



IP in the Reform Era: Protecting Your IP Assets in the Perfect Storm

Proactive and Pragmatic Strategies to Mitigate Business Disruptions from NPEs

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With varying degrees, and expanding across industries and venues, non-practicing entities (NPEs) have created disruptions to patent owners who seek to utilize inventions to enhance competitive advantage for their goods and services. NPEs, by forcing them to come to a negotiation table or to courts, can not only accelerate depreciation of the value of the IP assets, but also squeeze profits out of businesses who are coping with the effect of economic downturn.

The purpose of this article is to provide helpful ways in which a company can monitor the IP landscape and determine which risks are distant, which are more immediate, and what technologies are being heavily litigated and by whom. The following non-litigation-based business strategies are categorized into five main areas:

- (1) Search Strategies;
- (2) Patent Owner Tracking,
- (3) Court Docket Diligence,
- (4) Collaborative Initiatives, and
- (5) Defensive IP Actions.

One or a combination of these strategies may be helpful in keeping management informed of cost-effective and efficient ways to stay abreast of competitor moves and evaluate risks – whether or not those risks stem from the actions of NPEs or other patent-owners.

(1) Search Strategies

- a) **Create Alerts:** a proactive way to stay abreast of moves or developments by competitors is to create keyword-specific Internet searches that run automatically at a defined time and which deliver reports to your email inbox when the keyword appears in a news item. One such (free) service is Google's "Alerts" (<http://www.google.com//alerts> or <http://www.google.co.jp/alerts>). Simply input any search term, such as a competitor's or NPE's name or a technological keyword, select a database, and specify how often you would like to run the search, e.g., daily, weekly, or as-it-happens. There is a separate and independent Google Patent search (http://www.google.com/advanced_patent_search) but it is not a database that Google uses for its





alert service, which currently includes searches of the News, Web, Blogs, Comprehensive, Video, and Groups.

- b) **Search the USPTO Generally:** monitor all of the patents that issue and the patent applications that publish within the relevant technology areas and compare them to the company's current products and those in development. The USPTO permits manual keyword searches of patents and applications that can be done monthly or quarterly via their website at <http://patft.uspto.gov/>. The "Quick Search" function contains a dropdown menu which allows you to search for patent owners, inventors, or words that appear in the patent claims.

A cautionary note: it can be very easy to become overly concerned about patent applications that publish with seemingly broad claims, which can lead to misplaced effort, time, and cost in performing an early infringement analysis. If a patent subsequently issues, its claims may look very different from the versions that published earlier and could have been limited significantly during the latter part of examination. Rather, use searches of patent applications sparingly to get a general idea of what patents and applications are issuing or publishing in a particular industry or technology area. U.S. patents issue every Tuesday so one idea is to routinely run a keyword search on the first or last Tuesday of every month or couple of months.

- c) **Search the USPTO Specifically:** the USPTO's "PAIR" website allows you to access the entire file history of a patent simply by entering the patent number or application serial number. This allows you to access all of the papers an applicant has filed with the USPTO during the course of examination under the Image File Wrapper and read attorney arguments and how the patent applicant has characterized their invention. Not only that, the PAIR website identifies, under the "Continuity Data" tab, what other applications or patents exist, if there are any, that are related to the one searched. See <http://portal.uspto.gov/external/portal/pair>.
- d) **Search Patent Assignments:** you may also search for a competitor or NPE to see if they are named as patent owners or assignees through the USPTO's "Patent Assignment Query Menu" available at <http://assignments.uspto.gov/assignments/q?db=pat>

Under the U.S. patent system, it is not necessary to record an assignment of patent rights before the USPTO, unlike the requirement imposed by some other countries' patent offices. It would not be surprising if some NPEs do no record what patents have been assigned to them to obfuscate ownership from the public eye. Perhaps a search of patent assignment records in other markets would be useful such as searching for the "Applicant" name on the World Intellectual Property Organization (WIPO) website at <http://www.wipo.int/pctdb/en/index.jsp>.

- e) **Be Wary of Old Patents:** sometimes, an asserted patent is an older one directed to an invention that has since become ubiquitous or was monetized or purchased as part of a patent portfolio from a legitimate company that no longer saw any use for maintaining it. In these instances, it



might be helpful to search older patents that have relevance to current and in-development products and searching the USPTO website to see if the patents have been assigned from their original assignees to new entities.

- f) **Search Patent Auctions:** consider monitoring patent auctions for patents that could be a problem if purchased by an NPE. There are a number of formal IP auction houses that provide searchable databases to identify patents up for sale, e.g.,

Patent Auction (<http://www.patentauction.com/>) and
Ocean Tomo (<http://www.oceantomo.com/auctions.html>).

(2) Patent Owner Tracking

- a) **Track NPE Activities:** it is possible to track activities by known NPEs. One online effort that has been collating information about the NPE activities is Patent Freedom at <https://www.patentfreedom.com/>. This suggestion is not to start a trolltracker blog -- someone was sued already for doing so -- but having an internal list of NPEs is helpful. The organizers of Patent Freedom have identified what they call the “Most Litigious NPEs” and listed them at <https://www.patentfreedom.com/research-ml.html>.
- b) **Defense Groups:** review and consider joining one of the many patent defense groups, such as RPX Corporation, whose business plan apparently is to buy patents but not use them to sue anyone. See <http://bits.blogs.nytimes.com/2009/03/30/trolling-for-patents-to-fight-patent-trolls/>
- c) **Public Company Searches:** performing an SEC EDGAR search for public companies is sometimes helpful in situations where a public company sells patent assets to an NPE that could be recorded on their 8K and 10K filings. See <http://www.secinfo.com/>.

(3) Court Docket Diligence

- a) **Review Federal Dockets:** consider reviewing the federal dockets for NPE-initiated suits in the last 5 years in a particular industry. Depending on the specificity of the search, it can be possible to prepare a spreadsheet listing the cases, the jurisdictions, and the patents involved. In conjunction with a search on PAIR (see above) for additional patents and pending applications in the patent families of interest, the docket search can give a company insight into which NPEs are active and what assets are important.
- b) **Monitor Infringement Suits:** consider regularly monitoring the patent infringement case filings each day or week, paying particular attention to asserted patents that are close to your company’s business. It should not be too cumbersome to develop a running list of the NPEs who file infringement lawsuits cases in the Eastern District of Texas, for example, and



identify which technology areas they are exploiting. This would also help to identify those NPEs who are operating by purchasing patents obtained by other, sometimes legitimate, inventors (often these patents issued quite some time ago so might not be found in a search for newly issued patents as you described below) and then exploiting them for NPE purposes.

(4) Defensive IP Actions

- a) **File Your Own Patent Application**: consider filing a provisional application as early as possible on new product ideas to create evidence of prior use. A provisional application provides an early date for establishing priority of invention in the U.S. Not only that, the ultimate non-provisional application becomes prior art when it publishes – both as of its publication date and as of its earliest filing date, i.e., its provisional filing date, which could be problematic to NPEs and others seeking patent protection in the same or overlapping technological space.
- b) **Reexamination**: proactively organize grounds for challenging a patent’s validity by preparing reexamination requests against NPE or competitor patent assets that pose an infringement risk. If the NPE ever serves notice of the patent against them, then that company can readily (1) use the request to leverage a better settlement; (2) move to stay a litigation if the NPE sues (a Federal court may sometimes postpone a lawsuit until the USPTO reaches a decision on reexamination of the same patent); (3) file a Declaratory Judgment in a jurisdiction friendly to reexamination.
- c) **ITC Investigations and Reexaminations**: there are two types of reexaminations: *ex parte* without naming the third party requester and *inter partes* naming a consortium. Under *inter partes* reexamination, estoppel does *not* apply to ITC investigations, which means respondents are free to raise the same invalidity arguments in both fora — in effect, to get two bites at the apple. This means that respondents in Section 337 investigations at the ITC should consider the potential benefits to be gained by initiating a concurrent *inter partes* reexamination proceeding at the USPTO.

While the odds of obtaining a stay of ITC proceedings in favor of a concurrently filed reexamination proceeding is for the most part, unlikely, the ability of the reexamination requester to actively participate in the reexamination may lead to the creation of intervening rights, prosecution history estoppel, and non-infringement positions relative to the patent at issue. In this way, the requesting party may offer to “back out” of participation in the reexamination as part of an overall settlement strategy; thereby leading the patentee in a much favorable position to recover the patent.



- d) **Generate Conflicts**: consider engaging as many of the most active NPE law firms in the Eastern District of Texas as possible to conflict them out of future litigations. This might save a company from being grouped into a multi-defendant case in certain situations – and even once might pay off.
- e) **Freedom To Operate and Design Around**: routinely conduct searches of issued patent claims to proactively identify high-risk infringement issues and be flexible in designing or redesigning aspects of the commercial product.

(5) Collaborative Initiatives

- a) **Form Consortiums**: an industry-wide approach is to form consortiums within the particular industry, solicit contribution from companies which spread the cost of reexaminations across the companies that are impacted by an NPE. A reexamination is a method a third party can employ to ask the USPTO to effectively re-examine an issued patent. The bases for convincing the USPTO that it should not have issued the patent can be high, however preemptively filing a request for reexamination can take a high risk patent out of circulation for a few years and even reach an ultimate conclusion that the patent is not valid.
- b) **Licensing**: a company always can offer to license the patent(s) for a cut-rate deal, which the patent owner might be eager to do if they are embarking on litigation against other defendants.

What if You Still Get Approached by an NPE?

Be aware that everyone who engages the USPTO in the hopes of obtaining their own patent has a duty of candor to reveal material information to the USPTO examiner. A person who searches the scientific and patent literature therefore has a duty to disclose any pertinent and material references to the USPTO. Failure to do so could be construed as an intentional effort to deceive the USPTO that could render the company's own patent unenforceable.

That cautionary note aside, no amount of proactive actions can actually prevent a competitor or NPE from suing whoever they want to sue. So, what can a company do if it receives a letter in the mail offering a "license opportunity"?

1. Contact patent counsel and send an initial response to the patent owner, asking for specific allegations and proof of the need for a license to the patent or patents.
2. Determine dates of first use, sale or offer for sale of the accused technology.



3. Determine “exposure”: how much does the accused technology generate in sales? Profits? What are future plans for the technology?
4. Examine the file history of the to-be-licensed patent for statements that define what is and is not the “invention.”
5. Examine foreign counterpart patent applications and their file histories for helpful information, including prior art not cited to the U.S. Patent Office.
6. Review the “proof” provided by the patent owner (if any) and conduct an analysis of non-infringement and/or invalidity.
7. Determine whether to obtain opinion of counsel based on non-infringement or invalidity.
8. Determine whether to seek re-examination from the Patent Office or a declaratory judgment from a U.S. federal court.

The examples above are just a few proactive measures a company director or manager can take from the comfort of their office. By simply using free online services and databases accessible from any computer they can conduct online and patent searches; track patent applicants’ assets; monitor lawsuit filings; potentially collaborate with members in the industry; and create imaginative defensive patent portfolios. Such efforts could reveal trends and identify key patents that require the company’s attention. And, if done as part of regular and routine business operations, such dead reckoning insights about emerging and assertable patents, ownership, the technological landscape, and litigation activities could help a company mitigate disruptions in their business operations and profitability.