overland Park. It used a new weapon to protect companies with novel products and gained fame far and wide as one of the most lethal patent troll killers in the land.

Alas, the story of patent trolls is no fairy tale. Lawsuits by patent trolls – often specious actions by companies whose sole operation involves owning patents and using them as a basis for litigation – cost businesses billions of dollars a year in legal fees and settlement costs. Critics say they also harm innovation by raising the costs of introducing new products and services. In 2010, 2,641 patent troll cases were filed, and the total more than doubled to 6,030 by 2013.

Luckily, the story of Erise IP (pronounced eh-rise) also is true. The boutique law firm specializing in patent litigation started out with 11 employees, including seven lawyers who had broken off from Shook Hardy & Bacon LLP.

“It was a time when the law was getting ready to



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change, and new avenues to attack patents were being established,” Erise shareholder Adam Seitz said. “At the time, all the litigation and patent work had mainly centered itself in very big law firms. We had an idea that it was going to swing back toward a smaller, boutique firm approach.”

For a long time, the only recourse for companies hit with patent troll suits was to convince the courts that the troll’s patent never should have been granted. This long, expensive process drove many companies to decide that settlement was cheaper than litigation, thus further encouraging patent trolls.

The prospects of having a troll’s patent declared invalid were particularly bad for electronics companies.

“Statistically, probably less than 50 percent of the time could you win a case based on how a patent never should have been granted,” Seitz said. “It’s typically highly technical, and you’re trying to explain it to regular people. So it was incredibly difficult.”

Congress tried to help by creating a way to challenge patents through what’s called inter partes review. These allow the patent holder and the party seeking to invalidate a patent a chance to have a hearing in front of a panel of three judges who have technical backgrounds related to the patent in question.

Erise argued – and won – the first inter partes review case at the end of 2012, representing Garmin Ltd.

“There were lots of articles written about it, and it got us a lot of publicity, which was helpful,” said Andrew Etkind, vice president and general counsel for Garmin. “We wanted to get the word out because it shows we’re not an easy target.”

Erise began using the reviews to get other clients and has had great success with the tactic. It enabled



Erise's founding team is shown here, alongside several of the products – from companies such as Sony, EA Sports, Garmin and Ubisoft – they have defended in patent lawsuits.

the firm to attract other big clients, including Ford Motor Co. and Sony Corp.

“When we first started dealing with this, a lot of companies would use big firms out of New York,” said Riley Russell, chief legal counsel for Sony. “I was told at the time that a company like Sony can’t go with a firm out of Kansas City for something as important as this. But if you want me to sum up why I work with Erise, I can do it in two words: They win.”

Russell said Sony had been the target of about 50 patent lawsuits a year, each basically asking for 5 percent of every sale. If Sony lost all those cases, it would be paying out more than it made in sales. If the company fought the suits in court, it could rack up \$3 million a case in legal bills, even for cases it won.

That all changed when Sony brought in Erise.

“To give you an idea of the scope of the issue, in the last two years, we had cases with plaintiffs requesting over \$500 million in damages,” Russell said. “With Erise, we paid out zero. So that’s a pretty good track record. Now, knock on wood, we’ve

► CLOSER LOOK

PLAYING THE IP GAME

At first glance, Erise IP’s offices seem pretty typical for a law firm. It includes a receptionist and a hallway lined with offices and conference rooms.

But behind one of those doors is a special room that seems out of character. Video games and toys fill the space, which technically is a study room. Erise IP’s lawyers specialize in intellectual property cases, particularly those that are common for clients such as Sony Corp. and video game producers Ubisoft (“Assassin’s Creed”), Blizzard Entertainment (“World of Warcraft”) and EA Sports (“Madden NFL”).

That means Erise lawyers get paid to play video games. “We now represent nine of the 10 biggest video game manufacturers out there,” Erise shareholder Adam Seitz said. “It’s fun to play, but we’re figuring out how these work all the way down to the guts of a machine. Our view is that if we can become experts in the technology, and we know it as good or better than our clients who came up with it, then we can beat the other side.”

But having video game producers as clients leads to surreal office moments. Seitz once walked by the conference room and saw what looked like two lawyers engaged in a full-blown fistfight.

“There are games now where you can punch and kick, and it shows up on the screen,” he said.

Erise occasionally takes its research to the streets. It tested some of Garmin Ltd.’s GPS products to find the limits, which meant purposely driving erratically.

“We were testing how quickly the system could keep up with you or say you need to go a different way because you’ve got off your route,” Seitz said. “I’m sure the police wouldn’t like hearing this, but we had three lawyers driving in a car as far over in the left lane as they could and then, at the last second, swerving over to take an exit. Of course, we made sure there were no cars around. We were basically trying to trick the device.”

— James Dornbrook

been lucky, and we’ve had an amazing run, but it won’t last forever.”

Since the inter partes review process was established, the number of patent cases has been going down a bit, dropping from 6,030 in 2013 to 5,002 in 2014. But patent cases

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Defending patents is a highly technical process, so Erise team members must study (i.e., play) with each product to fully understand its intricacies.

remain a big problem that should continue to provide Erise with growth opportunities.

Seitz said new rules and actions recently have caused some patent trolls to step back and see how things shake out. But he anticipates the legal activity picking up later this year or early next year. When it does, he said, his team will be ready to adapt to whatever is thrown their way.

“We’re never going to take the tack of getting into litigation and just having attorneys keep spending money for years,” Seitz said. “We’re going to continue finding creative avenues at the patent office or elsewhere where we can resolve cases early without a huge expenditure of money. We’ll keep growing our business by becoming the pre-eminent spot to go to kill a patent at the patent office and avoid the expensive litigation and uncertainty surrounding these situations.”

That’s why companies like Sony, Ford and Garmin stick with Erise.

“With them, we don’t have to reinvent the wheel every time we have a case,” Garmin’s Etkind said. “They already know our products and have a lot of arguments ready the day a new case is filed. So having someone you’ve had a long

relationship with helps a lot.

“They’re also a small firm with low overhead, and since they’re in Kansas City, they can offer far lower rates than firms in Chicago or on the coasts. That makes them a very efficient option.”

► CLOSER LOOK

TURNING THE TABLES ON PATENT TROLLS

If you think you’re safe from patent trolls because your company is too small to attract their attention, think again. Nearly a quarter of all cases filed by patent trolls are against small and midsize companies.

Riley Russell, chief legal counsel for Sony Corp., said patent trolls typically go after several smaller firms, seeking settlements of about \$500,000 to \$1 million each. They use that money to pay attorneys to go after huge settlements from big corporations.

So how can small and midsize companies launching a new product avoid patent troll suits?

Adam Seitz, a shareholder in Overland Park-based Erise IP, said the best option is to build a patent defense budget into research-and-development costs, then use it to launch a pre-emptive strike.

“A smart company, before it releases a product that they’ve spent a huge percentage of their budget and capital on, should at least look at the landscape to see who’s been suing in the industry they’re in and find out what patents they hold,” Seitz said. “Basically, you know they’re going to come after you, so you pre-emptively move a chess piece in the way.”

The goal is to turn the tables on patent trolls, attacking them before they even know you’re out there and about to launch a product. It’s kind of like creating a prerelease insurance policy on your new product.

— James Dornbrook