

# US Utility Patents – Part 1: The Basics

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**Bob Weber**  
**Managing Director**  
**Patent Kinetics, LLC**  
**[www.PatentKinetics.com](http://www.PatentKinetics.com)**

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# United States: Four Kinds of Patents

- **Provisional patents**

- Filed mainly to establish an earlier priority date

- **Utility Patents**

- Defines the boundaries of the claimed invention
- This presentation is mainly about Utility and Provisional Patents

- **Design Patents**

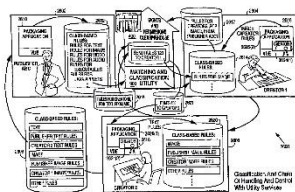
- Protects the distinctive ornamental aspects of a product
  - Can be important: e.g., Apple v Samsung
  - Slides 5-10 of David Burn's (Mcarter) [ENet presentation](#) is a good summary of design patents

- **Plant Patents – See Bill Hilton (Gesmer)'s Boston ENet presentation: [IP for Plants](#).**

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# Basics: A Utility Patent

 US007110983B2	
(12) <b>United States Patent</b> Shear et al.	(10) <b>Patent No.:</b> US 7,110,983 B2 (45) <b>Date of Patent:</b> *Sep. 19, 2006
(54) <b>METHODS FOR MATCHING, SELECTING, NARROWCASTING, AND/OR CLASSIFYING BASED ON RIGHTS MANAGEMENT AND/OR OTHER INFORMATION</b>	3,609,697 A 9/19/1 Blevins (Continued) FOREIGN PATENT DOCUMENTS
(75) Inventors: Victor H. Shear, Bethesda, MD (US); David M. Van Wie, Sunnyvale, CA (US); Robert P. Weber, Menlo Park, CA (US)	AU A-3681597 2/1998 (Continued) OTHER PUBLICATIONS
(73) Assignee: Intertrust Technologies Corporation, Sunnyvale, CA (US)	Shear et al. DigItoc: A Self-Protecting Container for Information Commerce; Electronic Publishing Resources Inc., USFPAIS workshop on Electronic Commerce, Jul. 1995; pp. 1-14.*
(* Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 245 days. This patent is subject to a terminal disclaimer.	(Continued) Primary Examiner: Thomas A Dixon (74) Attorney, Agent, or Firm: Finnegan, Henderson, Farabow, Garrett & Dunner, LLP
(21) Appl. No.: 10/272,906	(57) <b>ABSTRACT</b>
(22) Filed: Oct. 18, 2002	Rights management information is used at least in part in a matching, narrowcasting, classifying and/or selecting process. A matching and classification utility system comprising a kind of Commerce Utility system is used to perform the matching, narrowcasting, classifying and/or selecting. The matching and classification utility system may match, narrowcast, classify and/or select people and/or things, non-limiting examples of which include software objects. The Matching and Classification Utility system may use any pre-existing classification schemes, including at least some rights management information and/or other qualitative and/or parameter data indicating and/or defining classes, classification systems, class hierarchies, category schemes, class assignments, category assignments, and/or class membership. The Matching and Classification Utility may also use at least some rights management information together with any artificial intelligence, expert system, statistical, computational, manual, or any other means to define new classes, class hierarchies, classification systems, category schemes, and/or assign persons, things, and/or groups of persons and/or things to at least one class.
(65) <b>Prior Publication Data</b> US 2003/0069749 A1 Apr. 10, 2003	
<b>Related U.S. Application Data</b>	
(60) Division of application No. 09/498,369, filed on Feb. 4, 2000, which is a continuation of application No. 08/965,185, filed on Nov. 6, 1997, now Pat. No. 6,112,181.	
(51) Int. Cl. G06Q 99/00 (2006.01)	
(52) U.S. Cl. 705/55	
(58) Field of Classification Search 705/50, 51, 52, 54, 26, 53 See application file for complete search history.	
(56) <b>References Cited</b> U.S. PATENT DOCUMENTS 3,573,747 A 4/1971 Adams et al.	<b>20 Claims, 96 Drawing Sheets</b>



- Gives the owner the right to **exclude** others from making, using or selling, offering for sale, or importing his/her invention.

Utility Patent → 20 years from filing date

- Does not give its owner the right to make, use, sell, offer to sell, or import
  - (Common misconception)

- The right to make, use, etc. is the absence of unlicensed patents of others that the manufacture, use, etc. would infringe

# THE Key Point: Patents Are Business Documents

- **What will be the return on investing in patents?**
  - Startups: are you better off instead with an additional developer or engineer to get to the revenue ramp faster?
  - Midstage: defensive and offensive uses of patent portfolios
    - Have something to license
    - Keep others from obtaining patents by disclosing inventions
    - Able to defend key features that drive product adoption
  
- **Return on Investment (capital, people, and time to hockey stick inflection point)**
  - Try to anticipate where the market will be in 2-5 years
  - Estimate how big the market might become
  - Are there substitutes that are almost as good?
  - Can competitors easily move into your “space?”
  - If you are successful, do you need patents to be acquired? For defensive purposes? For offensive purposes?

# Surprise!



**MOST PATENTS ARE  
WORTHLESS!**

# Best Practices: Underlying Assumptions

(See Part 2: Patent Best Practices)

- **Weak patents are not worth having in my opinion.**
  - Investors, competitors are increasingly skillful at discerning weak patents
  - An excellent waste of scarce financial and other resources
- **Develop a patent portfolio as if you intend to enforce the patents later on**
  - The market increasingly understands what makes a patent valuable
- **There are numerous free online tools that can help at various stages of patent portfolio development**
  - See below
- **Entrepreneurs, inventors, and investors need to educate themselves**
  - Or have a trusted advisor
- **Many patent attorneys need to be managed**

# Increasingly Difficult To Monetize U.S. Patents

- **Changes in the law resulting from court decisions and the American Invents Acts (“AIA”) (2011)**
- **Example changes that have negatively affected patent owners:**
  - AIA – Inter Partes Review – defendants get “two bites of the apple”
    - District Court and the Patent Trial and Appeal Board (where IPRs are heard)
  - Patentable subject matter – what’s eligible to be patented in the US
  - Damages – how much you can get if someone infringes
  - Injunction – keeping infringing items off the market
  - Loser pays in “exceptional cases” – you better have a good case



# What is a Patent Worth?

- Patent owners do not determine patent value: Markets Do
- Single patents are usually not worth much
- A portfolio of at least 5-10 patents is a good rule of thumb
  - Difficult to invalidate all the claims
  - Broader coverage
- Some portfolios might sell for \$150,000+- per patent, depending.....
- Often one or a few very valuable patents determine the value of a larger portfolio

# A Big Problem: Inter Partes Review - 1

- **The AIA provides a process at the USPTO's Patent Trial and Appeal Board (PTAB) for anyone to challenge the validity of an issued US patent.**
  - The process: someone other than the patent owner petitions the PTAB to evaluate the validity of a patent on grounds outlined in the petition
  - The PTAB decides whether the evidence submitted in the petition is likely to render at least one claim of the challenged patent invalid
  - If the PTAB decides there are grounds to believe the patent is more likely than not invalid, the petition is “instituted” and the process moves toward the trial (administrative hearing) stage.
  - A substantial majority of challenged patent claims are invalidated by the PTAB
  - (the “patent death squad,” former Chief Judge Rader, Court of Appeals for the Federal Circuit)
- **Many defendants routinely file IPR petitions when sued for infringement.**
  - Costs for plaintiff to defend their patents may be several hundred thousand dollars for each asserted patent
  - Even a prevailing patent owner faces added delay and uncertainty, making assertion a lot more challenging
- **Multiple challenges at the PTAB to a small portfolio**
  - Zond-371 claims cancelled by the PTAB after 125 IPR Petitions.
  - By the end, no claims were judged to be valid.

# Succinct Statements of the Problem With the PTAB

B.E. Technology petition at the Court of Appeals for the Federal Circuit (CAFC)

- “As explained herein, the USPTO’s inner machinations have rendered adjudications before the PTAB so profoundly unfair and biased against independent inventors that B.E. [Technology] doesn’t stand a chance at a fair trial against its “Big Tech” adversaries in the pending IPR proceedings.”
- “These circumstances have turned IPR proceedings into a Kafkaesque nightmare in which independent inventors are forced to participate against their will, despite knowing that the deck has been irretrievably stacked against them.”
- The petition asks the court to intervene to “prevent an unconstitutional deprivation of B.E.’s property rights in the onslaught of IPR proceedings that have been brought to challenge the validity of its most critical patents.”
  - [CAFC B.E. Technology petition for Writ of Mandamus.](#)

# A Big Problem: Inter Partes Review - 2

- **Lower standard of evidence for invalidity at the PTAB than in District Court**
  - PTAB – preponderance of the evidence (more likely than not)
  - District Court – clear and convincing evidence (highly and substantially more probable to be true than not)
- **If you sue multiple infringers, each can file their own petition at the PTAB, using different prior art, different arguments.**
- **And now if the petition is denied, defendants are increasingly filing Inter Partes Reexamination petitions, a longer, more costly process for all concerned.**

# Reasons For Very Cautious Optimism (which will take time)

- **So what: patent owners are at a substantial disadvantage**
  - Patents that were issued with a presumption of validity are too frequently invalidated
  - Much higher case costs,
  - Infringement suit prolonged, assuming that at least one claim survive the IPR process
- **However, the previous USPTO Director (Andrei Iancu) moved the needle toward fairness for patent owners**
  - Largely eliminated multiple petitions from one petitioner for one patent
  - The PTAB has refused to institute the petition if the district court proceedings will provide an answer sooner than the PTAB (“discretionary denial”)
  - Rate of discretionary denials of institution continues to climb, mainly because of the speed of proceedings in the Western District of Texas (and perhaps in other “rocket docket”)
- **Rules regarding IPRs evolving**
  - The claim construction standard used in IPRs is now the same standard as used in district court infringement cases
  - Much harder to file multiple petitions by a single entity against the same patent
  - Perhaps increasing deference to the timing of district court cases
  - However, rules at PTAB continue to evolve. At the moment, a wild card is Kathi Vidal, the nominated but as yet unconfirmed USPTO director.

# Another Big Problem: Patentable Subject Matter

- **§101: Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.**
- **However, court decisions have affected negatively nearly all areas of invention, for example:**
  - Software and computers
  - Medical diagnostics
  - DNA sequences
  - Methods of medical treatment
  - Financial services
  - Business methods
- **Consult a registered patent attorney regarding all patentability questions**

# Software Patents and §101

- **A two-part test** *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014):
  - Is the invention an abstract concept?
    - No. Usually patentable if novel and non-obvious.
    - Yes, is an abstract concept?
      - Is there “something more” of a technical nature
      - No? not patentable
- **Software and Computers**
  - Simply doing things that were previously done without a computer now with a computer
    - Dead in almost all cases either at the USPTO or the relevant courts
    - Still possible to get software patents provided that **the invention is a technical solution to a technical problem.**
      - (*DDR Holdings, LLC v. Hotels.com, L.P.*, CAFC No. 13-1505s)
  - “Want an eligible patent: explain the technological advance in sufficient detail” Prof. Dennis Crouch, PatentlyO blog.

# Injunction – Prohibits Proven Infringer From Continuing to Make, Sell, Import, Use

- The threat of an injunction used to be sufficient to get an infringer to settle
- Getting any injunction is now much more difficult – it takes more than proving infringement to justify the injunction
  - Result of a Supreme Court case - *eBay Inc. v. MercExchange, L.L.C.*,
  - A patent owner who practices their invention is more likely to get a injunction against a competitor than one who does not
- Patentees are usually forced to license for reasonable royalties rather than keeping infringing products off the market



# Royalties When Infringement Proven

- We're mainly in a compulsory licensing regime
- Rules for calculating reasonable royalties continue to evolve
  - Many of the older “rules of thumb” are now dead
- Apportionment of royalties for complex products
  - Damages calculated on the “smallest saleable infringing unit”
    - Example: if a smartphone microprocessor infringes, reasonable royalties are typically based on the value of the microprocessor rather than of the whole smartphone.
  - Best if the infringing feature can be shown to drive demand for the whole product
- Much harder to get treble damages for willful infringement

# Loser Pays Costs In “Exceptional Cases”

- **A bit easier for winning defendants to get their legal costs paid by plaintiff if the infringement case is exceptionally weak**
  - *Octane Fitness, LLC v. Icon Health & Fitness, Inc.* Supreme Court
- **Defining “exceptional case” remains an ongoing process in the courts**
- **Makes it difficult to get trial attorneys to take infringement cases on contingency**
  - May inhibit litigation financing

# Acknowledgements and Disclaimers

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- Link to Utility Patents - Part 2 - Best Practices
- Always consult a registered patent attorney
- Gratitude to those attorneys, inventors, patent owners, co-workers, bloggers and others who have shared their knowledge and expertise in private conversations and public forums.

# The End

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Muchas gracias

**Domo arigato**

Dank u

**Danke schoen**

Thank you

# About Patent Kinetics and Bob Weber

- Based on more than two decades of practical experience, Patent Kinetics, LLC helps patent owners, inventors and investors get a financial return on their substantial investments in R&D. We specialize in patent portfolio strategy and implementation and in enforcement opportunity evaluation in the electrical and mechanical technology domains.
- Bob Weber is an intellectual property professional, inventor, serial entrepreneur, senior executive, and management consultant. Weber is an inventor with 27 issued US patents and a number of foreign counterparts. Weber has been a member of the Silicon Valley Chapter of the Licensing Executives Society since 2010 has served on the chapter's Board of Directors and Program Committee. In Boston, he served on the Advisory Board of the Boston Entrepreneurs Network ("ENet") where he co-organized and moderated ENet's "Legal Issues for Entrepreneurs" meetings.

# Contact Information

**Bob Weber**

**Managing Director**

**Patent Kinetics, LLC**

**Info@PatentKinetics.com**

**www.PatentKinetics.com**

**www.linkedin.com/in/bobweberbos/**