

## Companies Save Millions in Royalty Payments to Non-practicing Entities by Invalidating Patents and Proving Non-infringement

*Chipworks prior use analysis and non-infringement services support companies in refuting claims.*

**OTTAWA, Ontario, Canada, September 22, 2009** – Although there are limited options in defending against Non-practicing Entities (NPEs), invalidating patents through prior use and prior art and proving non-infringement are two tactics that often prove successful. Services provided by companies like Chipworks ([www.chipworks.com](http://www.chipworks.com)), the world's leader in reverse engineering and patent infringement analysis, can be a vital asset in proving non-infringement and invalidating patents.

“With a growing number of high-tech patent litigations involving NPEs, IP groups and law firms are employing unique approaches such as prior use analysis to invalidate patents, saving millions of dollars in royalty payments,” said Founder and CEO of Chipworks Terry Ludlow.

According to Patent Freedom statistics, of the 2,806 patent cases in the United States in 2008, 12.8% were NPE-driven. Through June 3, 2009, according to the PACER and Lexis/Nexis data, NPE cases have increased while overall patent litigation activity has decreased. Of the 1,318 U.S. patent cases filed in the first half of 2009, 17% were NPE-driven. This data implies that NPE activity will continue to rise at an above-average rate into early 2010.

“Most often, companies will look to invalidate a patent internally first, through prior art. Failing that, they will turn to a firm like Chipworks to conduct a prior use search or non-infringement analysis,” added Ludlow.

The main advantage that Chipworks provides is its ability to combine traditional prior art methods with prior use analysis, thereby increasing the likelihood of identifying patent invalidity. For example, Chipworks maintains both an information resource centre that houses over 8,000 research resources such as: reverse engineering reports, databooks, datasheets, and conference proceedings as well as an in-house product inventory. Its



product inventory includes over 60,000 products/devices dating from the 1970s, including those that are hard to find on the open market, with nearly 5,000 new devices added annually.

In one recent case, a semiconductor company that was in patent licensing negotiations with a competitor twice its size realized it needed irrefutable evidence to invalidate the competitor's patents and reach a favorable settlement. Chipworks identified and procured a difficult-to-obtain device that pre-dated the patent, performed a combination of circuit extraction and functional testing to verify the circuit function in the device, and within two weeks, delivered a report confirming evidence of prior use. As a result, the company is saving millions of dollars in royalty payments to the NPE.

"Despite a short turn-around time, Chipworks gave us exactly the kind of evidence we needed," said the Vice President, Intellectual Property, of the semiconductor company. "They continue to help us with other prior use investigations."

In another case, a consumer electronics giant was sued by a NPE alleging patent infringement supported with claim charts. Chipworks re-created the testing environment using the claim charts submitted by the NPE, ran several new functional tests to understand the circuit operation, compared it against all the key claim elements of the claim, and produced documentation showing how the giant's products operated in a manner substantially different from the patent claims asserted by the NPE. Chipworks delivered a live demonstration of the functional tests to the opposing counsel and their technical experts, leading, ultimately, to the withdrawal of the suit.

"The non-infringement evidence produced by Chipworks helped us avoid millions in litigation costs and damages," said the Intellectual Property Counsel of a consumer electronics giant.

These cases exemplify the value that prior use and non-infringement analyses bring as defensive tactics against patent infringement allegations brought on by NPEs.



## About Chipworks

Chipworks is the recognized leader in reverse engineering and patent infringement analysis of semiconductors and electronic systems. The company's ability to analyze the circuitry and physical composition of these systems makes them a key partner in the success of the world's largest semiconductor and microelectronics companies. Intellectual property groups and their legal counsel trust Chipworks for success in patent licensing and litigation – earning hundreds of millions of dollars in patent licenses and saving as much in royalty payments. Research & Development and Product Management rely on Chipworks for success in new product design and launch, saving hundreds of millions of dollars in design and earning even more through superior product design and faster launches. Headquartered in Canada, Chipworks maintains offices in the USA, Japan, Korea, and Taiwan.

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