

Monetizing Your Patent Portfolio

Presented by

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August 18, 2020

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Angela Grant, Ph.D.

Counsel

- Counsel in Lathrop GPM's Intellectual Property Practice Group. Angela is based in Boston and focuses her practice on the patent portfolio development in the biotechnology industry.
- Prior to pursuing her legal career, Angela obtained her PhD and conducted postdoctoral research in the fields of immunology and virology.
- An avid traveler, Angela continues to plan her next post pandemic trip.





Wm. Tucker Griffith

Partner

- Boston-based IP Partner with over 20 years of experience prosecuting and enforcing IP rights, including patent prosecution for mechanical and electro-mechanical technologies, medical devices and consumer products.
- Has experience litigating cases before the Federal Courts, the U.S. ITC, and in PTAB and TTAB proceedings. Additional experience includes consultation in international opposition proceedings and enforcement actions in European countries and China.
- Cautiously optimistic that my forte of knowing the name of any actor on a given show or movie (and other useless trivia) will entertain my kids for years to come and keep them curious to learn, even if just for fun.



Loren Hansen

Partner

- Partner and trial lawyer in Lathrop GPM's Intellectual Property Litigation team. Loren is a registered patent attorney based in Minneapolis and handles a variety of high stakes cases.
- Most recent appellate argument was before the North Dakota Supreme Court, which was sitting at the University of North Dakota law school. Arguing in front of over 150 students and faculty was an honor and a thrill. I can't believe I get paid to do this.
- The silver lining of this pandemic is realizing that I don't need to commute every day. Instead, I'm spending that time hiking with my kids (6YO and 4YO). It's a treat to watch them grow up while teaching them about the plants and animals.



Tim Hadachek

Associate

- Associate and member of Lathrop GPM's Intellectual Property Litigation Team. Tim is based in Kansas City and litigates IP disputes in federal courts nationwide.
- Experience in litigating all aspects of IP disputes, including patent, trademark, copyright, trade secret, and false advertising matters, among others. Represented clients in varied industries including consumer products, oil & gas, and transportation.
- Has assisted his wife in completing five jigsaw puzzles – with a sixth in progress – since the beginning of the pandemic.





Overview

- Portfolio Assessment
- Evaluate Revenue Opportunities
- Portfolio Expansion
- Enforcement Strategies & Considerations



The Patent Asset

- Exclusionary Power
- Revenue Source
- Valuation for Investment or Sale
- PR/Marketing Cachet



Areas for Monetization

- Enforcement
 - Lawsuits, ITC, CBP, C&D letters, Defense strategies
- Licensing & Transfer of Assets
 - Consider all factors: exclusive, non-exclusive, territorial reach, negotiation strategies
- Production
 - Gaining the benefit from producing and selling your own products or services
- Continued Innovation/Expansion
 - R&D Investment
- Continued Patent Prosecution
 - Expand coverage; Balance value with expense



Step 1: How Strong Is Your Portfolio?

- Portfolio Assessment

- Identify strengths and weaknesses in patent quality and scope
 - Is the product adequately covered?
 - Is the product covered by utility and design patents?
 - How would the patent(s) be infringed? Is it easy to determine infringement?
 - Is the patent easy to design around?
- Review the patent landscape
 - What is the scope of the patent claims?
 - Where are technology gaps in the patent landscape?
 - What does the prior art cover?

Step 1: How Strong Is Your Portfolio? cont.

- Validity/Invalidity Review
 - Be prepared to stave off challenges from competitors and infringers
 - *Inter Partes* Review (IPR)
 - Post-Grant Review (PGR)
 - *Ex Parte* Reexamination
 - Review can influence enforcement decisions and how a strategy is carried out
 - cease & desist to encourage negotiation or filing case
 - timing of notice or filing
 - initial investment



Step 2: What's the Value of Your Portfolio?

- Valuation
 - What is the economic impact of the patent?
 - Patent Quality
 - Provable Use in market
 - Reasonable lifespan
 - Effect of competition
 - Consider reasonable royalty to inform a licensing strategy
 - Conduct a damages analysis for infringement



Step 3: How Can We Pay to Enforce the Portfolio?

- Litigation Funding
 - Third-party funds at least some portion of litigation fees and costs
 - In return, third-party gets contractually agreed return of any realized proceeds
 - Non-recourse



Step 3: How Can We Pay to Enforce the Portfolio? cont.

- Litigation Funding
 - One-off cases
 - Single matter
 - Discrete funding and return
 - Portfolio funding
 - Basket of cases – diversification
 - Funding shared across portfolio
 - Return collateralized across portfolio
 - Portfolio approach broadens range of cases that are viable for funding
 - Avoids low-risk, low return (nuisance model) or high-risk, high return (“Hail Mary”) cases



Step 3: How Can We Pay to Enforce the Portfolio? cont.

- Litigation Funding
 - Draws for client
 - Choice - more counsel to choose from than standard array of contingency firms
 - Risk spreading – even if client can pay
 - Second opinion – funder has separate, independent interest and due diligence
 - Funding structure
 - Covers attorneys' fees and/or hard costs
 - Fees almost always discounted, fixed, capped, etc.
 - Hard costs covered at a minimum
 - Designed to create risk sharing and interest alignment



Additional Considerations

- IP Insurance
 - Review coverage of existing policies
 - Consider what may be available for IP-related activities
 - Evaluate all facts of a potential dispute
 - Provide timely notice to Insurance Carrier



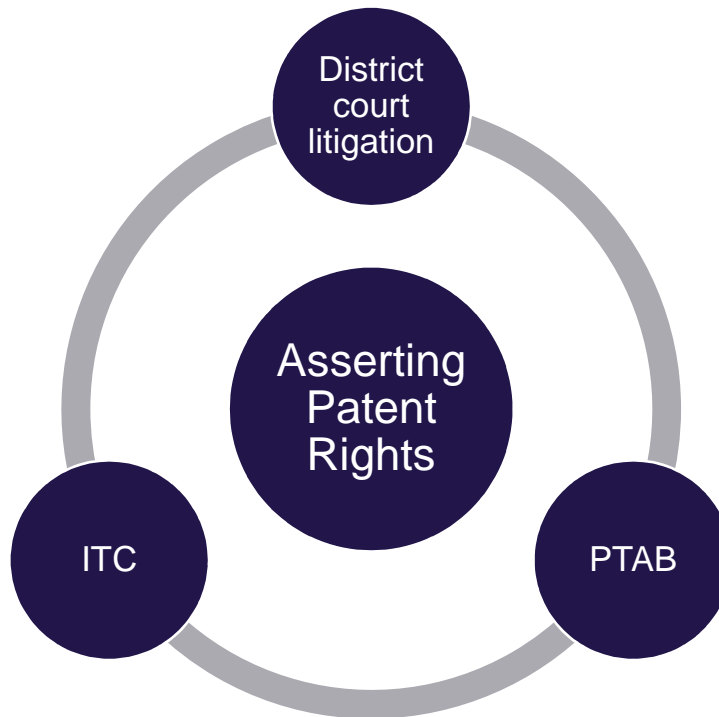
Key Take-Aways

A full portfolio assessment identifying strengths and weaknesses of your patents can inform your monetization strategy.

Steps can be taken to strengthen and increase the value of the portfolio.

Consider litigation funding for enforcing patent rights without compromising resources needed for operating your business or investing in R&D.

Patent Litigation: A battle on multiple fronts



IPR: Increasingly Common Tactic for Accused Infringers

- About 50% of patent lawsuits result in the defendant filing an IPR.¹
- IPRs generally not advantageous for patent owners.
 - Lower burden of proof
 - No presumption of validity
 - Extra cost
 - Potentially extends a district court case if a stay is granted
 - One benefit is that surviving an IPR heads off identical invalidity challenges in the district court.
- If an IPR is instituted, an infringement defendant will likely seek to stay district court litigation pending the outcome of an IPR.

¹ Clark A. Jablon, *Is the Sky Falling in the US Patent Industry?*, Information Display (May 22, 2020) <https://onlinelibrary.wiley.com/doi/full/10.1002/msid.1116>



Patent Owner Should Drive the Case Forward

- Advanced stage of litigation can weigh against institution of an IPR.
- *Apple, Inc. v. Fintiv, Inc.*, IPR2020-00019 (PTAB May 13, 2020) (informative)
 - The Board denied institution of IPR, applying six factors.
 - District court trial set for two months before Board’s final written decision deadline.
 - District court issued “detailed 34-page claim construction order” addressing the patent claim terms at issue.



Patent Owner Should Drive the Case Forward

- Advanced stage of litigation can weigh against a stay in the district court litigation even if the IPR is instituted.
- Traditional stay factors:
 - (1) whether the stay will likely result in simplifying the case before the district court;
 - (2) whether the stay will unduly prejudice the nonmoving party; and
 - (3) whether the proceedings before the district court have reached an advanced stage, including whether discovery is complete.
- Also consider trends in various possible forums

Race to Finality

- During parallel district court and IPR litigation, it is often a race between which proceeding reaches a final adjudication first.
 - Once the PTAB reaches a final written decision and issues a certificate cancelling all claims in the disputed patent, the district court action must be dismissed because there are no longer patent claims to be infringed.
 - Once the district court decision becomes final, a win in the PTAB cannot reverse a district court finding of infringement.
- BUT:
 - “Finality” means that all appeals are exhausted. “*Fresenius / Simmons* preclusion principle.”
 - In effect, this means that a later administrative decision, like an IPR, can override a district court adjudication if:
 - The losing party in the district court has preserved a “non-insubstantial” issue for appeal.
 - Only applies in the Federal Circuit.
 - SCOTUS rejected a petition for *cert* on the issue in 2020. *Chrimar Systems, Inc. v. Ale USA Inc.* (Fed. Cir. 2019).



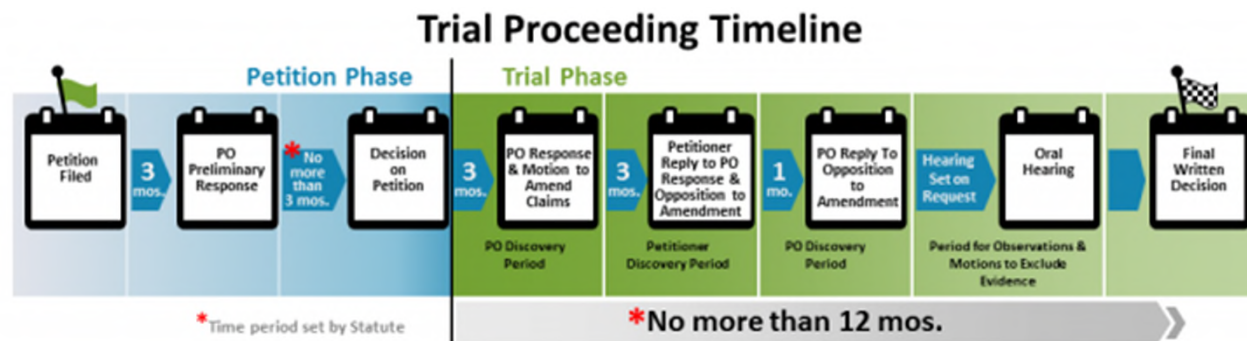
IPR Estoppel

- **Petitioner Estoppel**
 - Estopped from asserting any ground in court that was raised or reasonably could have been raised in the IPR
 - Attaches early when the final written decision issues (even before an appeal)

- **Patent Owner Estoppel:**
 - 37 CFR 42.73(d)(3) - “A patent applicant or owner is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent: (i) A claim that is not patentably distinct from a finally refused or canceled claim.”

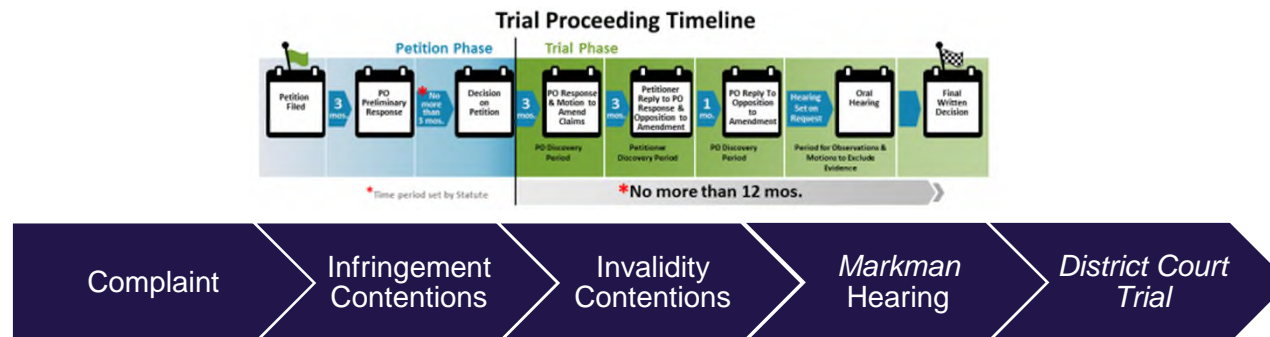
IPR Timeline

- District court defendant must file petition for IPR within 1 year service of complaint. 35 U.S.C. § 315(b).
- IPR intended to be a streamlined process, so the cadence is quick.



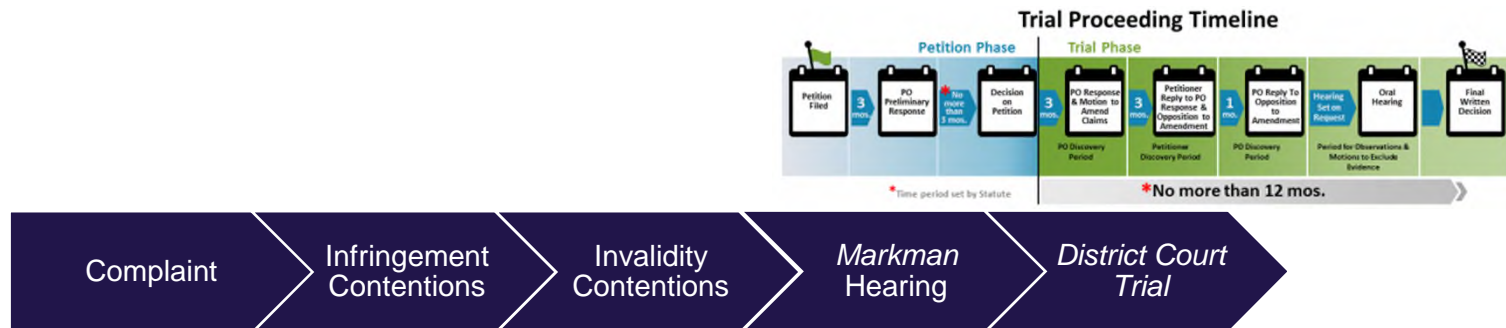
IPR Timeline

- Petition must be filed within 1 year of district court complaint.
- An important factor in whether to institute an IPR is the status of the district court litigation.
- Effect of the outcome of an IPR often depends on whether the IPR or district court case is resolved first.



IPR Timeline

- Petition must be filed within 1 year of district court complaint.
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- Effect of the outcome of an IPR often depends on whether the IPR or district court case is resolved first.





IPR Strategy for Patent Owner

1. Don't be surprised if the defendant files an IPR in the middle of your district court case. Factor potential cost into budgeting for the case.
2. Avoid unnecessary delays in the district court to head off arguments that litigation should be stayed pending the IPR, and rebut arguments against institution of the IPR in the first place.
3. If you have a choice of forum, consider the practices of the districts in which you may bring suit. Consider trends for granting a stay pending institution of an IPR.

Design Patents

- 35 U.S.C. § 171 Patents for designs.
 - (a) IN GENERAL.—Whoever invents any new, original, and **ornamental design for an article of manufacture** may obtain a patent therefor, subject to the conditions and requirements of this title
- Prosecution Considerations
 - More efficient to prepare
 - Generally faster to issue
- Design ornamental? *Ethicon Endo-Surgery, Inc. v. Covidien, Inc.* (Fed. Cir. 2015):

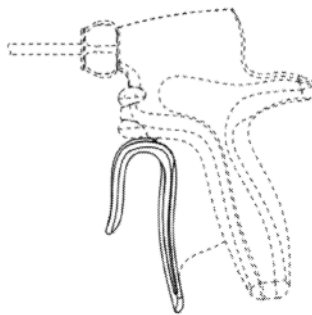


FIG. 3



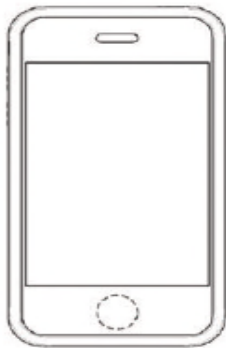
Design Patents –

- 35 U.S.C § 289 Additional remedy for infringement of a design patent.
 - Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any **article of manufacture** for the purpose of sale, or (2) sells or exposes for sale any **article of manufacture** to which such design or colorable imitation has been applied **shall be liable to the owner to the extent of his total profit**, but not less than \$250, recoverable in any United States district court having jurisdiction of the parties. . .

Enforcement – Apple v Samsung

- Apple sued Samsung in 2012, asserting design patents and utility patents
- Design patents stole the show.
- Apple originally awarded **\$399 million** in damages – Samsung's entire profit on the infringing devices.

One of Apple's
Design Patents



Samsung Galaxy S
4G



Enforcement – Apple v Samsung

- What is an article of manufacture? Dinner Plate / Kitchen Oven
- Supreme Court 2016:
 - Article of manufacture is not defined by how it is sold to consumers; and
 - A component of a multicomponent product may be an article of manufacture.
 - Initial tests to be developed by trial courts.
- N.D. Cal. 4 factor test for determining “article of manufacture”:
 - The scope of the design claimed in the patent;
 - The relative prominence of the design within the product as a whole;
 - Whether the design is conceptually distinct from the product as a whole; and
 - The physical relationship between the patented design and the rest of the product, including whether the design pertains to a component that a user or seller can physically separate from the product as a whole, and whether the design is embodied in a component that is manufactured separately . . .
- Settled in June 2018 after a May 16, 2018 jury verdict on the design patents in the amount of **\$533 million** on remand (plus ~\$5 million on utility patents).



Post – Apple v Samsung

According to Lex Machina, between January 2016 and January 2020:

- 33 damages awards in design patent cases
 - Of them, 17 for disgorged profits
 - High: \$3.1 million (Ugg boots)
 - Low (on the merits): \$15,775 (furniture design)
 - Reasonable Royalty still an option
- Most frequent venues for those 33 cases
 - C.D. Cal.
 - N.D. Ill.
 - S.D. Cal.
- Other considerations



Key Take-Aways

- A robust intellectual portfolio can lead to additional revenue streams and is also useful as defensive protection from competitors.
- When considering monetizing your intellectual property, early and thorough assessment of the risks and potential rewards is critical.
- Utility patents aren't the only valuable IP.

Thanks from Lathrop GPM!



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