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An Unbreakable Grip?

Foes keep fighting pay-for-delay deals between brand-name and generic drug makers. And the deals just keep on coming.

BY SUSAN HANSEN

BACK TO BASICS

When star patent litigator John Desmarais left Kirkland & Ellis last year, the patent bar buzz was that he'd thrown in his lot with the so-called trolls. It's not that simple.

BY ROSS TODD



John Desmarais in his new firm's offices high above Manhattan's Park Avenue. Of Desmarais LLP's old-school model, he says: "First and foremost, we've given up the billable hour."



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When John Desmarais left Kirkland & Ellis to launch his patent trial boutique Desmarais LLP last year, Bloomberg News headlined the New York-based litigator's move this way: "Billion-Dollar Lawyer Desmarais Quits Firm to Troll for Patents." On the surface, that take made sense. Shortly before departing Kirkland, Desmarais had launched a patent-licensing company, Round Rock Research, with a huge lot of patents acquired from one of his biggest clients, Micron Technology, Inc. The buzz within the patent bar was that Desmarais was switching sides, going from defending big companies in patent suits to representing the so-called trolls that drag those companies to court.

A review of court dockets and interviews with Desmarais and the ex-Kirkland lawyers who have joined him suggest that what he's up to is more nuanced—and perhaps more strategically sound. Yes, Desmarais has gone into the patent-licensing business, brought some notable plaintiff-side cases, and taken the novel step of putting several "covenants not to sue" based on the Micron patents up for auction. But his new firm is also handling defense work for several of the blue-chip clients he represented while at Kirkland. And in some of those matters, his firm is working closely with Kirkland lawyers. Indeed, it appears that, through his law firm and Round Rock, Desmarais is trying to forge a new patent law paradigm, melding the entrepreneurial spirit of a plaintiffs shop with the stable client base of a large corporate firm. "There's a couple of things about what we're doing," he says, "that are really unique and hopefully will break the mold a little bit on how firms operate."

IN A WAY, DESMARAIS IS RETURNING to his legal roots. He began his career at IP boutique Fish & Neave in 1988, left in 1992 to sharpen his courtroom skills as a federal prosecutor in the Southern District of New York and then went back to Fish in 1995. In 1997 he joined Kirkland, where his mix of technical savvy and trial talent won him many loyal clients.

Desmarais's biggest trial win came in 2007, when a federal jury in San Diego awarded his client Alcatel-Lucent \$1.5 billion in an in-



Desmarais LLP's other partners (left to right): Paul Bondor, Michael Stadnick, and Alan Kellman.

fringement suit against Microsoft Corporation. (The judge in the case later overturned the verdict.) He also raised his profile by winning two defense verdicts in jury trials in the Eastern District of Texas at a time when such wins were rare. In one, he fended off a \$176 million damages claim by Hybrid Networks, Inc., for client Charter Communications, Inc. In the other, he won a ruling of noninfringement for Alcatel-Lucent on two patents held by Dell Inc.

In late 2009 Micron offered to sell Desmarais 4,200 patents for an undisclosed sum—and he accepted. His plan, he says, was to leave the firm at year-end to work full-time on a licensing and enforcement campaign. Kirkland management persuaded him to stay on as a contract lawyer for a time to help transfer work on big cases he had under way. Talking with clients and colleagues during the transition, he says that he "realized quite

quickly that the client relationships were too meaningful to me and being a jury trial lawyer was too meaningful to me to give up."

It is some of those relationships that provide the foundation for Desmarais's new firm. In fact, most of Desmarais LLP's work comes from five clients: Boston Scientific Corporation; Cisco Systems, Inc.; GlaxoSmithKline plc; International Business Machines Corporation; and Micron. (Contacts provided by Desmarais at all five companies either declined to comment on the record or did not respond to multiple requests for comment.)

The caseload generated by those five clients would be the envy of many big-firm IP departments. Cisco, for instance, tapped Desmarais LLP after it and three other companies were sued last August by VirnetX Holding

Corp. in Tyler, Texas, over technology used to communicate privately over the Internet. In September the firm represented GlaxoSmith-Kline plc when it sued rival Roche Holding AG and Roche's Genentech Inc. subsidiary in federal district court in Delaware over a patent on Roche's cancer drug Herceptin.

Desmarais and his partners—fellow Kirkland alums Paul Bondor, Alan Kellman, and Michael Stadnick—also handle matters that date back to their time at their former firm. One example: Desmarais handled oral arguments for IBM at the U.S. Court of Appeals for the Federal Circuit last November, defending IBM's Blue Gene supercomputer against infringement claims brought by Fifth Generation Computer Corp. In January the Federal Circuit upheld a lower court ruling favoring IBM in the case. The suit is just one of those in which Desmarais LLP has worked alongside Kirkland. Others involve Boston Scientific (against Johnson & Johnson subsidiary Cordis Corporation) and Cisco (against Mosaid Technologies Inc.) in federal district court in Delaware. "It's wrong to say we're competing," Desmarais says of his former firm. "There's so much opportunity. There's enough for both us and many others."

Desmarais says he doesn't expect the firm's roster of large corporate clients to expand much. "What we're trying to do is establish deep relationships with big companies but a small select few, kind of like the old school law firms where . . . you'd have a regular retention fee," says Desmarais. The key to this old-school approach: "First and foremost, we've given up the billable hour," he says. "Nothing we do is on an hourly rate." Seated in temporary offices on the eleventh floor at 230 Park Avenue in Manhattan in mid-March with Bondor, Kellman, and Stadnick, Desmarais says he plans to keep the firm small. (The dozen-lawyer shop was to move into permanent space 15 floors up in April.) A few associates may be added, but lateral partner hires are unlikely.

Keeping the roster of corporate clients short lets Desmarais expand his efforts in a different direction. "The flip side of having important relationships with a small number of companies is that it allows us to have a robust plaintiffs practice, because we won't have the conflicts a big firm would have," Desmarais says, adding that he and

his partners are approached about plaintiff opportunities daily. When a possible client calls, they say, one of the four partners steps up to vet the patents involved. (Or, as Bondor says to a round of laughter, "all three of the rest of us take a step back.") If the case is promising, the partners negotiate a fee arrangement and proceed with further due diligence regarding the patents before filing suit. While the firm doesn't clear potential plaintiff-side work with its corporate clients, Desmarais says that "it would be foolhardy on our part to mess around in industries where our clients are active."

In September 2010 Desmarais LLP filed suit in the Eastern District of Texas on behalf of Oasis Research LLC, asserting patents previously held by Intellectual Ventures against 16 companies that provide cloud-computing services, including AT&T Inc. and GoDaddy.com, Inc. In October the firm filed suit on be-

"I often told people I was going to leave Kirkland in a box, that I would never leave to go to another firm, and that's still true today."

half of Round Rock in Delaware federal district court, accusing HTC Corporation of infringing patents for technology related to smartphones. And in January it sued the nation's largest cable companies on behalf of Pragmatus VOD over video-on-demand patents acquired from Intellectual Ventures.

On the subject of filing patent suits on behalf of so-called nonpracticing entities, Desmarais divides such plaintiffs into two categories. There are those, he says, with valid patents that only target products that infringe upon the claims in those patents. The second type, he says, take strained readings of patent claims and aim to apply them to as many potential targets as possible in order to file suit and negotiate nuisance settlements. "I don't think that you'll see Desmarais LLP representing the second type," he says. "That's a tax on the patent system, and it's a tax on corporate America, and I'm just as offended by that as any company in America. That's not the kind of case that this firm is ever going to be involved in."

As for Round Rock, Desmarais—the lone firm partner with an ownership stake in the holding company—insists that its portfolio

falls within the first category. So far, Round Rock, whose licensing efforts have been outsourced to an IP consulting firm, has struck what Desmarais calls "significant license agreements" with Apple Inc., Micron, Nokia Corporation, Samsung Electronics Co., Ltd., and Sony Corporation. If the licensing push continues to bear fruit, he says, Desmarais LLP won't be taking many cases for Round Rock: "Round Rock has no more penchant for litigation than any other patent owner."

Round Rock has begun to move beyond licensing and litigation. In March, Desmarais and intellectual property broker ICAP Ocean Tomo announced that the holding company would sell off four "covenants not to sue" at a live auction scheduled for the end of the month. ICAP Ocean Tomo CEO Dean Becker says he originally approached Desmarais about auctioning off Round Rock patents last June. After Desmarais said he wasn't interest-

ed, Becker proposed auctioning the covenants. Becker says that Desmarais was the first person to whom he brought the idea. "It's a massive portfolio of huge quality," Becker says of the Round Rock patents, adding that Desmarais "has a proven track record" and that "we try to work with people who have been successful."

Desmarais says that he found Becker's proposal "intriguing enough to give it a try." The four covenants are subject to varying reserve prices, or minimum bids, depending on the type of company bidding and whether that bidder is subject to pending litigation versus Round Rock. Desmarais would not disclose the minimum bids, but said he would be surprised if all the covenants meet them. Still, he is looking forward to seeing how the auction plays out—and enjoying the freedom to pursue such opportunities that comes with being out from under the big-firm umbrella. "I often told people I was going to leave Kirkland in a box, that I would never leave to go to another firm, and that's still true today," he says. "I left to do something totally different. What we're building here is something that's all our own." ■

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