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Maximizing Patent Monetization Value

Prosecution Strategies

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In today's market, patents often have little monetary value absent a credible enforcement threat. Such a threat depends on the patentee's ability to prove infringement, survive validity challenges, and establish a defensible and supported damages model. These are not easy tasks in any case, but we have analyzed the issues faced in patent licensing and litigation discussions, and have traced backward through the process to suggest strategies that prosecution counsel might apply early in the process to influence their clients' ultimate ability to monetize patents through litigation or other means.

Patent prosecution strategy often arises in-house, or at least from discussions between in-house and outside prosecution counsel about the best strategy given the company's unique circumstances. No strategy can fit every company seeking patent protection. In-house counsel, however, might seek the best results by considering this proposition: a patent's ultimate enforcement potential highly influences that patent's value in many contexts, including offensive licensing (to generate royalties), defensive negotiation (asserting in response to a competitor's patent assertions), and asset valuation (for company valuation or as loan collateral).

In-house counsel have unique access to the critical pieces of a prosecution strategy directed at maximizing monetization value: the inventors, in-house R&D and engineering, patent portfolio strategy, management, marketing, and outside counsel. Drawing from these resources for insights allow in-house counsel the opportunity to facilitate a patent strategy that maximizes the potential for returns on investment.

Every industry is different, and a patent's monetary value will vary among industries and among each industry participant's unique circumstances (for example, position in the supply chain, geographic location, and market share, to name a few). Thus, we do not suggest that the recommendations here apply universally. Instead, we present them as ideas for discussion between clients and their prosecution

counsel to assist in facilitating the clients' best possible return on investment. Furthermore, although the suggestions below are based on the assumption that a patent's true value arises from the patentee's ability to succeed in litigation, we also believe that these strategies can be deployed to promote clients' ability to monetize their patents outside of full-blown litigation and damages proof.

File History, Specification And Claims

Patent monetization value depends in large part on the patentee's ability to identify and prove infringement, maintain validity, and establish quantified damages. Prosecution counsel can have a positive impact on each of these pieces. Items that arise after patent issuance upon which prosecution counsel have a direct impact during prosecution include:

1. Ease of Infringement Pleading

Direct infringement is typically preferred over inducement or contributory infringement because of the lower pleading requirements. Prosecution counsel can draft claims such that the high-value potential infringers in the supply chain will directly infringe. A good test is to look at whether the user of the invention is a consumer or a business. If the user is a business, then methods of use may capture the highest-value direct infringement base. If the user is a consumer, then methods of manufacture may capture the highest-value direct infringement base.

2. Ease of Infringement Monitoring and Proof

Prosecution counsel also can draft claims in a way that attempts to focus on claim limitations that can be established, at least in a good faith pre-suit analysis, through publicly available information in the particular technical field so that the patentee has a low-cost opportunity to monetize the patents.

3. Ease of Proving Damages

The damages analysis during litigation can be broken down into four basic questions: 1) What non-infringing alternatives could the infringer have used instead of the invention?; 2) What technical difference does the invention make compared to those alternatives?; 3) How much more money did the infringer make from using the invention instead of a non-infringing alternative?; and 4) How much should the infringer

have paid the patentee to make that additional sum of money in an appropriate license.

Thus, prosecution counsel should clearly identify the prior art apparatuses or methods that address the problem addressed by the invention, and the technical benefits the invention provides compared with the prior art — including how those benefits might be quantified. Prosecution counsel should also consider how potential infringers increase the amount of money they make by using the invention, and the typical form of IP license transaction in the patentee's industry. Prosecution counsel should then ensure that the claims are drafted to fit these models.

4. Preserving Validity

Multiple claim families of cascading breadth may protect against the invalidity threat presented by *inter partes* review proceedings. For example, prosecution counsel might add another specific limitation to each family to preserve validity in defined, incremental steps instead of introducing a narrowing limitation that would impact all claims. This gives the opportunity, during negotiations (or during IPR) to drop broader claims that might face stronger validity.

5. Clarity of Presentation to the Judge and Jury

The benefits of an invention are important to both its story and its value. If a technical benefit of the invention is described in the patent, the judge and the jury are more likely to agree with it than if the benefit has to be articulated in testimony from the inventor or an expert witness. Prosecution counsel can interview the inventors and describe in the specification the technical impact the invention likely will have in potentially infringing uses.

6. Lack of Claim Construction Ambiguity

Ambiguity should be avoided when possible because it gives potential infringers psychological comfort that they will win in litigation, so they do not have to pay to take a license to the patent. This does not benefit the patentee. If the patentee holds a broad portfolio, it may be better to have all claims defined with clarity such that some patents might be worthless due to narrow claim terms, but those that do end up infringed have well-defined claims without ambiguity, allowing for easier monetization. Along these lines, prosecution counsel should keep an eye out for language in the specification, and be aware of

arguments made during prosecution that might introduce ambiguity into the scope of the claims.

By focusing on the overall goals of maintaining clarity and promotion of the benefits of the invention, prosecution counsel can avoid injecting ambiguity that could decrease opportunities for monetization. Prosecution counsel should discuss with the client the tradeoffs between clarity in claim amendments and disclaimers, and potential prosecution history estoppel that will restrict the doctrine of equivalents infringement analysis in litigation. The doctrine of equivalents often plays little or zero role in litigation or in valuing the threat of successful enforcement of a patent.

7. Adequate Descriptions of Key Terms to Protect Against § 112 Challenges

This item is largely self-explanatory. If prosecution counsel has drawn precise distinctions between the invention and the prior art as part of the damages exercise, above, this will protect against challenges to the sufficiency of the description under § 112 or the patentability of the invention under § 101, resulting in better predictability of enforcement in negotiations. Again, clarity (and elimination of the psychological comfort of potential defenses) provides a faster track to monetization.

Questions for Discussion Between In-House Counsel and Outside Prosecution Counsel

The strategies identified here depend on the client's particular interests and needs. The questions below are suggestions to generate discussion among in-house counsel, the inventor, other in-house resources (such as engineering and marketing), and outside counsel to facilitate the contours of strategies that might best maximize that particular client's opportunity for return on its patent protection investment.

What difference does this invention make in the client's products or systems? Why ask: The specification can describe the technical benefits provided by the invention, and the claims can be tailored to the elements necessary to encompass those benefits.

What difference might the invention make in competitors' products or systems? Why ask: This question might encourage the inventor to identify additional benefits that can be described in the specification,

again providing guidance for tailoring the claims to encompass those benefits.

What difference might the invention make in technical fields other than the inventor's field? Why ask: This question might encourage the inventor to identify additional benefits that can be described in the specification, again providing guidance for tailoring the claims to encompass those benefits.

What difference might the invention make in the context of macroeconomic trends (for example, transition to a data economy, climate change, aging population)? Keep a list of trends for the discussion. Why ask: This question might encourage the inventor to identify additional benefits that can be described in the specification, again providing guidance for tailoring the claims to encompass those benefits.

What are alternatives to the invention for achieving similar benefits? Why ask: The specification can delineate precisely the invention compared to the prior art, providing a baseline for analyzing the invention's technical benefits over non-infringing alternatives and avoiding certain § 112 and § 101 challenges. The question further ensures that the claims are tailored to encompass the precise aspects necessary to distinguish over alternatives.

How would you test the invention to quantify the technical benefits of the invention over alternative approaches? Why ask: Helps facilitate drafting the claims in ways that allow them to be subjected to industry-standard quantification approaches in the valuation (damages) analysis.

How do you know what competitors are doing in your industry in terms of technical advances and market efforts? Why ask: Facilitates drafting the claims in a way such that potential infringement can be monitored and investigated for Rule 11 purposes based on publicly available information.

What information does your company publish about what you are doing in technical advances? Why ask: Facilitates drafting the claims in a way such that potential infringement can be monitored and investigated for Rule 11 purposes based on publicly available information.

What is the structure of intellectual property or technology licenses in your industry (that is, to what unit is a royalty typically applied, if any)? Why ask: Informs whether to draft claims to link their structure to the typical royalty structure in the industry. That is, if the industry typically licenses IP on a product basis (instead of a component), the claims can be drafted in terms of products instead of components. Or vice-versa.

Who are the entities in the supply chain that this invention impacts, and what impact does the invention have on each? Why ask: Begins to answer where the most valuable direct infringement read might lie. Identifying that element allows for selection of the form of the claims to be included (for example, method of manufacture, method of use, component apparatus, system apparatus).

How do you expect to recover a return on investment in this patent or in your portfolio generally? Why ask: To understand the client's monetization goals and tailor prosecution accordingly.

Conclusion

Litigation value informs monetization value. Prosecution counsel writes the words that ultimately influence litigation value. Through the lens of litigation experience, we have attempted to provide here strategies that in-house counsel and prosecution counsel might consider to maximize their clients' return on investment in patent protection.

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