

PATENTQUARTERS™

The Newsletter of O'CONNOR & COMPANY • Second Quarter, 2010

Announcing a Strategic Alliance with Altera Law Group

O'Connor & Company is pleased to announce a new strategic alliance that was recently established with Altera Law Group. Altera is a law firm based in Minneapolis, Minnesota, with an office also in Atlanta, Georgia. In conjunction with this alliance, Ryan O'Connor and Adrienne O'Connor, partners of O'Connor & Company, are also Of Counsel to Altera Law Group.

This alliance allows us to extend the legal services we are able to offer clients, to matters such as litigation support, freedom-to-operate opinions, trademark and copyright prosecution, and other services. Additionally, this alliance provides our firm with comprehensive docketing and paralegal support for all of our cases. Work that is able to be done by paralegals will help reduce legal fees. While we retain management of our cases, this extra level of case support is very beneficial for us as well as our clients.

Altera Law Group specializes and focuses on those business and legal tasks that affect your ability to develop, control, preserve, and capitalize on your intellectual property. Altera serves technology-centric clients with a common-sense philosophy of creating and integrating IP strategies that support, enhance, and enable clients' business and marketplace tactics. Altera guides clients in the strategic deployment of their intellectual and technology assets to enhance shareholder value.

Through a partnership with ProLaw, a subsidiary of Thomson Reuters, Altera offers best-in-class case management and docketing systems. Altera was the first IP law firm in the country to fully integrate case management, docketing, timekeeping, and billing functions. Essentially, all systems are integrated for better reliability and efficiency, and they are all electronic.



We will continue to prosecute cases and fight for the legal protection that is deserved. The mission of our practice remains the same as when we started in 2006: to provide IP strategy consulting and patent-prosecution legal services for the chemicals, materials, energy, and biotechnology arts.

Along with this strategic alliance as well as shifting client needs, O'Connor & Company is relocating its headquarters back to Minnesota as of June 2010. We will be moving into our previous location in Minnetrista, Minnesota (western suburbs of Minneapolis) and working whenever and wherever clients want us to work!

Questions, comments? Reach us anytime at 612-708-5086 or visit www.oconnorcompanypllc.com. See page 4 of this newsletter for our new physical mailing address. Thanks for reading! **PQ**

Is Apple an IP Success Story?

by Ryan P. O'Connor

Growing Up with Apple

I have been an Apple fan since the early days, back to the 1980s when I used an Apple II computer in grade school and have enjoyed a series of Macintosh computers ever since (LC, LC III, G3, MacBook, and now MacBook Pro). I literally have grown up, personally and professionally, on Macs. Apple's famous Super Bowl 1984 commercial, introducing Macintosh, has special meaning for me as I look back at the past quarter century. We have witnessed a revolution in personal computing, and now mobile devices, during this period of human history. Most of us enjoy the fruits of this revolution daily, even if on a Windows system!



Apple is commercially on fire. Mac sales are doing well, while the iPhone has been a game-changer. iTunes has altered the music industry. What impact will the iPad have? And what's next?¹

iProperty

Apple's current stock price is about \$250/share with a market capitalization of about \$230 billion, making it the second-largest publicly traded U.S. company (and ahead of Microsoft). Ten thousand dollars invested in Apple's IPO in 1980 would now be worth about \$1 million. Why can't a competitor duplicate Apple's performance and market value? The answer is **intellectual property**.

Apple tends to utilize all aspects of the IP system—their intangible assets include patents, trademarks, copyrights, know-how, brand value, and reputation of quality. Apple has demonstrated the ability to innovate across its business systems and in its desired markets. Apple does hold many trade secrets, especially including secrets about its business plans or product launches. (The secretive culture is not all good; shareholders don't appreciate being surprised when news is bad.)

Intellectual property cannot exist without an invention or development. So while Apple does a masterful job of protecting its innovations, it must innovate in the first place. Meet Steve Jobs.

CEO Steve Jobs as "Chief Innovator"

Many articles have been written about the role of Steve Jobs at Apple. But it is often overlooked that not only does Steve Jobs do a great job as CEO and in encouraging innovation at Apple, but he literally innovates in his own right. His business creativity is legendary; his technical creativity is no less impressive, especially over the last decade.

Steve Jobs co-founded Apple and was a key developer of its initial computer platforms. Jobs is also a named inventor on over 180 patents and published patent applications globally, according to a recent search I conducted. At how many large companies do CEOs actually contribute to inventions and developments to meet the legal standards of inventorship?

Think Steve Jobs is being named by Apple's patent counsel simply to give credit to the big boss? Doubtful. Apple certainly knows that patents can be invalidated or rendered unenforceable if too many (or too few) inventors are named. Bonus points would not be earned by Apple's IP department if a competitor was later able to avoid the patents on this basis.

Looking through the list of Steve Jobs' patents (which include both utility and design patents), it is observed that a significant chunk of them cover mobile devices, mobile configurations, and methods of making and using mobile phones. That is, Steve Jobs co-invented the iPhone!

Swords and Shields: iPhone Example



Source:
www.Apple.com

An Apple iPhone makes use of many patents, including patents owned by, or licensed to, Apple. Other patents are owned by companies or individuals who believe their patents are infringed by the iPhone. The Nokia/Apple situation² is a good example of what is fairly common in the industry.

In October 2009, Finnish cell phone maker Nokia sued Apple for patent infringement and in early December Apple countered with a similar suit of its own. Nokia filed a complaint with the U.S. International Trade Commission seeking to block imports of allegedly infringing Apple products, including the iPhone. Apple filed its own action seeking to block import of allegedly infringing Nokia devices. What is it that Apple and Nokia are really fighting about? What lessons about patent portfolios can be learned? Will this litigation prevent you from getting the iPhone or iPad?

Nokia's initial suit alleges that Apple has refused to license certain patents owned by Nokia that are assertedly essential to devices (such as the iPhone) that operate using the GSM, UMTS (3G), and WiFi standards. Such standards are set by governing bodies (such as the IEEE) but are developed by many private companies that all contribute their technology to the effort. In contributing, they don't just donate the technology but rather agree to license it to any party wishing to use the standard on "fair, reasonable, and non-discriminatory" terms.

While Apple has contributed to other standards, it did not contribute to these three standards and thus must obtain a royalty-bearing license if it uses patented technology. Nokia is reportedly seeking \$6-12 per iPhone from Apple which amounts to 1-2% of the retail iPhone price, or a total of \$200-400 million in total for iPhone sales since its introduction. Apple argues that Nokia is refusing it a license on reasonable terms and is looking to erode the high margins Apple enjoys on iPhone sales going forward. In Apple's view, Nokia is trying to use its intellectual property to prevent the iPhone from further running away with the smart phone market.

Apple's countersuit is largely a defensive tactic intended to gain it some leverage and control over the situation. Both companies will assert that their devices don't infringe the other's patents or that those patents are invalid. Apple already denies Nokia's patents are necessary to devices using the GSM, 3G, or WiFi standards, thereby undermining the conclusion that the iPhone must infringe.

Where these disputes might ultimately lead is hard to gauge at such an early stage and it is entirely possible that a settlement between the companies could be reached without further activity. What the case demonstrates, however, is the wide variety of use patents and other intellectual property have as tools of business. More than just trophies of innovation for marketers to tout or assets to be stored in a vault, they are tools to be used strategically. Well-crafted patents can be both sword (à la Nokia) and shield (à la Apple) to defend hard-earned markets, and can occasionally be the Swiss Army knife needed to leverage a deal or partnership.

Summary

In my view, Apple is very much an IP success story. Apple understands what customers want, and creates market demand, with high-quality products that improve our daily lives. They utilize intellectual property to justify and protect their investments, block competition, gain market share, reward their investors, and reinvest money to finance even more inventions. What will Apple look like in 25 years? Can their innovation over the last 25 years possibly be duplicated? If so, can you imagine what sort of computers and devices we'll have in the year 2035? **PQ**

¹ This article is intended to be solely informational and represents the opinions of the author only. Nothing herein should be construed as legal or investment advice.

² Kaler and Lonergo, February 2010, www.ober.com.

InventorsEye

InventorsEye is a new electronic publication by the United States Patent and Trademark Office. *InventorsEye* is for and about America's independent and small-entity inventor community. It is a community that has always been a vital and vibrant part of America's invention heritage.



InventorsEye is issued by the USPTO every other month. Each issue will feature information you can use, tips on working with the USPTO; events, organizations and meetings of interest to the community; and issues that impact independent and small-entity inventors.

The web link to *InventorsEye* is www.uspto.gov/inventors/independent/eye/201004/index.html.

Under Secretary and Director David J. Kappos writes, "I have been greatly gratified by the tremendous response we have had to the first issue of *InventorsEye*. I want to thank everyone for their interest and the overwhelmingly positive feedback we have received. We look forward to providing you with more interesting stories and helpful information in the months ahead." **PQ**

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O'Connor & Company

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consulting and patent prosecution
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