Freedom to Operate and Selected Issues

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Presented by:
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“My principal business consists of giving commercial value to the brilliant, but misdirected, ideas of others.... Accordingly, I never pick up an item without thinking of how I might improve it.”

- Thomas Edison
Freedom-to-Operate vs. Patentability

- **Freedom-to-Operate (i.e., non-infringement) is quite different from patentability.**
  - Patents give the patent owner the right to exclude others from making, using and selling (i.e., practicing) the patented invention, not the right to practice the patented invention.
  - Thus, while an invention may be patentable and result in an issued patent, the practice of the invention may still infringe a prior patent.
Reviewing Patents/Publications
Freedom-to-Operate vs. Patentability

• Example 1 (Non-infringement/Not Patentable):

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Art</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Invention</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- The prior patent requires limitation “A,” which the invention does not have. Thus, the invention does not infringe the prior patent.
- However, because the prior art discloses all of the limitations of the invention (e.g., “B”, “C”, and “D” limitations), the invention is not patentable.
Reviewing Patents/Publications
Freedom-to-Operate vs. Patentability

- Example 2 (Infringement/Patentable):

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Art</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invention</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

- The prior patent fails to disclose limitation “E,” limitation, which is part of the invention requires. The invention is thus patentable.
- But the invention also includes each of the limitations of the patented claim (e.g., limitations “B”, “C”, and “D”). Thus practice of the invention infringes the prior patent.
### Reviewing Patents/Publications

**Freedom-to-Operate vs. Patentability**

- **Example 3 (Non-infringement/Patentable):**

<table>
<thead>
<tr>
<th></th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
</tr>
<tr>
<td>Prior Art</td>
<td>X</td>
</tr>
<tr>
<td>Invention</td>
<td>X</td>
</tr>
</tbody>
</table>

- The prior patent fails to disclose limitation “E.” The invention is thus patentable over the prior patent.
- The invention does not include limitation “A.” Thus, the practice of the invention does not infringe the prior patent.
Why is Freedom to Operate Important?

• When introducing a new product or process
• When introducing a reformulated product or redesigned process
• When purchasing a business or product line
• When considering technology offered in a license
Why is a Freedom to Operate Analysis Conducted?

- To inform of the risks attendant to making, using and/or selling a product
- To develop a strategy to avoid third party patents and minimize risk of litigation (possible reexamination)
- To try to insulate client from a finding of willful infringement
- To provide a possible tool for negotiations with the patentee
Who Should be Involved in Analyzing Freedom to Operate?

- Multi-functional process
- The author of an FTO opinion should be
  - Knowledgeable, Independent, Potential good witness
  - Law firm vs. In-house
- Conducting the Investigation
  - Gather all the factual information required to render the opinion
  - Interview knowledgeable technical personnel
  - Obtain detailed description of product/process to be commercialized
  - Review product/process specification and literature
  - If possible, observe the product/process in operation
  - Determine when and where the product or process will be commercialized
Conducting The Search For Potentially Interfering or Dominating Patents

• Define the subject matter of the search
• Define the search parameters
  – U.S. Patents / published applications
  – Foreign Patents / published applications
Performing the Infringement Analysis

- **Claim construction**
  - Review written description and claim language
  - Review file history
    - statements that resolve ambiguity in claim language
    - principal cited prior art, with attention to examiner’s rejections and amendments drawn to overcome art, i.e., file wrapper estoppel
    - investigate terms of art where necessary
      - definitions in specification, dictionaries and technical treatises
- **Literal infringement**
- **Doctrine of equivalents**
  - using claim charts, evaluate whether there is an identical or equivalent element in the product or process for each claim element
  - consider effect of amendments and arguments made during prosecution
- **Consult with technical personnel, if necessary, to confirm that opinion is factually accurate and that any assumptions made are true or at least realistic**
- **Develop noninfringement position(s)**
Reviewing Patents/Publications
Freedom-to-Operate

– To infringe the claim of another patent, the invention (composition/method/use/apparatus) must include each and every limitation of the claim, or an equivalent thereof;
– The claim must be valid; and
– The patent must not be expired.
Reviewing Patents/Publications
Freedom-to-Operate

Comparison of invention with independent claim of patent/publication.

- 1) Does the invention being practiced literally include each and every limitation of the independent claim?
- 2) If no, are one or more elements of the practice invention equivalent to those elements of the claim that are not literally being practiced?

• If the answer to 1) and 2) is no, the independent claim is not infringed.
• If an independent claim is not infringed, all dependent claims depending from the independent claims are also not infringed.

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Reviewing Patents/Publications
Freedom-to-Operate

• **General thoughts regarding validity/patentability**
  – Just because an independent claim is invalid or unpatentable, this does not mean the entire patent is invalid or unpatentable.
  – A dependent claim narrows the independent claim and may still be valid/patentable.
  – It is therefore good practice to review the relevance of the dependent claims to the practiced invention.
  – For example, a complete assessment might result in independent claim 1 and dependent claims 2-4, 8 and 12 raising a potential freedom-to-operate issue, with the remaining dependent claims raising no issues.
Preparing the Freedom To Practice Opinion

- Opinion is preferably in writing, not oral, and should rest on a strong legal and factual foundation
- Confirm accuracy of facts and assumptions regarding product/process
- Generate element-by-element “claim chart” for each claim, separately for infringement and validity analyses
- Opinion should state that it is based on the patent, its file history, the prior art of record, any additional prior art and provide a description of product/process provided by client
- Provide infringement/validity analysis (consider doing one or both)
- Incorporate pertinent current Federal Circuit and District Court case law and statutory authority
- Provide substantive analysis, not conclusory assertions
- Identify probability of success, risks and recommended course of action
- Discard drafts of opinion (but maybe not during litigation)
- Limit distribution of opinion to preserve claim of privilege

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Ongoing Considerations

• Freedom to Operate should be reviewed periodically to ensure that a supplemental analysis is not required due to intervening circumstances, such as:
  – publication of patent application
  – modification of product/process
  – issuance of reissue patent or reexamination certificate
  – subsequent discovery of more relevant prior art than that considered in original opinion
  – additional evidence relevant to secondary considerations of nonobviousness becomes available
FTO - Summary of Best Practices

• Conduct analysis / Prepare opinion as soon as possibility of infringing activity becomes apparent

• Acquire all of the factual information required to render a fully competent opinion

• Include thorough legal and factual analysis, preferably based upon claim charts for both validity and infringement

• Provide a realistic assessment of the risk, identifying any uncertain complex technological issues and any areas of unsettled law

• Select the recipient of the opinion wisely
Licensing – Due Diligence

- How does a licensee evaluate a patent / patent application?
- Do I need the license? If I take a license, will I be able to use what I am getting? What is a license worth?
  - What IP exists?
  - Who owns the relevant IP?
  - Are there any “Warts”?
  - What third party IP right may affect the IP portfolio?
- From the licensor’s perspective – evaluate the potential problems before taking the IP to market.
Licensing – Due Diligence (continued)

- **Managing Licensing Due Diligence**
  - Budget for the exercise
  - Evaluate potential design around opportunities
  - Multi-functional approach – R&D, marketing, legal, finance

- **Scope and strength of the patents being licensed**
  - Potential blocking patent
  - Design around
  - Validity

- **Commercial Terms**
  - Exclusive vs. Non-exclusive
  - Rights Granted
  - Royalty payments; minimum royalty payments
  - Field of Use
  - Termination Rights

** Ultimate goal = arrive at fair commercial terms **