



Small Steps

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By D.M. Osborne

Wall Street's rally on patent litigation began in 1997, when Simpson Thacher & Bartlett won a beauty contest to defend Intel Corporation in patent cases brought by Digital Equipment Corporation. Like most of its New York M&A brethren at the time, Simpson had no IP track record to speak of. But partner George Newcombe had successfully defended Intel before, in class actions alleging defects in the chip maker's products. He had also recently recruited Baker Botts partner Henry Gutman, a well-known IP litigator, who had led Lotus Development Corp.'s long-running fight to protect its spreadsheet software, arguing the case to a deadlock at the U.S. Supreme Court. Simpson's team had done its homework, too. "George and his partners had already read and understood a number of the patents at issue . . . and had specific thoughts on how I should respond," recalls former Intel vice president and assistant general counsel Peter Detkin, who ran the contest. "That was a far cry from the generic suggestions I was receiving from other firms."

Simpson's win in the Intel contest (the firm soon settled the cases favorably for its client) signaled that New York deal firms could compete in the burgeoning patent litigation arena, and the rush was on. In late 1997, following Simpson's lead on lateral hiring, Shearman & Sterling recruited Weil, Gotshal & Manges's head of IP litigation, Salem Katsh. A few months after that, Skadden, Arps, Slate, Meagher & Flom nabbed White & Case's IP

chief, Edward Filardi. Then, in January 2000, Milbank, Tweed, Hadley & McCloy picked up Christopher Chalsen from patent boutique Morgan & Finnegan. By 2002, the feeding frenzy was such that 27 firms circled around James Elacqua and 19 other patent litigators looking to jump Brobeck's sinking ship. Dewey Ballantine swallowed them all in one gulp. Says one lawyer caught up in the chase: "With New York firms, once one does it, they all have to do it."

But when it comes to patent litigation, New York's deal-making wizards have yet to crack the code. Nine years after recognizing a missed opportunity in work they once tossed off to boutiques, none of these firms have ascended to the level in IP litigation that some other general practice firms have achieved, including Kirkland & Ellis; Wilmer Cutler Pickering Hale and Orr; and Heller Ehrman—all of which got in the game much earlier. Even Weil, Gotshal, now widely respected for a stand-alone IP litigation group built by partner Matthew Powers, has suffered setbacks: This April it lost two Washington, D.C.-based IP partners and six associates to Sonnenschein, Nath & Rosenthal.

"There's been a lot of movement, but it's a little like musical chairs," says Irell & Manella's Morgan Chu. "It's hard to keep track." Indeed, in the past year, both Shearman and Dewey have lost their initial hires, and Milbank shuttered its IP-centric Silicon Valley office—losing patent litigator James Pooley in the process. As these firms regroup, others, such as Cravath, Swaine & Moore, aim

> Simpson Thacher IP: A Timeline

>1996

Simpson Thacher recruits its first patent litigation partner, Henry Gutman, to create its Intellectual Property group.

>1997

Simpson Thacher wins beauty contest to represent Intel in bet-the-company DEC patent case.

>1997

Simpson Thacher wins defense jury verdict in San Francisco in major software IP case for IBM subsidiary.

>1997

Simpson Thacher wins landmark *Bensusan* (or "Blue Note") case concerning Internet jurisdiction.



George Newcombe and Henry Gutman's work for Intel lit the patent spark on Wall Street.

CHRISTINE JEGAN

to prove they can handle big-ticket patent cases without lateral partners. Still others are just starting out. Davis Polk & Wardwell picked up its first patent litigator from Latham in February [see the timeline below].

The race to build a patent practice has turned into a marathon—and it's barely at the halfway mark. Still, some lessons

have emerged. Simpson's Newcombe and Gutman have begun to gain steam by building up a 38-lawyer IP litigation practice that is largely independent from the firm's corporate business. Granted, any time a major transaction comes through the door, one of Simpson's eight IP litigation partners is automatically assigned to the team to look out for potential infringement

>1998

DEC v. Intel case settles on favorable terms.

>1999

Simpson Thacher opens Palo Alto office, headed by patent litigator George Newcombe.

>1999

Simpson Thacher successfully represents Reuters in Federal investigation of alleged criminal copyright infringement. Subsequent successful copyright

engagements include resolution of post-*Tasini* class actions by freelance authors against electronic databases.

and/or licensing issues, notes Newcombe, who runs Simpson's 60-lawyer Palo Alto office. But Simpson has landed its big-ticket assignments through beauty contests, including patent litigation it settled for Avistar Communications Corp., and a pharmaceutical case won last December for Daiichi Pharmaceutical Co., Ltd. At trial, Simpson also made a favorable impression on in-house counsel for Johnson & Johnson Pharmaceutical Research & Development LLC, which owns Daiichi's U.S. licensee. "They clearly had people on the team who were actually trained in patent law," recalls J&J associate patent counsel Steven Berman.

Berman echoes a point made repeatedly in interviews with more than two dozen IP litigators: In order to attract big-ticket patent cases for which clients are prepared to pay Wall Street rates, these firms must bulk up with seasoned IP litigators. One big star simply isn't enough. "General litigation partners can help to some extent on damages and other issues, but you really need a critical mass of people who are expert in patent law," says Katsh, who left Shearman last October and is now head of IP litigation at New York's Kasowitz, Benson, Torres & Friedman. "If a firm is willing to bring in enough laterals to make an effective marketing team, then it can become very profitable. Otherwise, you'll never have an internally credible patent litigation department."

Yet a look at five Wall Street firms points up just how hard that strategy can be to pull off. At Shearman, Katsh contends, the pursuit of lateral partners "was not aggressive enough, and not in the numbers that were required." Since Katsh's departure, associates who had worked with him in New York have "transitioned into the transactional side," according to Shearman's new head of IP litigation, Vicki Veenker, who arrived in 2000 from Fish & Neave, and was given the chance to build up Shearman's Menlo Park patent litigation practice. Veenker acknowledges that her group is at its "leanest ever." Indeed, two lawyers she recruited from her old firm also left to join Quinn Emanuel Urquhart Oliver & Hedges.

With just 12 patent litigators firmwide (two of whom are based in Germany), Shearman is understaffed for massive patent cases. Veenker is nonetheless upbeat, pointing to a case now pending in Delaware for her Palo Alto client Incyte Genomics, Inc. She may be a self-described "true-blue, old-fashioned patent litigator," but Veenker spends about 10 percent of her time advising corporate partners on deal-related patent issues. "It's a great way to get integrated into the firm," she says, adding that she deploys litigation associates on deal-based tasks, too, enabling them "to

meet the mucky-muck M&A partners."

Unlike Shearman, Dewey hasn't suffered from lethargic lateral hiring—integration has been the problem. The firm lost 14 of the 20 Brobeck laterals it brought in four years ago because their leader, Elacqua, yearned for a more diverse corporate practice from which to mine work. "The reason for a [patent litigation] group to be at a big firm is to be able to cross-sell," says Elacqua, now a partner with Dechert in Palo Alto. "We were generating most of our own work, and we became more of an island than we wanted to be." That work included a bundle of cases for computer maker Gateway, Inc., which Elacqua and Bryan Farney carted out of Dewey in February. Seven of those actions, patent

cases brought by Hewlett-Packard Company, settled in April for \$16.7 million, plus \$30 million in licensing fees. According to a Gateway announcement, over the course of the seven-year license, the settlement will cost less than its legal fees, which, for 2006, had been projected at \$12 million.

Jeannine Sano, cochair of Dewey's IP group—and one of two partners who stayed behind in Elacqua's wake—insists that despite Dewey's losses, her firm remains a player in Silicon Valley. She adds that Gateway was the only client that Elacqua took with him. In late April, Dewey, along with lead counsel Munger, Tolles, & Olsen and cocounsel Sidley & Austin, obtained a \$306 million jury verdict for Rambus, Inc. And Austin-based Dewey partner Pierre Hubert is representing Rambus in four other pending patent cases. Sano also notes that other work handled by Dewey's 31 IP litigators (including 13 partners) has come through Dewey's corporate clients, including patent cases for Matsushita Electric Industrial Co.

Sano says that Dewey's problem isn't IP. Instead, she maintains that the firm has not had success in finding partners to build a corporate practice in the East Palo Alto office, which handles IP litigation exclusively: "It's been harder than we thought to find the other practice groups to add into the office," she says.

Milbank stumbled for the same reasons in Palo Alto. The firm's management has long believed that every office should offer a range of services, and the Silicon Valley office wasn't delivering. "The IP practice was doing well there, but the deal flow had slowed down generally, and the firm didn't want to continue to invest in a single-practice office," explains Milbank's IP litigation chief, Christopher Chalsen. Adds James Pooley, the onetime Graham & James litigator who turned out the lights in Milbank's

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>2000

Polaroid, Nidek, NEC, JDS Uniphase, Synchrologic, UMC and others have joined the list of patent litigation clients successfully represented by Simpson Thacher.

>2002

Simpson Thacher files suit on behalf of Avistar against Polycom. Case settles on eve of trial and new case is commenced against another infringer.

>2003

Simpson Thacher successfully defends against unauthorized use of Weight Watchers' "Points" on food packaging. Other successful trademark

engagements on behalf of Planned Parenthood, Apollo Theater Foundation and others.

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Valley outpost last March: "We couldn't realistically make a go of it."

Still, if there's a sleeper in this mix, it's Milbank. The firm has spent the past six years building up its IP litigation practice, one lateral partner at a time. In 1996 the firm did not have any IP litigators. Now, the IP group accounts for 35 percent of the firm's overall litigation department, with 45 lawyers—ten partners and 35 associates—30 of whom are registered patent lawyers with technical and/or scientific degrees, and all of whom handle patent cases. Except for Pooley, who left in the Palo Alto shutdown, every partner has stayed put. (Pooley plans to join Morrison & Foerster, pending resolution of a client conflict.)

Chalsen, whose clients include Tokyo-based Fujitsu Limited and Hitachi Ltd., has cherry-picked partners he believes can play to Milbank's international platform. In 2003 he lured in Fitzpatrick, Cella, Harper & Scinto partner Errol Taylor, who is known for representing AstraZeneca PLC in litigation over its blockbuster heartburn drug Prilosec. That year Milbank also brought in David Perkins, who previously ran Clifford Chance's European IP practice, and now steers Milbank's six-lawyer IP litigation group in London.

Unlike the other corporate firms discussed here, Milbank has sought out patent prosecution work, and handles 100-200 applications a year. Chalsen insists prosecution work has not created conflicts issues for Milbank, and is reasonably profitable: "It's billed out at our standard hourly rates," he says. Prosecution expertise in business methods patents has aided Milbank in becoming outside patent counsel for longtime corporate clients such as JP Morgan Chase & Co. and the New York Stock Exchange Group, Inc. Indeed, Milbank is defending the NYSE in a business method case in the Southern District of New York that Chalsen says "is probably the biggest thing we've handled for them in years."

Among the firms mentioned in this article, Cravath is the lone holdout against any lateral partner hiring. Cravath is unique, too, in that patent litigation is a throwback to the 187-year-old firm's early days, when it advised Samuel Morse in telegraph patents disputes, and defended Thomas Edison's patent for light filaments. In the decades before and after IBM Corp.'s epic antitrust war, Cravath also handled patent suits for Big Blue.

It wasn't until Evan Chesler took the reins of the litigation department in 1996, however, that the firm made IP what he calls

Progress Report

Wall Street firms have been slowly bulking up their IP practices.

Firm	Number of Patent Litigation Partners		
	1996	2006	% Lit that is IP*
Cravath	8	7	25
Dewey	4	13	35
Milbank	0	10	35
Shearman	0	3	7
Simpson	0	8	18
Skadden	2	15	10

*Includes all IP litigation, not just patent work. Source: Firms.

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"a strategic priority." Since then, Chesler says, IP-related matters have come to account for close to 25 percent of firmwide litigation. By 1999, Chesler was heading up a business methods patent suit for Priceline.com against Microsoft Corporation. More recently, partner Rory Millson won one of the biggest IP litigation settlements of 2005 for Medinol Ltd., which had accused Boston Scientific of stealing its stent technology. In the settlement, Boston Scientific paid out \$750 million and gave up a 20 percent stake in Medinol, confirms Millson. Some heavy-hitters in patent litigation acknowledge privately that Cravath has recently shown up on their radar screens. "Cravath will be interesting to watch," says one of these observers. "They have potential."

Ultimately, Wall Street firms' success in patent litigation will come down to how well they can compete for complex cases that can generate fees approaching premium M&A levels. "Patent litigation is the flavor of the month for these firms right now," says David Barkan, head of litigation for Fish & Richardson. "But at the end of the day . . . in terms of management structure, recruiting, and resources, patent litigators at these firms are going to have a hard time maintaining their positions." ■

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> Simpson Thacher IP: A Timeline

>2004

Simpson Thacher and co-counsel win patent infringement trial for Daiichi Pharmaceutical against generic manufacturer Mylan with respect to best-selling anti-infective, Levaquin.

>2005

Federal Circuit summarily affirms win in *Daiichi v. Mylan* case, and Simpson Thacher secures summary judgment for Daiichi in related cases against four other generics.

>2006

As patent practice continues to grow, Simpson Thacher is currently handling major patent litigation for Avistar, Intel, JDS Uniphase, 3Com, Verizon Wireless and others.

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