

What is Your Patent's Purpose?

PRACTICAL CONSIDERATIONS

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Congratulations!

You have a patent; now what?





Why did you want a patent?

Did you want a patent so you can make a product or provide a service?





A patent is not required to sell products or provide a service.

In fact, most products are not patented.

For example...



Look at Red Bull Energy Drink.

The contents are NOT patented.



Red Bull just has a REALLY good trademark, trade dress, and branding/marketing strategy.

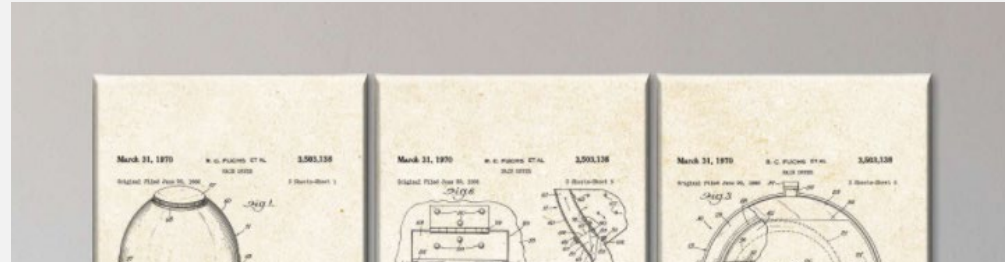
GoPro was not the first to attach a camera to a helmet.
GoPro just had great marketing.



Did you want a patent so you could hang it on the wall to impress your friends?




Did you want a patent so you could hang it on the wall to impress your friends?



Considering the cost to obtain a patent,
that's a lot to pay for a compliment.





Or, did you want a patent so you could
make money from it?


(This is usually the answer)





There are several ways to utilize your patent:

OPTION 1: You can do nothing, wait until someone else makes/sells your patented product, and you can sue them.




**Option 1 could put you in the category of
“Patent Troll”**



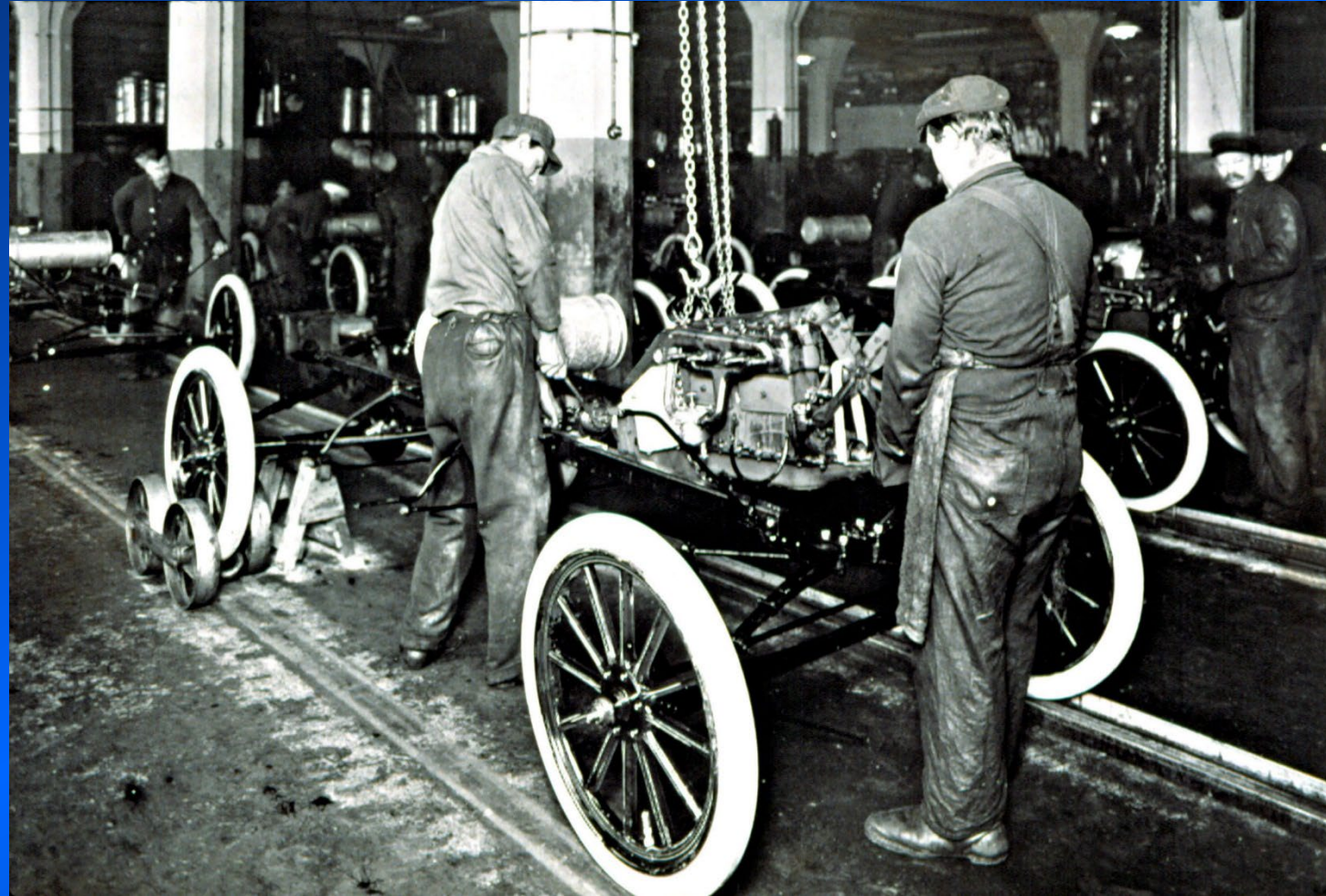


There are several ways to utilize your patent:

OPTION 2: You can make or sell the patented product and use the patent to prevent competition.




Option 2 is really what the patent system was designed for.





There are several ways to utilize your patent:

OPTION 3: You can allow someone else to make or sell the patented product and you can collect a licensing fee.



Option 3 is what some people call “mailbox money.”





For any of these options to work, you need to be able to assert your patent in court.

What can you ask the court to do for you?



For any of these options to work, you need to be able to assert your patent.

What can you ask the court to do for you?

- 1. An injunction. This stops the infringer from continuing to infringe.**

Several factors typically analyzed in connection with injunctions:

- Whether the patent owner and defendant are **direct competitors** in the marketplace regarding the patented product.
- Whether the patent owner has **lost market share** or lost sales due to the infringement.
- Whether the patent owner has **suffered price erosion** due to the infringement.
- Whether the patent owner has **lost goodwill** with customers due to the infringement.
- Prior licensing activities by the patent owner, including whether the patent owner has **previously licensed the patent to competitors**.
- Whether the patent owner has **previously offered to license the patent to the defendant**.
- Whether the patent owner **delayed in bringing suit** or failed to request a preliminary injunction.

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What can you ask the court to do for you?

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2. **Pay you for the damage the infringer has cost you.**

For any of these options to work, you need to be able to assert your patent.

What can you ask the court to do for you?

1. An injunction. This stops the infringer from continuing to infringe.
2. Pay you for the damage the infringer has cost you.
3. **Both.**

How Much Can I Win if I Win?

The law says: Upon finding for the claimant, the court **shall** award the claimant damages adequate to compensate for the infringement, **but in no event less than a reasonable royalty** for the use made of the invention by the infringer.¹

¹. 35 U.S.C. § 284

That means you can use your patent to:

- Retrieve profits **you lost** due to the infringer's activities; or
- Force the infringer to pay you a reasonable royalty for the use of your invention.

*You get to pick the higher of the two.

UNIQUE EXAMPLE OF DAMAGES CHOICES

Typical Radial Arm Saw Found at Home Depot in 2004



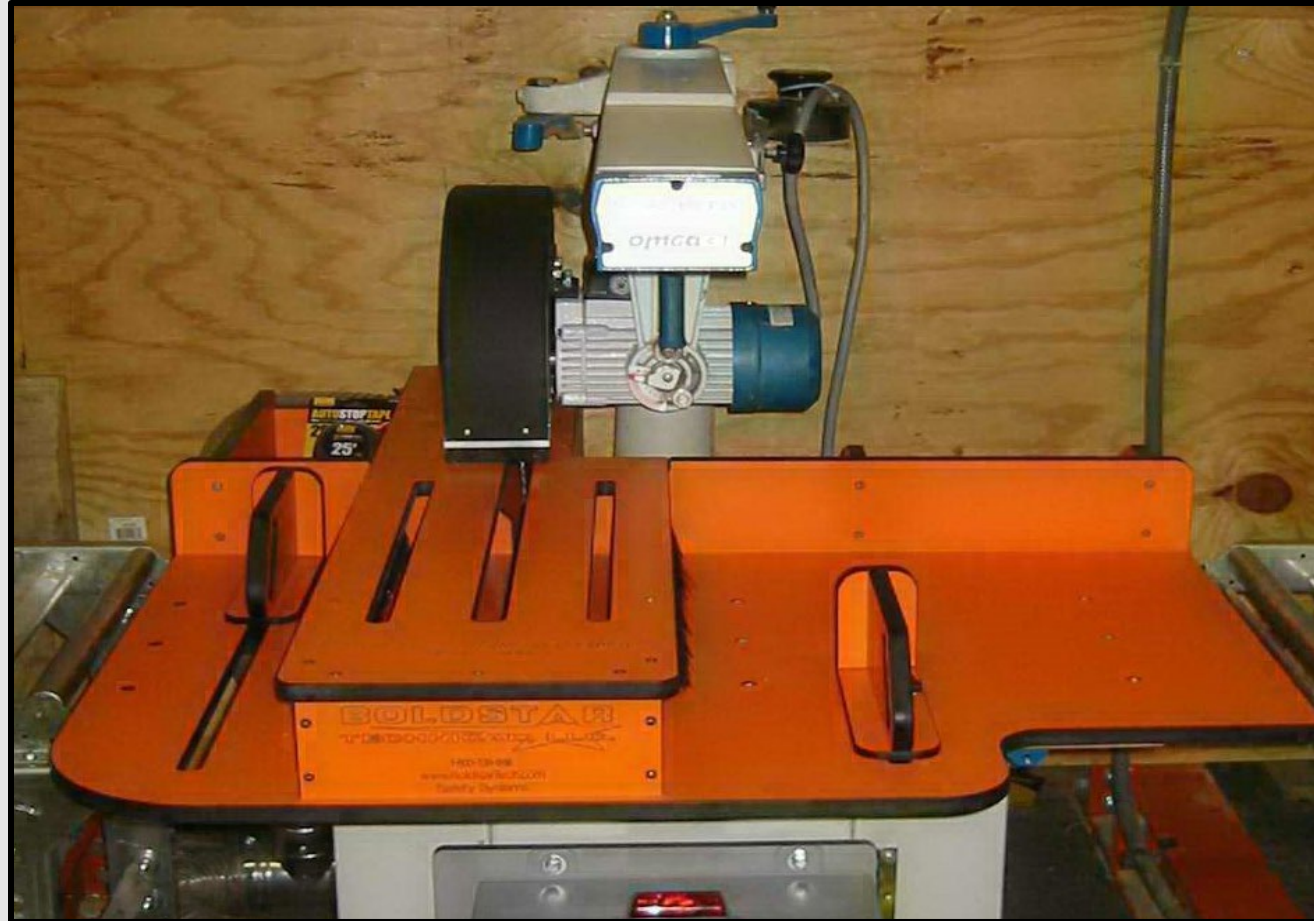
But it was Very Dangerous!



Radial Arm Saw



Michael Powell invented the “Safe Hands” saw guard to prevent injuries—and it worked perfectly!

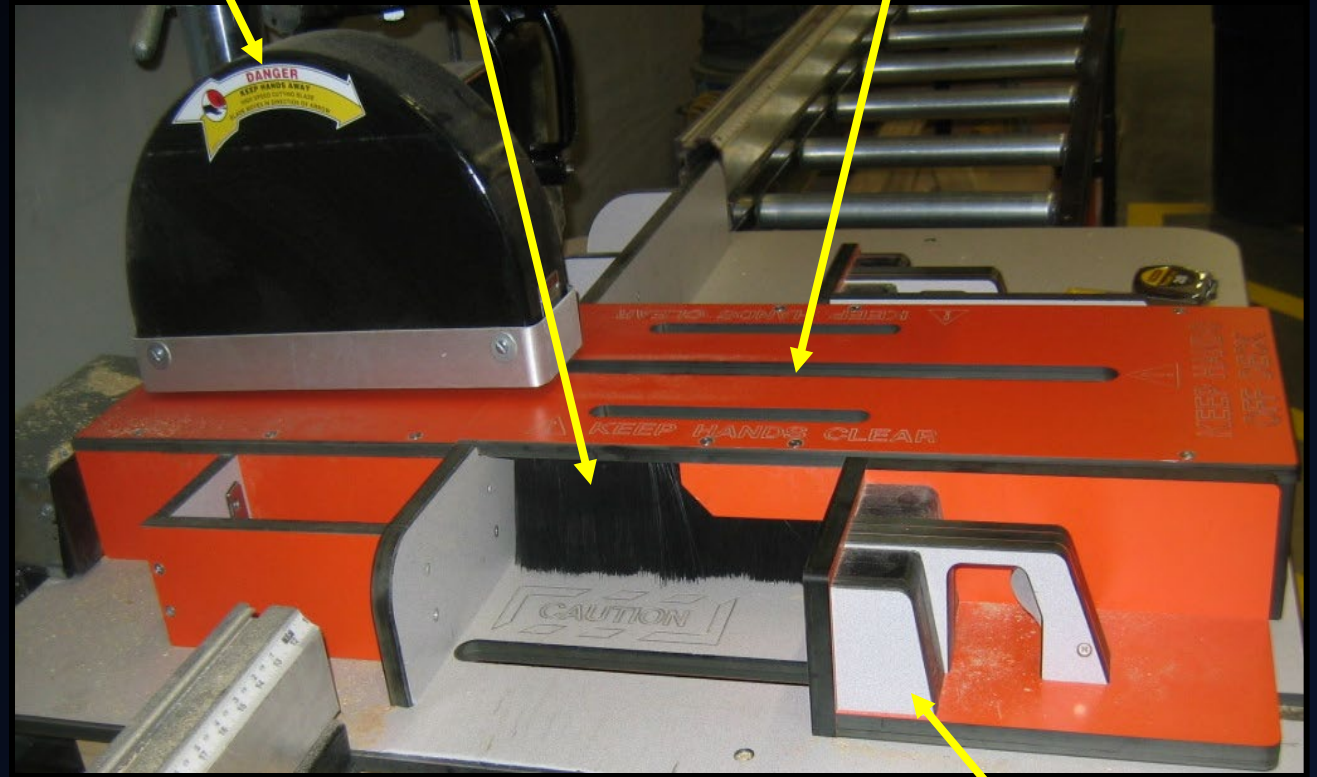




Upper Cover
to Hide
Blade

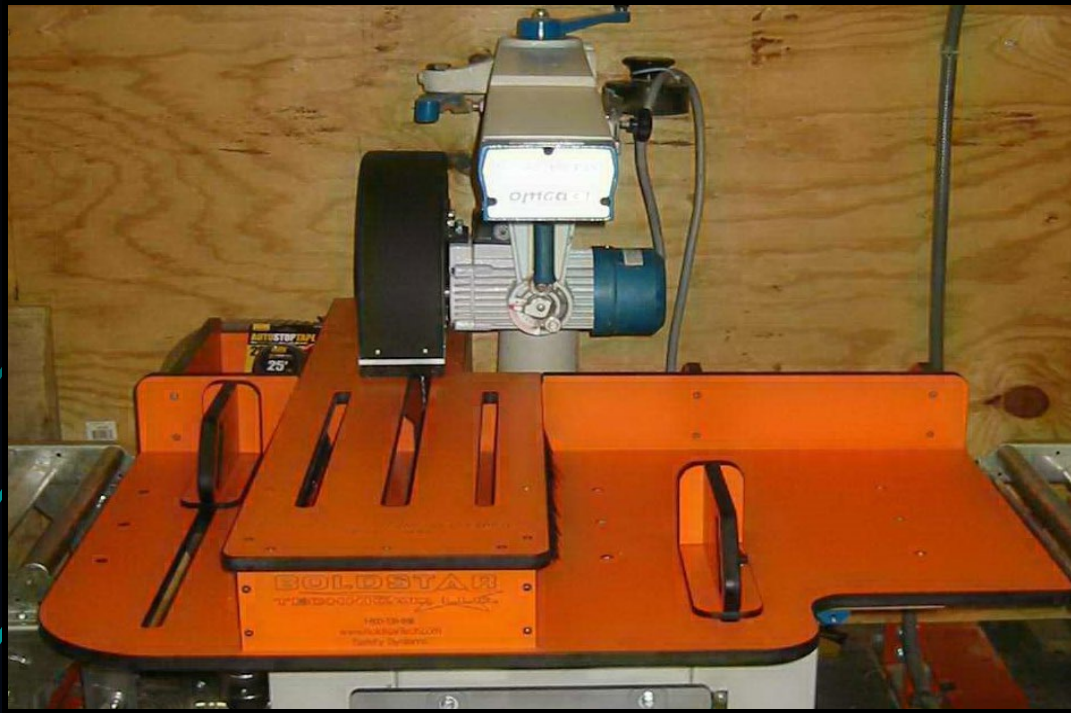
Brush
Bristles to
Hide Blade

Slot to See Wood
Through

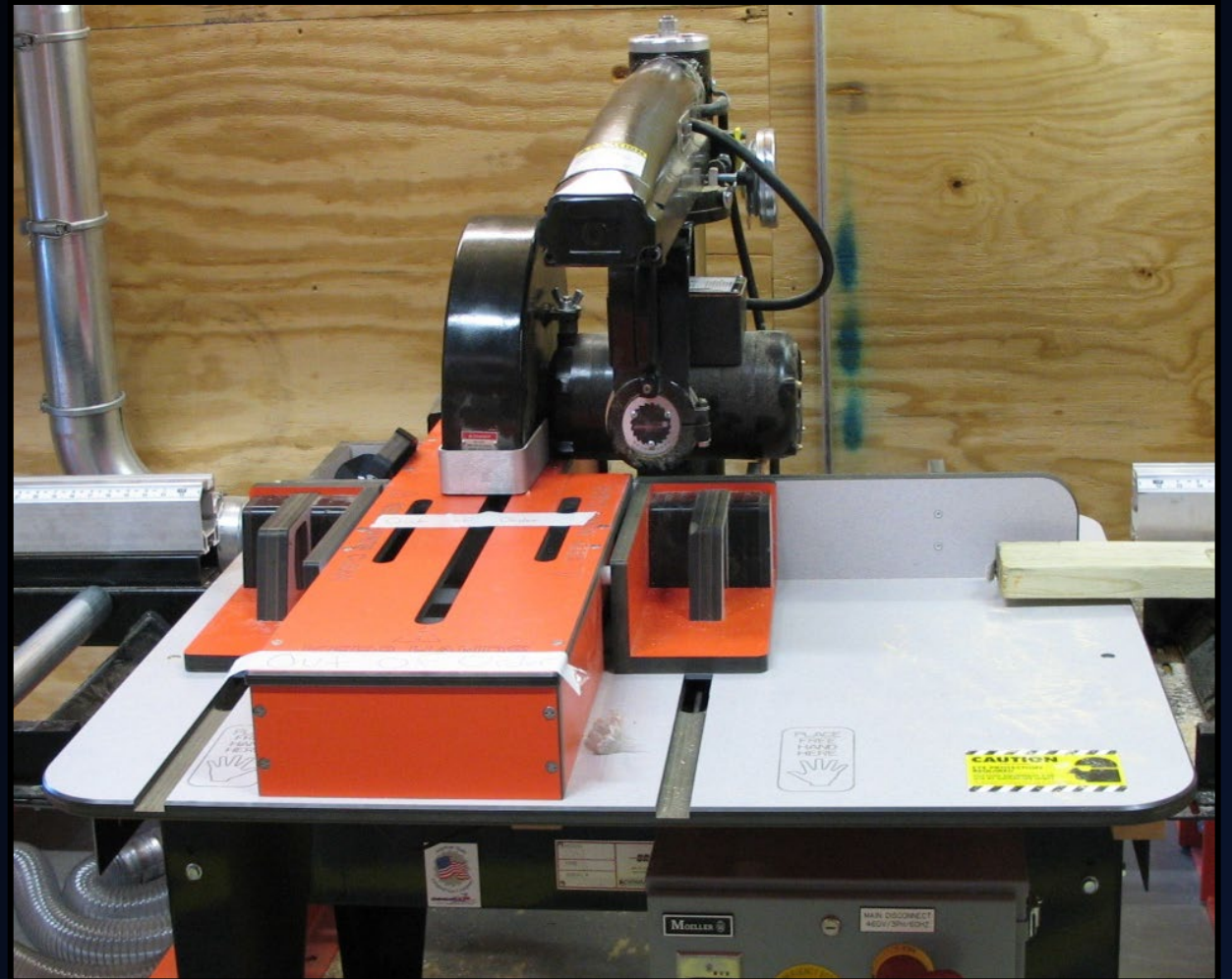


Handle to
Hold Wood
Being Cut

HD Employees Can No Longer Touch the Blade



Patented Device



Home Depot's Infringing Copy

Expected Profit on each unit = \$2,000


Number of infringing stores = 2,400

Lost Profits = $\$2,000 \times 2,400 = \$4,800,000$

Lost Profits = \$2,000 x 2,400 = 4,800,000

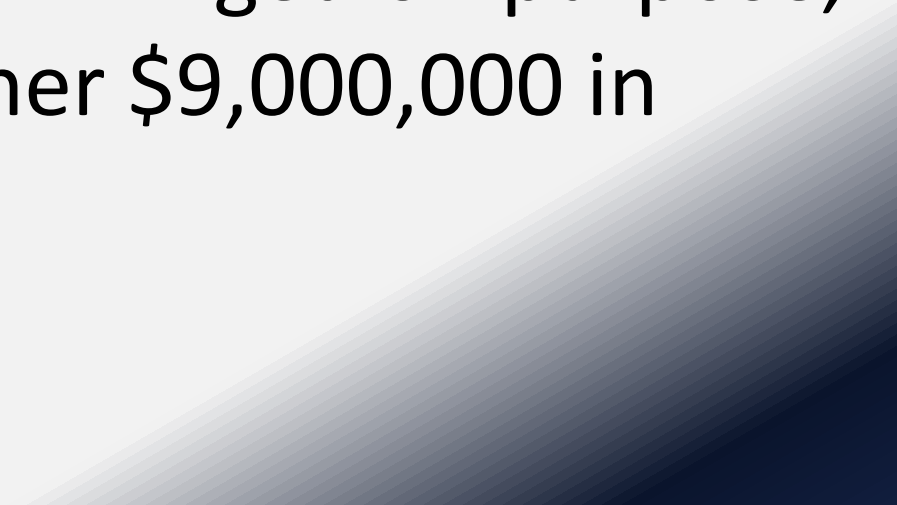
But we argued that the value to Home Depot is much greater than just \$2,000 per device because it prevents injuries now and for many years in the future.

Therefore, the “reasonable royalty,” i.e., what they would have agreed to pay to have the device, is much more than the \$2,000 per device they would have paid, had they not have chosen to try to get away with infringement.



So instead of HD paying \$4,800,000 for lost profits, they had to pay \$15,000,000.

*And, because the Court found they infringed on purpose, the Court ordered them to pay another \$9,000,000 in attorneys fees, costs, and interest.





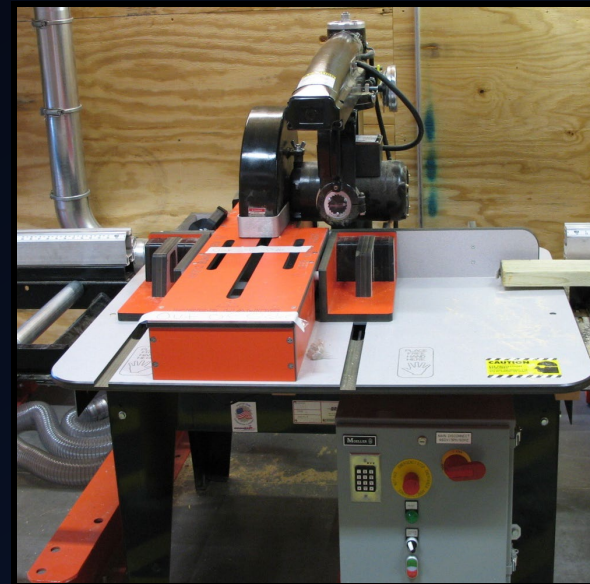
What is an INFRINGEMENT?

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Have you ever heard the phrase: “if you are at least 20% different from a patented product, you don’t infringe”?

That is false. How would you ever know?

Is this 20% different from this?



Practically speaking, there is no way to measure percentages of differences of devices.



All patents have “claims” that define the scope of the inventor’s rights.

To prove infringement, the patent holder must prove that every element of at least one claim is found in the accused infringing device.

For example, a “claim” for a stool reads:

A stool comprising:

a seat; and

four legs supporting the seat.



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In order to infringe
this claim, the
infringing stool must
have both of these
elements.



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Would this infringe?



For example, a claim for a stool reads:

A stool comprising:

a seat; and

four legs supporting the seat.

This one does NOT
infringe our claim.

Seat

But only 1 Leg



Ways for a New Business to Avoid Patent Infringement:

1. Buy your products from licensed sources.
2. Secure indemnification provisions from your sources.
3. Obtain patent non-infringement opinions from legal counsel.



Options after you determine someone is infringing your patent:

1. Hire a law firm to represent you on an hourly basis

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 - The average patent infringement suit will cost the plaintiff at least \$1M and routinely two or three times that much.



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2. Hire a law firm to represent you on a contingency basis.
 - A law firm will only represent a patent owner on a contingency basis if the patent is perfectly written, infringement is clear, AND the defendant is one that can and will pay a judgment. (These three elements are rare)



Options after you determine someone is infringing your patent:

3. Represent yourself in the lawsuit.

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Only if you would do your own surgery too.



Conclusion:

1. Patents are not trophies.
2. A patent is a weapon to assert in a court of law.
3. Patent litigation is expensive—for both sides.
4. Patent law is complex:
 - i. Infringement can be hard to prove;
 - ii. Damages in patent cases are usually very high and can be hard to calculate and prove; and
 - iii. Most mistakes cannot be fixed.
5. Make sure your patent is written perfectly.
6. Make sure you do not infringe someone else's patent!

Thank you!



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*The information in this presentation is for informational purposes only and not for the purpose of providing legal advice. You should contact your attorney to obtain advice with respect to any particular issue or problem.