

US Utility Patents - Part 1: The Basics

Bob Weber
Managing Director
Patent Kinetics, LLC
www.PatentKinetics.com

November, 2022

Notices and Disclaimers

- Patent Kinetics specializes in Intellectual Capital Management, including patent strategies and evaluating patent enforcement opportunities
- Bob Weber, its Managing Director, is not an attorney
- Nothing in this presentation is, or shall be construed under any circumstances, by implication or otherwise, as the giving of legal advice or the practice of law.
- Always consult a registered patent attorney

P.E.A. presenta un film de

SERGIO LEONE
con
CLINT EASTWOOD

**LE BON
LA BRUTE
LE TRUAND**

con
LEE VAN CLEEF
ALDO GIUFFRÈ

LUIGI PISTILELLO BADA BASSIMOV
ENZO PETITO CLAUDIO SCARCHILLI
JOHN BARTHA SIVIG IORENFON
ANTONIO CASALE SANDRO SCARCHILLI
RENATO STEFANELLI ANGELO NOVI

di **MARIO BREGA**

con
ELI WALLACH

con la regia di TUCO

Scenario di Giuseppe

ASCI, SCARPELLI, LUCIANO VINCENZONI e SERGIO LEONE

Regia di

SERGIO LEONE

Musica di

ENNIO MORRICONE

(Edizione Musicale EUREKA)

TECNICOLOR TECHNICOLOR

Prodotto da

ALBERTO GRIMALDI per la P.E.A.



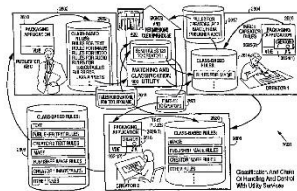
In The US: Four Kinds of Patents

- **Provisional patents**
 - Filed mainly to establish an earlier priority date
 - Never examined
- **Utility Patents**
 - Claims define 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
- **Plant Patents – See Bill Hilton (Gesmer)’s Boston ENet presentation: [IP for Plants.](#)**
 - Note: Links to recent Boston Enet presentations with permission. None of the presenters or their law firms are responsible for the content of this presentation.

Provisional Patent Applications

- You have one year to file a Utility application claiming priority to the earliest filed Provisional
- Ensure that the Provisional application supports the likely Claim 1 of the related Utility patent
- **Priority dates apply to claims, not to specifications**
 - In the “good old days,” many would file presentations, draft marketing documents, etc. with a provisional patent cover sheet.
 - If the Provisional doesn’t support all the claim elements, unlikely to get the benefit of the earlier priority date
- **Be careful. Be very careful, especially if you talk with potential investors, strategic partners, etc.**
 - You may not have the protection you think.

Utility Patent Basics



- 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

Patents Are Business Documents

- **What will be the return on investing in patents?**
 - Are you better off instead with an additional developer or engineer to get to the revenue ramp faster?

- **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!**

Underlying Assumptions

- **Weak patents are not worth having**
 - An excellent waste of scarce financial and other resources
 - Investors, competitors are increasingly skillful at discerning weak patents
- **Develop a patent portfolio as if you intend to enforce the patents later on**
 - The market increasingly understands what makes a patent portfolio valuable
- **There are numerous free online tools that can help at various stages of patent portfolio development**
 - Some listed in Part 2
- **Entrepreneurs, inventors, and investors need to educate themselves**
 - Or have trusted advisors

Markets Determine Patent Value – NOT Patent Owners

- **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 broader claims; some narrower claims
- **Brokerages might sell some portfolios for \$150,000+- per patent, depending.....**
 - Often one or a few very valuable patents determine the value of a larger portfolio
- **Patents covering prototypes or commercial products are more valuable**

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”
 - US District Court where patents are most often litigated, and
 - the Patent Trial and Appeal Board (where IPRs are heard)
 - Patentable subject matter – what’s eligible to be patented in the US
 - Damages / “reasonable royalties” – 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

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.

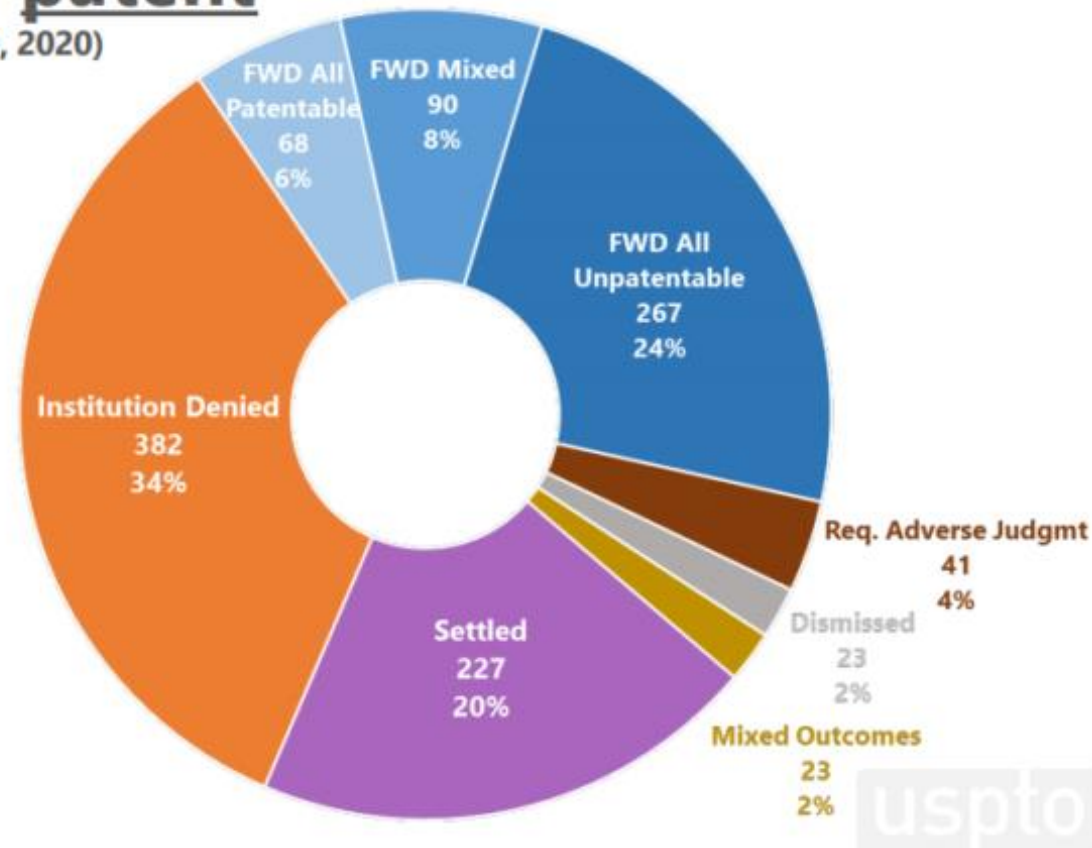
A Big Problem: Inter Partes Review 2

- **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 invalid than not)
- **IF you sue multiple infringers, each can file their own petition at the PTAB, perhaps using different prior art, different arguments.**
- **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 survived the IPR process

Recent PTAB Statistics: IPR Outcomes By Patent

Outcomes by patent

(FY20: Oct. 1, 2019 to Sept. 30, 2020)



FWD patentability or unpatentability reported with respect to the claims at issue in the FWD. "Mixed Outcome" is shown for patents receiving more than one type of outcome from the list of: denied, settled, dismissed, and/or req. adverse judgement only. A patent is listed in a FWD category if it ever received a FWD, regardless of other outcomes.

From US Inventor:
Assessing PTAB
Invalidity Rates

This above article provides additional data and interpretation.

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 negatively affected many 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

Is Software Patentable?

- **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.

Can You Get An 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

Reasonable Royalties

- We're mainly in a compulsory licensing regime when infringement is proven
- Rules for calculating reasonable royalties continue to evolve
- 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 [wholesale] 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**
- **Slightly more difficult to get trial attorneys to take infringement cases on full contingency**
 - May inhibit litigation financing

Litigation Finance

- **Investors in litigation - like VC firms:**

- Often say “no”
- Each has a “sweet spot”
- Varying degrees of risk aversion

- **Example funds that invest in patent litigation:**

- Burford Capital
- Omni Bridgeway
- Longford Capital Management
- Woodsford Litigation Funding
- Validity Finance
- Parabellum Capital

www.burfordcapital.com

www.omnibridgeway.com

www.longfordcapital.com

www.woodsford.com

www.validityfinance.com

www.parabellum.com

➤ **Usually best to find a strong litigation team and fund raise together**

Acknowledgements and Disclaimers

- Patent Kinetics, LLC remains solely responsible for the content of this presentation including any errors of fact.
- Bob Weber, its Managing Director, is not an attorney
- Nothing in this presentation is, or shall be construed under any circumstances, by implication or otherwise, as giving legal advice and/or practicing law.
- 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 in public forums.

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 mainly 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 is a member of the Silicon Valley Chapter of the Licensing Executives Society 2010-2022 and 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 was Vice Chair, Programs 2005-2005. On occasion, Weber has also 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/

The End

xièxiè

Muchas gracias

Domo arigato

Dank u

Danke schoen

Thank you