

Freedom to Operate and Selected Issues

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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):**

	Claim Limitations				
	A	B	C	D	E
Prior Art	X	X	X	X	
Invention		X	X	X	

- 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):**

	Claim Limitations				
	A	B	C	D	E
Prior Art		X	X	X	
Invention		X	X	X	X

- 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):**

	Limitations				
	A	B	C	D	E
Prior Art	X	X	X	X	
Invention		X	X	X	X

- 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.**

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**

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 **