

Extracting Maximum Value from Your Patent Portfolio

Your patent portfolio does not make money sitting in a file cabinet. Extracting its value requires both market surveillance and an effective litigation or licensing strategy

In the biotechnology industry, a company's progress is largely based on exclusive access to proprietary technology. Exploitation and management of patented technology is critical. So, biotech companies — under ever-increasing pressure to maximize exploitation of corporate assets — are examining their patent portfolios as sources of additional revenue.

The patent statute, as interpreted by the courts, raises several traps for the unwary that can limit the ability to recover damages for infringement or otherwise diminish the value of your enforcement program. These limitations can arise in unexpected places; for example, a failure to mark a product with the patent number can limit your ability to recover infringement damages.

When enforcement is planned, consider the most appropriate method. Depending on your business objectives, you may choose to negotiate licensing arrangements or pursue

immediate litigation. Each has advantages and disadvantages. Licensing negotiations may avoid the large costs of litigation but yield inadequate results if the parties are mismatched in size, resources, and negotiating power. A notice letter may unwittingly trigger a preemptive declaratory judgment lawsuit in an inconvenient jurisdiction.

Prelitigation techniques — including some new legal concerns — that will provide a solid foundation for an enforcement regime include the following:

- evaluating your portfolio and monitoring the industry for infringement
- properly marking products and giving notice to potential infringers
- patent strength and reissue considerations
- the required due care investigation.

Acquiring a patent portfolio is half the battle. Using that portfolio as a revenue generator is essential if the investment in patent prosecution is to be justified.

Infringement Detection

Effective use of a patent portfolio requires vigilance. To identify potential infringers, many companies use portfolio management programs that involve extensive review of their own patent portfolios and continuous examination of other companies' products. Such programs allow you to identify patents that have enforcement potential, either through litigation or by issuing a license to practice the patented invention. In either case, this can raise significant revenue. IBM, for example, earns about \$1 billion annually by licensing the use of its patents.

The first step is to identify the nature and perceived scope of your patent portfolio. Claim scope is never final until a court has construed the claims, but experienced attorneys can use the canons of claim construction to give you a sense of the reasonable scope of your patent portfolio.

Next, evaluate the activities of companies using or selling technology protected by your patent portfolio. These companies may be direct competitors, or they may be working in technology areas in which you hold patents but do not sell any products. In either case, your patents may provide you with a valuable tool to enhance your revenues. The property right granted under a patent allows the holder to exclude others from making, using, selling, offering to sell, or importing any item that falls within its claims. Because the patent right is a right to exclude, and not a right to make, you can enforce your patents against infringers irrespective of whether you make a competing product.

One method of infringement detection is to purchase and analyze your competitors' products to determine if they fall within the scope of patent claims. For product claims, particularly those for therapeutic compounds, infringement detection can be straightforward because of the regulated nature of the market and the ability to obtain samples of the potentially infringing materials for analysis. However, for certain types of patented inventions, such as genes and methods of manufacture, infringement can be far more difficult to detect because it is taking place far from the public eye. Such



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inventions require more creative monitoring approaches.

One approach is through the competitor's own patent portfolios, either foreign or domestic, which may describe methods being practiced. Patent documents can be obtained from a number of public sources, including the U.S. Patent and Trademark Office (PTO), which provides a search engine for issued patents on its website (www.uspto.gov). Nonissued U.S. patent applications may be a robust source of information; they are now published by the PTO 18 months after the filing date and are also searchable on the PTO web site. Foreign patents and published patent applications are also available from a number of public sources, including commercial databases and the foreign patent offices themselves.

An often untapped resource is the effective use of your scientific personnel. Scientists typically read technical journals and attend industry meetings in the ordinary course of their employment. This gives them insight into the activities of competitors that may yield information about products or processes that may infringe upon your patent portfolio. An incentive program rewarding scientists whose reports of activity ultimately lead to a license or other economic benefit to the company may be helpful. However, the scientists should not perform the infringement analysis. The observations should be reported to counsel, the only individuals who should be making the infringement analysis.

Maximizing Damages

Recovery of damages for patent infringement is limited in time and subject to certain notice requirements. Statute limits the recovery of damages for infringement to acts that occurred during the six years before the suit was filed. The law also imposes a notice requirement on patent owners, which can be satisfied in one of two ways. First, the patentee can provide notice by marking the patented invention with the word "patent" or "pat." followed by the patent number. If the item is such that it is impossible to mark, the patent owner can provide notice by including a label containing the patent number within its packaging.

Another way to satisfy the notice requirement is to provide actual notice to the

accused infringer. This must be done carefully; an aggressive notice letter (for example, demanding cessation of infringing activities and impliedly or expressly threatening an imminent lawsuit), may provide a basis for an unwelcome declaratory judgment suit. Such a lawsuit, brought by your adversary in the forum of its choosing, typically seeks a declaration that your patents are invalid, unenforceable, or noninfringed. The courts have provided guidance on how to provide the required letter that constitutes adequate notice without triggering declaratory judgment jurisdiction. Such a letter should contain the following:

- the identity of the patent(s) at issue
- the activity that is believed to be an infringement
- a proposal to abate the infringement through license.

A notice letter also provides the practical advantage of providing the infringer with actual notice of the patent. This triggers an obligation of due care by the infringer to avoid infringement — an obligation which, if not satisfied, can lead to imposition of treble damages and attorney fees if the infringement is found to be willful.

Patent Strength and Reissue

Before sending out notice letters or otherwise seeking to enforce a patent, you must fully understand the scope of your patent and the nature of the infringing product. Whether you pursue a license or immediate litigation, the validity and scope of your patent will likely be challenged.

In some cases, it may be beneficial to use the PTO's reissue proceedings to reissue a patent before pursuing infringers. For example, if prior art is discovered that potentially endangers the patent's validity, the process can be used to amend patent claims to avoid that prior art and, ideally, still ensnare the competitor's product. A reissue application narrowing the scope of patent claims can be obtained at any time during the patent term.

You can initiate proceedings to obtain broader claims within two years from the issue date of a patent. This becomes particularly valuable as courts erode the equitable doctrine of equivalents, which provides for infringement even if a claim limitation is not literally present in the device. If claims can be broadened through

reissue to make the infringement literal, then that process is advisable.

When considering whether to reissue a patent, consider the doctrine of intervening rights. It limits your ability to recover damages from infringers who in good faith develop and manufacture an invention claimed in a reissue patent but not in the original patent. So, if you amend the claims, you give up infringement damages for activity that occurred before the reissue patent was issued. Usually, intervening rights cover only specific products already made at the time of reissue. However, where the infringer invested in substantial preparations to make, use, or sell identical products before the issuance of the reissue patent, courts occasionally fashion other equitable relief that can exceed the date of reissue.

Prelitigation Investigation

In some cases, if you wish to enforce your patent, litigation may be unavoidable. In recent years, courts have confirmed that a patent plaintiff has an affirmative duty to conduct a reasonable investigation before bringing infringement action. Failure to comply with this duty can result in monetary sanctions, such as payment of the other side's attorney fees, and nonmonetary sanctions, such as a court order of noninfringement.

A reasonable investigation into the factual and legal basis for the complaint requires both a reasonable claim construction by an attorney and an infringement analysis that compares the construed claims to the accused device or process. The courts have viewed this through the lens of reasonableness. Thus, the failure to spend a few hundred dollars to buy allegedly infringing golf clubs may be viewed as sanctionable conduct. On the other hand, if the patent is to a process, you believe that there is no way to make the product except by the process, and the infringer refuses to provide you with any information about the process, you can still bring an action without being sanctioned because your investigation was reasonable.

Your patent portfolio provides a valuable resource for your company. However, effective use of the asset requires careful planning and attention in order for you to extract maximum value from your patents. **BPI**