



Business Strategies and Patent drafting: Offensive & Defensive Patenting & Design- around Techniques (Chapter VIII)

Emmanuel E. Jelsch
Swiss and European Patent attorney



WIPO Patent drafting course, Arare, September 10, 2015

Patent Strategy

Assume that a government patent office has finally approved your patent. What next?

What can you do with your patent?

- In a few rare instances, a single patent will be so revolutionary and pioneering that its owner can control a given industry segment (i.e. some successful pharma patents if no other alternatives exist).
- This rarely happens for a single patent in most industries.

Patent Strategy

Many “famous” inventions did not have corresponding patents that succeeded in cornering a market.

➤ Common Reasons:

- Poor claims
- Close prior art that avoid broad claims

Example: Thomas Edison received several patents related to light bulbs. However, an English inventor named Joseph Swan obtained the first patent on the light bulb, and over the years, Edison had to pay royalties to Swan for the rights to his patent.

Patent Strategy

Patents act much more as “swords” than “shields.”

- A patent provides its owner with little assurance that making a product covered by the patent will not infringe another patent owned by someone else.
 - The patent office does not consider infringement issues in awarding patents.
- However, patents can sometimes effectively operate as shields with respect to patent-holding competitors
 - They may refrain from suing for infringement due to fears of countersuit for patent infringement.

Patent Strategy

Patent strategy becomes more complicated and more lucrative as the number of patents in a portfolio increases.

Holding 1 patent rarely provides the same power and flexibility that holding a dozen or a hundred patents provides.

Patent Strategy

Example: Imagine that Co. A holds a single Patent Y related to Product X.

If Patent Y has been well drafted, then it will:

- Cover several embodiments of Product X, &
- Key features & components of Product X
 - including the use of these features & components in unrelated products and different technical fields.

Patent Strategy

Example (Cont.): Assume that Product X is highly useful but not the first product of its kind (e.g., Product X is not the very first computer).

- In this case, then it is likely that Competitor B could make a product very much like Product X that did not infringe Patent Y.
- In other words, Competitor B could “design around” Patent Y in order to produce a non-infringing Product X’.
 - Of course, the design around might not be a commercially viable product.

Patent Strategy

Example (Cont.): Now imagine that A holds two dozen patents related to different aspects of Product X in addition to Patent Y.

- The other patents provide claim coverage for additional features/components of Product X beyond those covered by Patent Y.
- In addition, the other patents might provide coverage related to the use of Product X, the commercial environment related to Product X, alternative variations of Product X, etc.

Patent Strategy

Example (Cont.): Competitor B will now have a much more difficult time designing around Co. A's patent portfolio to produce a non-infringing product.

- The legal expenses just for studying Co. A's portfolio well enough to understand the coverage provided by Co. A's patent claims will eventually become prohibitively expensive for many competitors.

Patent Strategy

Example (Cont.): Co. A's patent portfolio may eventually become large enough that it can either:

- force its competitors to take royalty-bearing licenses to its patents or
- force the competitors out of the market by suing them for patent infringement.

Patent Strategy

Example (Cont.) If Co. A's competitors have patent portfolios of their own, then Co. A & the competitors might cross-license each other's patents.

- Such cross-licenses may either be free or royalty-bearing.
- A cross license with its competitors will allow Co. A to manufacture its products without fear of a lawsuit from these competitors.
- Co. A can still use its patent portfolio against a new competitor in the market.
 - And companies in other fields of use.

Patent Strategy

Example (Cont.): In addition, to the use of its patents against competitors, Co. A could also use its patents

- Against other parties who make products that include the key features/components protected by Co. A's patents
- Even when the products are unrelated to Co. A's product
- Co. A's licensing of patents outside its own "field of use" could be quite lucrative & fairly simple to administer.

Patent Strategy

Example (Cont.): Often companies may hesitate to litigate its patents against third parties due to

- Concerns that the patent in suit may be declared invalid (e.g., “revoked”) &
- Once a patent has been invalidated it will no longer be able to enforce the patent against anyone,
 - Including its own competitors.

Patent Strategy

TIP: In any licensing campaign, it is rarely a good idea to pursue first the biggest company in any given industry.

- Licensing campaigns are typically more successful when they start with medium-to-small companies in a given industry, then
- Work downwards to cover those below where the campaign started, & finally

Patent Strategy

TIP: (Cont.):

- Work upwards towards the largest companies. Thus, when the biggest player in a given industry finally gets a licensing solicitation offer, the offer comes with the knowledge that everyone else in the industry has licensed the patent
- this tends to take the wind out of the opposition.

Patents: Offensive Uses

Restrict or Limit Competition

- Prohibit the making, using, selling or importing patented invention
- Often requires a lawsuit

Selective Licensing

- Increase profit margins
- Increase market share



Offensive Blocking Patenting

A patent owner may use his patents directly against any and all infringers.

- A patent does not give its owner any rights to make, use, or sell himself the invention covered by the patent.
- In fact, it is quite possible to obtain a patent for an invention that could not be made, used, or sold without infringing someone else's patent.

Offensive Blocking Patenting

Selling a product is often - although not always - more lucrative than licensing the IP related the product.

- Thus, many patent owners who also manufacture products use their patents to:
 - Force competitors to design around their patents (to produce an inferior product),
 - Force competitors to license their patents, &
 - Establish a market share for “lost profits” damages in patent infringement litigation.

Offensive Blocking Patenting

US patent law, for example, states that a patent owner must receive at least a **reasonable royalty** in damages for infringement.

However, if the patent holder also sells products, then the patent owner can seek **lost profits damages** – which is often higher than a reasonable royalty.

Offensive Blocking Patenting

“The 2€ Swing”

Every inbound licensing dollar from a competitor:

- Takes 1 € away from the competitor's programs &
- Adds 1 € to the licensing company's programs, &
- Creates a relative 2 € difference between the competing companies.

Offensive Blocking Patenting

Keep In Mind The Various Types Of Infringement:

- Direct / literal
- Contributory (a non infringing device may contain an infringing component, the seller of the device may be held liable for contributory infringement).
- Inducement of Infringement (a person who does not commit direct infringement but asks or induces another to do so, or sells a product with advertising or instructions about an infringing use)
- Doctrine of Equivalents
 - When Literal Infringement not Found
 - Prosecution History Estoppel

Literal Infringement

- . When the accused device or process includes each and every element of the patent claim as properly interpreted.

The addition of an element will not avoid infringement if all claimed elements are present

Infringement under the doctrine of equivalents

- . A “substantial equivalent” of a claim element should substantially perform the same function in substantially the same way to achieve substantially the same result as the claim element**

Alternatively, a “substantial equivalent” may be found if a person of ordinary skill in the art would have considered the differences between the claim element and the accused element to be “non substantial” at the time of infringement.

The doctrine of equivalents must be applied to individual elements of the claims, not to the invention as a whole.

Patents: Defensive Uses

Avoid Infringement Suits

- Establish rights to technologies used in products & services
- Deterrent to competitor suits
- Use patents in counter-suit
- Provide meaningful indemnities to customers

Cross-Licensing/Settlement:

- Negotiate a cross-license to competitor's patent
- Avoid litigation costs, damage awards, & burdensome license agreements
- Requires well-developed patent portfolio



Defensive Uses: Rights to technologies

A company may avoid being dragged into litigation by developing a patent portfolio to establish its **rights to technologies** incorporated in its products or services. While all companies want to avoid litigation, start-up companies are particularly vulnerable to the perils of a costly patent infringement suit.

Even if a small company produces only one product or provides only a single service, a related patent infringement suit could drain the company's vital resources or force the company to enter into very unfavorable licensing terms. By obtaining patents, a company can claim technologies incorporated into its products or services before its competitors can patent the technology.

Defensive Uses: Indemnity agreement

Indemnities – customers, especially large companies, will often want to be indemnified against infringement claims by their suppliers. Thus, if Co. A buys product X from Co. Y and is then sued for patent infringement by Co. Z, Co. A may be liable for some of the damages & legal fees if infringement is found. On the other hand, if Co. A requires Co. Y to sign an **indemnity agreement** as part of its purchase of product X, then Co. A should be able to avoid litigation and damages expenses.

Co. Y will probably not be eager to agree to indemnify Co. A – but if Co. Y knows that it holds many/most of the patents related to product X, then it might be more willing to agree to broad indemnify provisions.

Defensive Patenting

Patents are “swords” and not “shields” in the sense that a patent does not give its owner the right to manufacture a product protected by the patent.

- A patent provides a negative right that allows the owner to say who cannot practice the invention protected by the patent.
- In defending against claims of patent infringement, it is of little help for the defendant to say that he has a patent and that his own products fall within the scope of protection accorded by the patent.

Defensive Patenting

A patent, or group of patents, may sometimes provide a defensive shield for a patentee against his own competitors.

Example: Assume Co. A holds 500 patents related to Product X, and assume that Co. A's top three competitors each hold 150 patents. The competitors "might" sue Co. A to achieve some business objective, but they would most likely refrain from suing Co. A for fear that Co. A would counter sue for patent infringement using its much greater patent portfolio.

Defensive Patenting

In many industries where the major players each hold substantial numbers of patents, it is quite common for these competitors to cross license their patents to each other.

- Such cross licenses may include some royalty formula or they may be completely free.
- Additionally, such cross licenses may have a major limitation, such as a field of use limitation, that would still permit infringement litigation outside the field of use.

A Well-Developed Patent Portfolio

- **Focuses on core business(es)**
- **Protects features and functions that transcend specific product offerings**

Create Barriers to Entry



Design-Around Techniques

Designing around one or more patents involves determining the scope of claim coverage provided by the patent.

- Designing around also typically requires:
 - Detailed review of the patent specification
 - Review of the prior art cited & applied during the prosecution, and
 - Close analysis of the prosecution history of the patent application to see if the applicant made any damaging admissions during prosecution (applicable also in the Doctrine of equivalents)

Design-Around Techniques

The attorney performing the design around analysis will likely want to determine:

- **The precise meanings for the terms used in the patent's claims**
- **By applying the laws regarding patent claims construction in the forum jurisdiction.**
 - **Local counsel may be needed if any of the patents are foreign.**

Design-Around Techniques

In Analyzing a Patent, Remember:

- **The Claims define the Monopoly**
 - **Plain meaning**
 - **The Specification (to interpret the claims A. 69(1) EPC)**
 - **File History from Patent Office**
 - **Possible Means + Function Issues**
 - **Doctrine of Equivalents may apply**
- **Understand The Prior Art**

Design-Around Techniques

The attorney will likely prepare his analysis in the form of an “opinion.”

- In some cases, the opinion may be fairly short while in other cases, it may be extremely detailed.
- “Opinion letters” are quite helpful, especially, in jurisdictions that recognize some form of “willful infringement.”

Design-Around Techniques

Willful infringement occurs when an infringer knows about a patent but makes no effort to determine if he infringes and/or deliberately infringes.

- The damages associated with willful infringement are typically additive to any actual damages.
 - US law, for example, allows up to a trebling of patent damage awards when willful infringement is found.
- A non-infringement or invalidity opinion from an attorney may prevent a finding of willful infringement.
- Some jurisdictions do not recognize willful infringement.

Design-Around Techniques

Obtaining a non-infringement or invalidity opinion should also:

provide valuable guidance to a company on the basic question of whether they have an infringement problem with respect to a particular patent.

Design-Around Techniques

Patent agents cannot prepare opinions in many jurisdictions.

- Patent opinions are typically written by an attorney, usually by a patent attorney.
 - Because a patent attorney often has in-depth knowledge of a particular technology, the patent attorney is preferred.
 - Many IP law firms will not prepare opinions due to the possibility of a high malpractice claim should the opinion turn out to be invalid.

Design-Around Techniques

A patent attorney will not typically write an opinion for a client when the attorney concludes that the client is:

- infringing
- a valid patent

In such situations, the attorney typically expresses his concerns verbally and not on paper.

Design-Around Techniques

Opinions of counsel in many countries are typically protected by the attorney-client privilege and do not need to be disclosed to adverse parties.

- A plaintiff typically must seek special permission from the court in order to compel a defendant to produce an opinion.
- The company should regard opinion letters as corporate secrets. They should not be shared with parties outside the company.

Design-Around Techniques

Opinions of Counsel:

- When a company has an opinion prepared by its counsel, then the company should make sure that the opinion is retained by the company in strictest confidence
 - and not shared with anyone
 - other than the company's senior executives &
 - only on a need-to-know basis.

Design-Around Techniques

Opinions of counsel should not be shared with persons outside the company, such as its customers.

- In some circumstances, the company may need to share its opinions with other parties.
- This may be done – in some jurisdictions -- using a vehicle known as a “**joint defense agreement.**” Please contact a litigation attorney if/when you need such an agreement prepared.

Thank you for your attention

Emmanuel E. Jelsch

European & Swiss Patent Attorney
Geneva
Switzerland