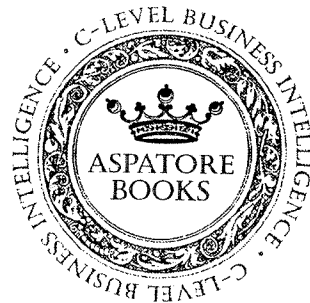
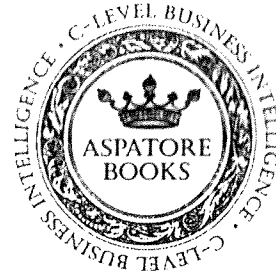


I N S I D E   T H E   M I N D S

# Developing a Patent Strategy

*Leading Lawyers on  
Infringement, Litigation, and  
Protection for Businesses*





[www.Aspatore.com](http://www.Aspatore.com)

Aspatore Books is the largest and most exclusive publisher of C-Level executives (CEO, CFO, CTO, CMO, Partner) from the world's most respected companies and law firms. Aspatore annually publishes a select group of C-Level executives from the Global 1,000, top 250 law firms (partners and chairs), and other leading companies of all sizes. C-Level Business Intelligence™, as conceptualized and developed by Aspatore Books, provides professionals of all levels with proven business intelligence from industry insiders – direct and unfiltered insight from those who know it best – as opposed to third-party accounts offered by unknown authors and analysts. Aspatore Books is committed to publishing an innovative line of business and legal books, those which lay forth principles and offer insights that when employed, can have a direct financial impact on the reader's business objectives, whatever they may be. In essence, Aspatore publishes critical tools – need-to-read as opposed to nice-to-read books – for all business professionals.

### **Inside the Minds**

The critically acclaimed *Inside the Minds* series provides readers of all levels with proven business intelligence from C-Level executives (CEO, CFO, CTO, CMO, Partner) from the world's most respected companies. Each chapter is comparable to a white paper or essay and is a future-oriented look at where an industry/profession/topic is heading and the most important issues for future success. Each author has been carefully chosen through an exhaustive selection process by the *Inside the Minds* editorial board to write a chapter for this book. *Inside the Minds* was conceived in order to give readers actual insights into the leading minds of business executives worldwide. Because so few books or other publications are actually written by executives in industry, *Inside the Minds* presents an unprecedented look at various industries and professions never before available.



# The Far-Reaching Impact of Patent Litigation

---

**Anthony Nimmo**

---

*Partner*  
Ice Miller

## **Touching the Whole Company**

Patent litigation will impact every aspect of a company's existence. Patent cases can be so significant that, if a case is lost, the company is out of business. That is the circumstance, for example, with a lot of startup pharmaceutical companies. Patent lawsuits may also have significant monetary impact. Lost profits, measured on an incremental basis, are available to a successful litigant pursuant to 35 USC § 285. The decision to bring a suit or defend vigorously is made from the chief executive officer down to in-house patent or general counsel. When a suit ensues, an entire company's personnel, from the marketing and finance folks to the scientists and laboratory technicians, will need to provide testimony to help prove some aspect of the case. Said another way, a patent case touches a broad spectrum of a company's activities and its personnel. My firm deals with companies of all shapes, sizes, and varieties, be they privately or publicly held, from major pharmaceutical and electronic companies to companies selling everything from shutters to dental products.

## **Most Common Patent Issues**

The most common patent issue that companies must deal with is the protection of their research and development efforts by seeking and procuring appropriate patent protection. Secondly, a company must obtain freedom to operate opinions to ensure that they are not confronted with infringement issues in the marketplace when they launch a product initiative. When a company is investing significant capital to enhance its technological position, the innovation may be such that patent protection is available. In that situation, the people in charge must undertake a decision-making process. The first consideration is how significant an invention is it? The second is whether it is easily copied once it reaches the marketplace. The third consideration should be is it something that can be protected through federal and state trade secrets laws if the necessary restrictions are imposed throughout the company to make sure there isn't any unwanted disclosure.

Depending upon how that decision-making process shakes out, then a company has to go through the task of utilizing patent counsel to prepare patent applications and submit them to the appropriate patent office. If

there are international issues, there are certain things a company can accomplish by filing applications initially in the United States. The good thing about the United States, as opposed to the rest of the world, is that a company still has a one-year grace period after a public disclosure of an invention to make up its mind whether to seek patent protection.

Another thing a patent attorney does during this time is to determine whether it is a significant enough invention that foreign protection should be sought. If so, in addition to seeking domestic protection, the company needs to maintain the invention in secrecy until it has a domestic application on file to assure that foreign patent offices recognize the company's rights in the application. The patent process is an integral part of protecting the research and development investment of a company. If a patent is procured then, for a limited time, the patentee enjoys exclusive rights to exclude others from making, using, or selling what it has patented. Numerous companies have utilized patent strategies effectively to secure a preferred place in the market.

This scenario is played out irrespective of the complexity of the technology or the maturity of the product market. For example, if an electronics company decides it wants to enter into the telecommunications area and develops a wireless phone, it is clear that there are a number of longstanding competitors out there such as Nokia and Motorola, and that there is a patent minefield that lies in front of the late entry company. In that regard, depending on the innovation that has been accomplished by the company, it will either have to look into taking licenses if they are available from entities already in the area, or attempt to design around the competitor's patents. The fact of the matter is, one way or another, the existing patents need to be dealt with either via license or avoiding them through technological design-around.

### **Most Unique Patent Issues**

My previous firm was involved with obtaining patent protection and successfully litigating the first commercially successful recombinant DNA pharmaceutical. I also tried the first major case in the area of genomics, resulting in a significant recovery for my client. I was also lead trial counsel in a case relating to DVD/CD technology, dealing with the technology of

how you compile and read digitized data and how the data is actually imbedded into the DVD/CD. I have also tried about fifteen to twenty cases dealing with patents related to the building industry. I have also tried cases on such diverse subjects as conveyor systems to time-release pharmaceuticals and pro drugs. I have been lead or co-counsel in over thirty major patent litigations.

### **Timeline for a Patent Case**

For a case to last more than a year and a half, it has to be quite extraordinary. I think judges are tending to put the same kind of rigor on patent cases that they have other cases. That being said, there is also the fact that the judges can be a little more liberal in discovery matters with respect to patent cases, and will normally grant the participants additional discovery because of the complexity of a patent case.

### **Key Patent Laws**

Title 35 contains the laws that are always implicated in any patent case. A patent lawsuit is conducted pursuant to the Federal Rules of Civil Procedure and Evidence. In patent suits, like other lawsuits, there can be jurisdiction or venue questions, and there will be discovery matters that will need to be addressed during the course of the suit. Patent litigants must follow any local jurisdictional and procedural rules that may exist in the jurisdiction in which the case is filed. For example, the Northern District of California has a strict set of rules regarding the procedure that must be followed before a Markman Hearing. There are numerous other issues that may need to be addressed, such as discovery issues in a foreign country. In that case, you may have to comply with the Hague Convention in order to obtain the discovery you require. It can be complicated, and you would normally call in the foreign counsel to assist you. (It isn't uncommon for the United States counsel to fly over and make the arguments in the foreign forum, as they typically know the case far better than their foreign counterparts.)

### Explosive Evidence

The most desirable piece of patent evidence would probably be that referred to lovingly or begrudgingly (dependent on which side you are on) as the smoking gun, typically an admission from a high-up executive that points to only one conclusion: guilty. If you discover such a piece of evidence, you run away and hide until the trial, protecting it at all costs and assuring its admissibility. One example of such evidence I discovered during my career involved a scientist who told his manager he was going to "look at a patent" to see if it was any good. The next thing you know, the scientist's company started an initiative to fabricate a "brand new" chemical composition. Tracing the development of this chemical composition back to its roots resulted in the development of a "copying" case, which led to a finding of infringement. Another instance involved the admission of a high-level executive that had ordered the company's patent attorneys not to disclose the source of a key ingredient in a formulation. The district court and the federal circuit had little difficulty in finding a violation of the duty to disclose the "Best Mode," resulting in a summary judgment for my client.

If you can deduce that the infringement is not innocent in nature, and that in fact it was flagrant and deliberate, and that a company was doing it to keep in the market or maintain their market share, that type of evidence is also explosive in a trial. Patent cases are very different from other federal cases. They require mastering a technology so you can ask meaningful questions of scientists and engineers, individuals who can easily circumvent and frustrate an interrogator who isn't trained in their technical discipline. You must be willing to go back to school for each and every case to know the nuances of the technical subject matter at issue in the case, as well as learn the industry that uses the technology. Without a smoking gun, the patent litigation compiles the evidence by dissecting a company and building up a picture of how the infringement came into place and the financial impact infringement made versus not infringing. This includes determining how the product came into being (infringement), how many sales were made (damages), how much they made (profitability and damages), and who they sold it to (lost sales). The framework of the case is built up from these and numerous other areas of inquires.

### **Meeting With a New Client**

The context of the first meeting depends upon the sophistication of the client. If they are a client that has utilized the patent process previously in order to protect their research and development investment, the task is much easier. Then it becomes a task of gaining their confidence and convincing them that you can do the job for them and that they will be an important client to your firm. I typically will learn the technology of a prospective client before we meet, so I have a sense of who and what they are. That gives me the ability to determine where their problems might be, who their major competitors are, and how I may be in a position to assist them. After that, it is a sharing process as the company describes its problems, goals, and initiatives so we can determine how we can help them achieve their intellectual property goals.

With a complete neophyte, like a company that has just realized it has an invention, it can be a little more complicated. You have to explain the patent process, how their activities fit into it, and why they should consider participating in the patent process. You need to explain the process slowly and carefully, because a patent is, after all, an intangible right. To convince a client that a patent is potentially worth a king's ransom is like trying to catch the wind. We have a lot of tools to assist us in that education process, such as educational handouts on what a patent is and how patents have played a vital role in the growth and sustainability of numerous companies. The ability to gain a client's trust comes from years and years of experience in reviewing technology and assessing its value in the marketplace.

### **The Filing Strategy**

The filing strategy for a particular patent comes down to the type of invention and type of client. If a client has worldwide markets and they are planning on introducing the new product initiative globally, then you should be looking at a global protection strategy.

There are certain clients whose activities are centered in the United States, but if they have an invention that has worldwide importance, you may need to examine if it is worth pursuing foregoing protection first, because of

licensing opportunities that might open themselves up to that company, depending on the success of the invention.

The decision whether to seek global protection can be very easy. If the product initiative is going to be introduced worldwide and it is easy to knock off, the decision to protect is pretty much made for you. If you are going to invest in the worldwide development of a product initiative and invest in the equipment necessary to roll out the product worldwide, then you should be looking at worldwide protection. On the other hand, if the product or innovation has limited geographical appeal, you should consider protecting on a regional basis.

### **Qualifying for a Patent**

There are numerous statutory provisions that provide the criteria to determine if an invention is patentable. The ancient adage, at least in the United States, is that the invention must be novel, non-obvious, and have utility. Non-obviousness means if you look at the invention and you are one of ordinary skill in the art, the solution would not readily present itself. There are other types of patents besides utility patents; these include design patents and plant patents. Basically, for plant and design patents, all you have to do is make a showing that either the design is novel and ornamental or, in the case of plant patents, that the plant was previously unknown. These types of patents can be obtained fairly quickly and easily.

The most difficult type of patent to obtain is the utility patent. In certain regards, it offers more substantial protection than plant and design patents. There are more statutes controlling patentability. For instance, if the patentee has come up with a lampshade that has aesthetic value, the only criteria that is measured as far as design patentability is concerned is whether or not it is unique and aesthetically pleasing. On the other hand, when you are seeking a utility patent for a light bulb, you need to discuss how the bulb is made, what it is made of, how it works, and so on, and so on. It is this level of complexity that adds to the cost of obtaining utility patent protection.

### **Playing Defense**

Once your patented product is in the marketplace, you have to police the marketplace to make sure other people do not infringe. Part of the policing process must involve the client – they truly are the first line of defense. The client is in the marketplace and knows (or should know) what its competitors are up to. There are other things that can be done, such as monitoring *The Patent Gazette*. *The Patent Gazette* is issued on a weekly basis, and contains all new inventions divided into classes and sub-classes. We monitor the classes and sub-classes that are of interest to our clients, to assist in monitoring competitive activity. It is also good to review the trade literature and attend the trade shows. If you are going to police, then do so for all you are worth. Don't let things go unnoticed and slip, as it may come back to haunt you. Every successful company, I think, has a reasonable idea of what its competitors are up to. It's not doing something against the law, and it helps protect your company's investment.

You need to understand what the competitors have and what they have patented, and you must be able to assess how you can differentiate your client's contribution, and also determine whether your contribution is patentable. You may develop a design around a position that is itself patentable.

### **Patent Costs**

In a typical patent filing, you have governmental filing fees, attorney fees for the initial preparation of the application, and fees derived from responding to formal rejections or notifications of deficiencies in the application that need to be attended to. If you are successful and obtain a patent, there are now always issue fees. In the United States, and pretty much the rest of the world, there are also maintenance fees, or what are sometimes referred to as "annuities" to keep the patent alive. The peculiar thing about the patent practice is that normally you are dealing with people who are excited and happy that they have thought up a solution. If their invention is something of importance, then fees are not seen as a deterrent (although they can be costly, depending on the scope of protection sought).

### The Decision to Litigate

Litigation is always the last resort, and many times it is decided on what is needed to protect the investment. *Polaroid v. Kodak* provides a good example. Polaroid expended a fortune in developing instant photography. They believed they had a right to an exclusive position in the market, and then Kodak came out with a knock-off. There were a number of things available to Polaroid. They could have said, "We will give a license. We will allow you to sell overseas." Instead they said, "Kodak, exit the market." Kodak's attorneys thought they found a way around the Polaroid patents and decided to fight and attack Polaroid's patent. They lost.

When you file suit depends on what the infringement is doing to the client. Is it destroying a client's business? Again if the answer is yes, the decision is a simple one. We have lots of cases where people obtain patents in a similar technology area and form a belief that because they have a patent, they can't infringe upon another company's patents. Just because someone comes along and obtains a patent, doesn't mean they don't owe a tribute to the originator. That is simply wrong, and the infringer is in for a frightful surprise.

When another company is violating a client's patent, you file suit when the infringing company has informed you they will not stop, and their actions are damaging the client in the marketplace. Litigation is absolutely the last resort, because it is so costly.

### Recent Changes

The biggest change in the past few years is the requirement for a mandatory Markman Hearing. That hearing determines what the claim means to one of an ordinary skill. It used to be that you could go up to the end of trial still trying to determine what the claim language meant. That now is typically decided long before a jury determines infringement. The Markman Hearing is conducted by the judge, and it has definitely changed the nature of patent infringement. I think it favors the more traditional patent litigators, because so much of it is driven based upon technological sophistication and rules of claim construction that have developed since the adoption of the patent system.

### Future Changes

Sooner or later, the United States is going to change to a first-to-file, rather than first-to-invent system to assure all international harmonization of the all nations' patent laws. In the United States, that means there is going to be a race to the patent office. Rather than being a "first to invent" system it will turn into a "first to file" system, with certain protections built in for those who truly were the first to invent. That simple change will profoundly affect how we seek patent protection in the United States.

### Best Piece of Advice

The best advice I have ever given was to advise a client not to make a certain product, because it was implicated by a patent portfolio that I believed could withstand attack. Another company came out with a product very similar to the product my client was contemplating making and was disseminated in a patent litigation suit, losing hundreds of millions of dollars. In another instance, I told a client to go forward with his product initiative, as I didn't think the patents were worth the paper they were written on, and a judge agreed, and that client to this day continues to dominate certain aspects of the robotics industry.

*Mr. Nimmo is a partner in Ice Miller's business section, concentrating his practice in intellectual property law. He has been practicing since 1981 exclusively in intellectual property law. Prior to joining Ice Miller, Mr. Nimmo was an intellectual property partner at Howrey Simon Arnold & White, LLP in Chicago.*

*Mr. Nimmo has extensive litigation experience, including substantive roles as lead counsel, co-counsel, or second chair in numerous patent, trademark, copyright, and antitrust cases, as well as a variety of other types of actions. He has also prosecuted numerous chemical, electrical, pharmaceutical, and mechanical patents and has registered copyrights, trademarks, and service marks at the state and federal levels, as well as abroad. He maintains an active practice relating to licensing, opinion work, and client counseling regarding the acquisition and protection of intellectual property rights in the United States and abroad.*

*Mr. Nimmo is licensed to practice law in Illinois, Indiana, the United States Court of Appeals, for the Seventh Circuit, and before the United States Patent and Trademark Office.*