



Meet the man who helps innovative operating companies realise huge patent ROI

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There is a hidden figure behind recent patent assertion campaigns which have obtained a \$150 million settlement from Samsung, and more than \$500 million in jury verdicts for a financial services company. The person behind the dollar signs is Ron Epstein, who describes himself as a “virtual in-house counsel” for patent owners.

The companies which hire Epstein may not be able to afford to employ chief IP officers like the companies they are in disputes with. His aim is to provide the same level of strategic IP advisory services to clients when they seek to enforce their foundational portfolios against larger rivals.

“What I do is serve as a virtual in-house counsel for the patent owners,” states Epstein, the managing director of EpicenterLaw and CEO of Epicenter IP Group. “Patent owners will come to me typically because their underwear is in a bit of a twist about what they want to do, and how they want to go about it. Do I want to license? If I want to license, how do I do it?”

Big results

It makes sense to start this story by identifying a couple of Epstein’s clients which obtained stellar results of late.

One long-time Epstein client is the United Service Automobile Association (USAA), a financial institution and insurance company for active US military personnel, veterans and their families. USAA invented and owns foundational patents covering mobile cheque deposit technology. After the institution began offering the service for its members – who need mobile banking when deployed in service around the world – many banks and financial institutions followed suit. This prompted the operating company to launch a campaign of at least **10 lawsuits asserting more than 20 patents** against competitors. From 2019 to 2022, USAA scored three jury verdicts against Wells Fargo and PNC Bank that total to more than \$525 million. When placed into a wider context, the largest of these verdicts – for \$218.5 million against PNC Bank last May – ranked as the **fourth-largest US patent jury verdict in 2022**.

More recently, Epstein worked with Nanoco Technologies, a UK-based R&D company which develops and manufactures cadmium-free quantum dots and other nanomaterials. It claimed in a US lawsuit that Samsung, in 2010, evaluated using its quantum dots in LCD modules – but the pair didn’t enter a licence. In 2015 Samsung debuted a TV with quantum dots, followed in 2017 with the launch of its premium QLED TVs.

The company **negotiated a \$150 million settlement with Samsung** – with \$65 million going for a patent licence covering the Korean electronics maker's QLED televisions, and \$85 million for the sale of a number of Nanoco patents (though not the five asserted in the litigation). The agreement settled litigation in the US, Germany and China. Nanoco revealed that litigation finance via GLS Capital helped pay the costs of the case. The company will retain \$90 million of the settlement (paid in two tranches this year and next), with the rest paying lawyers and the funder. Considering that Nanoco reported earnings of \$3.1 million in its fiscal year 2022, and assuming it realises at least \$45 million from 2023's payment from Samsung, this represents a 1,452% annual revenue boost for the company.

Epstein's background

Epstein began his career in 1989 at Wilson Sonsini Goodrich and Rosati, where his practice centred on helping smaller companies to negotiate royalty rates with large IP owners such as IBM and AT&T. After about six years in private practice, Epstein moved in-house as director of licensing at Intel Corp.

His role at Intel was negotiating with other IP owners who asked the company to take a licence, as well as ensuring the chipmaker's IP was getting a fair return in the market. Intel launched a patent purchasing programme under Epstein's purview – an unusual thing at the time in the late 1990s, Epstein recalls.

Having left the chipmaker in 2001, Epstein has focused most of his career on IP consulting and advisory services. He notes that there are plenty of legal advisors who know how to litigate a patent assertion, and plenty of patent prosecutors who know how to obtain patents, but not many advisors in between. His company aims to provide strategic IP monetisation advice at a high level for companies that cannot afford in-house IP counsel.

Criteria for successful monetisation

Ironically, in the 1990s Epstein was in the room when other members of the Intel IP team **coined the term "patent troll"**. But now one of the first conversations between Epstein and a new client aims to ensure they will not suffer poor self-esteem when the moniker is thrown at them, he notes.

"Infringers do not like you. Of course, they are going to call you names," Epstein states. "The number one reason people stop asserting patents is because they feel bad that people do not like them... They have the resources, but they do not have the commitment."

Launching an assertion campaign requires an IP holder to feel confident in its inventions and enforcing its rights. If a client has this resolve, Epstein plays a large role in helping it form the correct enforcement strategy. Because Epstein bases his fee upon the client's success, there is no benefit in investing his time in marginal cases.

"The formula is: is there enough trouble here that you can get a positive ROI on the cost of an enforcement programme," he explains. "You do not pursue a \$20 million litigation to obtain \$25 million worth of potential revenue – because you have a 50-50 chance of succeeding... I would call it a 'Warren Buffett' like view of this – I have a very set criteria for what makes a successful monetisation programme."

Epstein looks for these factors:

- **Commanding patent position** – He objectively reviews the patent portfolio, asking how many patent claims are at issue and whether validity is on the line. He'll examine the technology to identify problems that are likely to cause back-and-forth arguments with defence counsel.
- **Provable infringement** – Epstein explores whether the defendant clearly infringed the right or whether it's a close question. The patent owner must have a clear case to prove the infringement.
- **Damages calculations** – When litigation costs can range from \$5 million to \$10 million, Epstein must ensure the damages will justify the cost. Also, a conservative estimate of a case's settlement value is just 5% to 10% of damages at trial.

'Brains in the room'

Assuming a client's case meets the criteria, Epstein gets to work. He connects his client company to litigation counsel, then supervises them to evaluate the quality of their work and correct any problems that he sees. Epstein observes that even the highest-quality attorneys tend to engage in group-think – which he aims to combat by acting as the "brains in the room in order to make sure that you have not missed anything". He's had to step in and replace counsel occasionally when they were deemed not up to par. Also, in USAA's case, Epstein has assisted the company in building out an internal IP team to handle the "long tail" of its licensing programme.

The virtual in-house counsel approach is one that has benefits for clients that don't boast that level of in-house expertise, not least because it allows a company to benefit from the ability to push law firm partners.

Adam Gill, managing director of GLS Capital (which has funded multiple cases brought by Epstein's clients), reflects: "In any situation it's helpful for people to have a professional manager – somebody playing the management function. The best writers in the world have editors. Similarly, the best lawyers in the world benefit from clients who are able to push them, question them... Being there, pushing them on important points, demanding excellence, I think drives them to perform better. When you have more smart minds in the game, you end up with a better result."

Without Epstein's involvement, Nanoco CEO Brian Tenner states that the Samsung dispute would have felt like riding a bucking bronco while wearing a blindfold. For instance, Epstein challenged the Nanoco board to accept it had embarked on a long journey and would need to go the distance rather than cave in for a quick resolution. Nanoco therefore intends to continue its relationship with Epstein as the company invites the next set of companies to enter licensing discussions.

The virtual in-house counsel will therefore continue to play an active role in industry dealmaking and enforcement efforts.

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