

Close-up: Dan Chambers

Small patent law group keeps focus on clients' big innovations

By DOUG SHERWIN
The Daily Transcript

San Diego patent attorney Dan Chambers said he basically works for entrepreneurs.

So he decided to form a law firm comprised of similarly minded individuals.

With just five full-time attorneys, **Biotechnology Law Group** is a boutique intellectual property firm representing a range of companies in the life sciences and biotechnology industries.

All partners work from home and at their own discretion.

"Each of us is a small business person," said Chambers, dressed casually in his office, a building set back just behind his house in Solana Beach.

"Everybody affiliated with BLG is somebody who wants to have a business for themselves. It's an entrepreneurial environment for that reason alone, and I think that has some appeal to our clients as well."

The partners — which include Alan Dow, Dave Maher, Sam Tahmassebi and Reginald Gaudino — convene at least once a week for lunch to discuss firm business, changes in law and for some light conversation.

In lieu of a central office, BLG rents an executive suite,

where members can meet clients, conduct meetings and receive mail.

"What really motivates us is better control over one's life and stress level," Chambers said. "This provides a little more control. You don't have big firm pressures... managing partners and other folks telling us what we should be doing."

"We also enjoy each other's company. Not only are we professional colleagues, we're friends, and so it's nice to get to work with people who you like."

Chambers takes advantage of the flexible arrangement by eating breakfast with his wife and 4-year-old daughter each morning and attending his youngster's dance classes and swim lessons.

"I see stuff a lot of dads and moms don't get to see because they're at the office," he said. "My commute is 10 steps, as opposed to 10 miles or a half hour on the freeway."

Working from home also has its business benefits. With no downtown office and corresponding administrative staff, the firm has very little overhead. It buys from vendors on an "as needed" basis and further keeps costs down by running a mostly paperless practice.

BLG passes those savings

onto its clients, making the firm a more attractive option for startups and small companies that need to watch the bottom line.

"I've worked for large firms and worked as an in-house counsel, and one thing that's always been a concern to me is the cost of outside counsel," Chambers said. "Our firm is much less expensive by comparison."

"Our pitch to clients is 'Superior value proposition.' Clients who access us (will get) someone who has 10 to 15 years of experience doing their work, instead of a junior associate or second-year associate doing their work at a firm with maybe a little bit of help from a partner or senior associate."

Chambers said his firm isn't driven by per-partner profits or the number of billable hours. BLG partners don't charge clients for faxes, phone calls or photocopies.

"I don't want to get rich off my legal practice, off my clients," he said. "The guys who deserve to get rich are the guys who are out there innovating and building businesses, taking real risks."

"I'm a service provider. I'm a glorified burger-flipper, like any other lawyer. If you're a

small company, you should be looking for the best value."

BLG employs a series of paralegals and other service providers as needed. But Chambers said he doesn't want the firm to grow "out of control." The group seems quite happy to remain a boutique firm.

Chambers, who became a patent agent in 1990 and received his law degree in 1993, served as in-house counsel at biotech companies **Amgen** (Nasdaq: AMGN) and **Viagene** in the early 1990s. In 1995, he went into private practice, working for such intellectual property heavyweights like **Lyon & Lyon; Wilson Sonsini Goodrich & Rosati; and Brobeck, Phleger & Harrison.**

In 2000, he returned to in-house counsel work with upstart company **Geneformatics**. After 18 months there, he founded BLG to see if he could go out on his own. He gave it two years. Seven years later, Chambers and BLG are still thriving.

"I very much enjoy my work," Chambers said. "It's intellectually challenging... stimulating. I'm a technology bug by nature, and one of the great intangibles from my perspective is, I'm always learning something new. It wouldn't be patentable if it weren't new."

"Plus being in the law, the law is always evolving. There are always interesting issues to sort through."

The firm focuses on patent procurement, transactional work and writing non-infringement and freedom-to-operate opinions.

The partners draft patent applications and organize invention documents. They complete due diligence for investors and companies looking to acquire new technologies and also assess the risks of bringing certain products to market.

The one area BLG attorneys do not offer is litigation. It's too costly and requires large numbers of people working unpre-



Photo: J. Kat Woronowicz

Dan Chambers, of Biotechnology Law Group, says his small company provides "superior value" by keeping overhead low — attorneys work from home and run a mostly paperless practice.

dictable amounts of time, Chambers said. The firm has all the business it can handle with approximately 80 clients.

Chambers' clients include the University of California, the Burnham Institute, **Biosite** and U.S. government research agencies.

He speculated that other law firms, even some of the big ones, will adopt a BLG-like business model, especially when it comes to reducing office space.

"I think we've hit upon a really good model," Chambers said. "It's a really good working environment."

Chambers isn't happy with the recent shift in patent law that's moving away from strong patent protection. Most of the changes, he said, are being driven by an attempt to harmonize the U.S. patent system with that of other countries.

"My question is, why doesn't the rest of the world harmonize with a system that's been shown

to work?" he said. "We're apparently a knowledge-based economy. Innovation is what drives things. You should help protect innovators and innovation."

"In order for people to risk capital, they need to have some sort of assurance of return on their investment. The great thing about the patent system is it provides this period of exclusivity."

He said the changes will affect investment and the economy.

"These changes, if carried out, I believe will lead to a decrease in new business generation and new business startup," Chambers said. "How are you going to incentivize investors to take risks on new technology and new companies when they can't protect (the technology) or they can't protect (it) for a sufficient period or with a sufficient breadth to warrant investment?"

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Secure as a Swiss bank?

New ruling beefs up attorney-client privilege in corporate context

By MICHAEL M. ROSEN
Fish & Richardson PC

Imagine it: Your in-house intellectual property counsel instructs your senior engineering staff to design a product in a way that avoids infringing other companies' patents. The senior developers transmit those instructions, second-hand, to junior engineers carrying out the actual design. And those engineers exchange e-mails among themselves about how the design steers clear of the patents.

If and when you get into litigation over those patents, are the e-mails between engineers sheltered from disclosure in litigation under the attorney-client privilege, since they involve legal matters? Or must they be turned over to your adversary, since they are communications not involving an attorney? The protection of your critical (and secret) IP strategy may hang in the balance.

Fortunately for technology companies, a recent California Court of Appeal case, **Zurich American Ins. Co. v. Superior Court**, suggests that the types of e-mails described above would indeed fall under the rubric of attorney-client privilege, since they clearly derive from attorney-client communication, even if they themselves are not such

communication.

So if you're looking to protect your company's IP (among other aspects of your operations), this ruling could provide guidance as to how your employees can communicate and keep confidentiality intact.

In the Zurich case, **Watts Industries** sued its insurer

See **Ruling** on 7

Michael Rosen

Name and trademark your product without spending a fortune in legal fees

By GREG SATER
Rutter Hobbs & Davidoff

When giving a new product a name, you need to think about whether it is available and is not already being used by someone else (unless you like the idea of being named as a defendant in a trademark infringement lawsuit). You also need to select a name that is distinctive enough for you to register and protect, so that competitors won't be able to take a free ride on the goodwill you have built up by coming out with a product that has a confusingly similar name.

It is essential to consult with an experienced trademark attorney when naming a new product. But how can you do that without breaking the bank?

First, pick several possible names, not just one, before you call the attorney. The biggest mistake people make is coming up with only one name, and becoming stubbornly wedded to it. Clients who come up with several possible names are less likely to be emotionally invested in any one name and thus can make a wiser decision if the lawyer feels one of the names has a conflict.

Once you have a list of

names, none of which you emotionally "must have," narrow them down to the top choices, then research them yourself, online, as best you can, before calling the attorney. First, go to www.uspto.gov and search to see whether there are any registered trademarks or pending applications for the name in a similar class of goods. This takes only seconds. However, by itself, it is not a truly complete search, since the USPTO's Web site only gives you registrations and applications, and only gives them to you for the exact same mark; the Web site does not search for similar marks, nor does it give you any information regarding unregistered users who may exist in the marketplace, using the same or a similar mark.

Unregistered, pre-existing users can pose a big problem because legally a name is protected simply based on commercial use: It does not have to be registered. That means an unregistered prior user, a "common law user," may have priority over you and, down the road, could sue you for infringement even if you end up being the first party to

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Sony BMG starts selling music downloads without copy protection

By YURI KAGEYAMA
AP Business Writer

TOKYO — Sony BMG will start selling music downloads in the copy-protection-free MP3 format later this month in North America, as even the last holdout among the major record labels crumbled to the growing trend.

Sony BMG Music Entertainment said in a statement that some digital albums would be available through a new download serv-

ice called Platinum MusicPass starting Jan. 15 in the United States and late January in Canada.

Music files in the MP3 format can be copied to computers and burned onto CDs without restriction. They can also be played on most digital music players, including **Apple Inc.** (Nasdaq: AAPL)'s iPod, as well as on personal computers.

As a Japanese electronic manufacturer that also has

major entertainment businesses, including its music joint venture with Bertelsmann AG, **Sony** (NYSE: SNE) has long resisted the global trend toward MP3 files.

Tokyo-based Sony had been sticking to what the industry calls Digital Rights Management, or DRM, which includes software coding that prevents copying downloaded music but can also frustrate consumers by limiting the type

of device or number of computers on which they can listen.

Copy-protected songs sold through Apple's market-leading iTunes Store generally won't play on devices other than its popular iPod digital player, and iPods won't play DRM-enabled songs bought at rival music stores.

Sony has taken a beating in digital players with the booming popularity of the iPod, even in its home Japanese market.

Sony BMG's MusicPass will offer 37 titles at first, including rock, pop and other genres, according to the company. But people must first buy a card available at 4,500 retail outlets across the United States, including **Best Buy Co.** (NYSE: BBY) and **Target Corp.** (NYSE: TGT) stores, Sony said.

The \$12.99 cards will have an identification number on the back, and consumers will be able to visit an Internet site for MusicPass to download the audio files, Sony BMG said.

"We see MusicPass as a great way to bring digital music to the physical retail space. We believe it will have strong appeal for a broad range of customers, and that it will ultimately expand both the digital and physical markets for music," said Thomas Hesse, president of global

digital business and U.S. sales at Sony BMG, in a statement.

Last month, **Warner Music Group** (NYSE: WMG), which had also resisted selling music online without copy protection, agreed to sell its tunes on **Amazon.com Inc.**'s (Nasdaq: AMZN) digital music store.

Universal Music Group and **EMI Music Group PLC** agreed earlier to sell large portions of their catalogs as MP3 files, as have many independent labels. "The introduction of MusicPass is an important part of Sony BMG's ongoing campaign to bring its artists' music to fans in new and innovative ways," Hesse said.

One of the albums that will be offered in the new format is Celine Dion's "Taking Chances." Sony BMG's other artists include Bob Dylan, Britney Spears, Jennifer Lopez and Avril Lavigne.

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Trademark

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apply for and obtain a trademark registration for the name.

That brings us to the second step that you can and should take before calling the lawyer: Type in the mark you want as a search term on a search engine such as Google, and read through the hits. Is anyone else using the name? If so, for what products? If the products you discover online are in the same class or a related class of goods as yours, that is a red flag to discuss with counsel.

The third thing you should do before talking to counsel is check if anyone has registered the name as a domain name, at [tions.com. \(As a business matter, you will want to do this anyway, because the ideal situation is for you to own the .com of any name you want to use as a trademark.\)](http://www.networksolu-</p>
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After doing all that, call in an experienced trademark attorney. Discuss your findings with him or her, discuss your list of potential names, and then, when you and the attorney have settled upon the leading candidate, have the attorney order a comprehensive search report on that name. Such reports, which cost around \$350, scour publicly available records for the existence of unregistered "common law" users.

The attorney will review the results of the search report

and then advise you on what he or she believes to be your recommended course of action. Sometimes, if there is a "hit" in the report, the recommended course of action may be to contact that business to ascertain the extent to which they are using the name (and, if they are using it, to offer to buy them out of it). Other times, the best course of action may simply be to select a different name.

The attorney then should immediately apply for federal registration. This can be done on an intent-to-use basis, before you have sold or advertised even one unit of your product. If you have done things right, you will sleep well at night knowing that you have

picked a name that not only looks and sounds good, but that you know to be available, not already in use by anyone else, relatively free of legal risk and ultimately registrable at the U.S. Patent and Trademark Office with you as its owner.

Sater is a partner in the law firm of Rutter Hobbs & Davidoff (www.rutter-hobbs.com) specializing in trademark, copyright, advertising and business law. A graduate of Harvard Law School and Stanford University, he represents companies both large and small that advertise and distribute products at retail, on the Internet and on TV.

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Liability

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might not help the individual if it appears that he or she was trying willfully to remain ignorant of relevant patents. In addition, the officer or director must discharge his or her fiduciary duty to the company. In short, what is an officer or director to do?

The best course of action depends upon the individual situation of the officer or director, and of his or her company. However, as a general matter, an officer or director might establish a

patent due diligence program, through which patent counsel regularly apprises the officer or director (or in-house counsel) of patents that might apply to the company's processes and products. Alternatively, the officer or director, in conjunction with patent counsel, might opt to perform individual infringement analyses as to processes and products as they are developed by the company. In some circumstances, the officer or director might decide simply to inform in-house or

outside patent counsel as the officer or director learns about patents owned by competitors and other third parties, and let patent counsel analyze whether these patents pose a risk for the company — either informally or by means of a formal opinion letter.

Regardless of whether the officer or director opts to establish a proactive patent due diligence program, the best practice is to have patents that raise concerns brought quickly to the attention of in-house or outside

patent counsel. That way, an officer or director can best minimize the risk of exposure to patent infringement damages, both to the company and to the officer or director individually.

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Medical device

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infringement where it had an informed good-faith opinion of counsel that the patent was invalid, unenforceable or not infringed. Because the proposed changes would not generally affect a "lost profits" damages award, medical device companies suing a competitor would not likely see a significant difference in damages awards where that company is involved in selling the patented invention. On the other hand, a patent troll seeking a reasonable royalty award from a medical device company would likely see a significantly lower damages award.

If enacted, the Patent

Reform Act will certainly change long-standing U.S. patent law. Medical device companies, however, will largely benefit from the changes in law, which generally allow for a more efficient and cost-effective way of challenging patents, appealing Markman claim construction decisions and determining damages.

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Intellectual property and technology

San Diego's economy is driven in large part by technology, with the high-tech and biotech industries being the primary engine. The telecom industry alone is San Diego County's fourth largest industry sector when ranked by number of employees. The telecom industry contributed more than \$11 billion to the local economy in 2004, and surely even more today.

One unique aspect of the high-tech industry in general and telecom industry in particular is its focus on interoperability. Technology standards organizations have been formed to consider and select technologies as industry standards to promote interoperability. However, one reoccurring problem with technology standards seems to be licensing intellectual property owned by standards participants when the intellectual property covers a standard.

A company's involvement in a standards-setting organization can create numerous issues for the company. For example, technology standards have been prominent in local newspapers as technology giant **Qualcomm** (Nasdaq: QCOM) struggles to maintain its position as a leader in the wireless communication business. Qualcomm's involvement in the industry's Joint Video Team standards activities and its failure to disclose those activities during discovery in litigation with **Broadcom** in Federal District Court in San Diego has landed the technology giant and its attorneys in hot water.

The U.S. Federal Trade Commission has occasionally waded into the standards area. Many of the commission's early cases focused on the antitrust issues inherent in a patent holder's subversion of the standards-setting process, namely an alleged misuse of the process by failing to disclose patents relating to the standard. *In re Rambus Corp.*, Docket No. 9302 (2006), appeal pending, Docket Nos. 07-1086, 07-1124 (D.C. Cir. 2007); *In re Union Oil Co. of Cal.*, Docket No. 9305 (2005); *In re Dell Computer Corp.*, 121 F.T.C. 616 (1996). Standard setting has received commission scrutiny because, as the commission majority points out, as a joint activity, standard setting displaces competition, and manipulation of the standard-setting process can adversely affect an entire industry.

Recently, however, the commission stepped into the licensing area by ordering a company to license its standards-based technology for a nominal fee without any concurrent determination that company's conduct had violated the Sherman or Clayton Acts. *In the Matter of Negotiated Data Solutions, LLC*, File No. 510094. The commission's decision suggests that its enforcement policy now embraces regulating perceived abuses of intellectual property rights, such as increasing licensing rates for patents needed to practice industry standards, that affect consumers — even sophisticated corporate consumers — in the absence of an antitrust violation.

Companies should seriously consider the consequences of participating in standards-setting organizations and should establish realistic policies and procedures for documenting their participation. Procedures should also be put into place to track and record a company's intellectual property related to standards-based technology. These companies should also consider periodically reviewing their intellectual property portfolio and updating their records. Participating in standards-setting organizations can be a very worthwhile endeavor for companies in standards-based industries, and with a little forethought and planning, the company can avoid problems of the type described herein.

Submitted by Foley & Lardner LLP



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