

# Developing a successful licensing program

Martin Bijman, Director of IP Products at TechInsights, explains how formalized assertion programs can benefit rights holders.

**A** successful licensing program ultimately hinges on the ability to find high-quality evidence of use (EoU) against economically important features of infringing products. Evidence must show a solid, provable chain of custody and be based on a rigorous, systematic approach.

There are finite options available in the public domain for finding reliable technical evidence; and in most cases, a successful licensing program will need to be supported by reverse engineering to complete assertions of infringement.

In assertion, the onus is on the patent holder to find products that are infringing. Mounting an effective licensing program comes down to planning – ensuring patent validity, verifying that there is value in what you are asserting, determining a company of interest, finding credible evidence of use, and more.

This article provides guidelines that will help with assertion preparedness.

## Establish patent validity before you assert

Getting a patent granted simply means that it has met the minimum standards for the quality as assessed by the patent office. The key quality criteria for getting a patent allowed includes the ability to prove utility, novelty, a non-obvious invention, and a specification that teaches how the innovation is accomplished. While a patent can get granted, it is of unknown strength in terms of whether it will stand up in court. Proactively investigating the validity of your patents means digging deeper than the patent office did to find prior art. The start point is the claim itself.

To prove a claim is practiced or anticipated you must show that all elements are mapped in product evidence or literature. In an assertion campaign the most important elements of a claim are those that define the inventive step. These are the key elements and they are always quite specific. Searching for relevant literature available in the public domain may provide indication of use, including data sheets, service manuals, articles, conference proceedings, and marketing presentations. This type of reference material, however, often documents everything except the key elements. While the key elements might be inferred, an experienced defense lawyer will use this



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lack of evidence of use to weaken your assertion.

To create a stronger claim chart that provides evidence of use, finding evidence of the key elements is essential – and it is increasingly difficult to find in the public domain. There are occasional exceptions. For example, some companies deliberately disclose technical details as part of their business strategy to promote the adoption of their products. However, patent assertions have motivated most companies to tighten-up disclosure and restrict what information is posted to the public domain.

Therefore, in most cases you need to go beyond literature available in the public domain and dig deeper. Finding evidence for your key elements will usually mean investing in technical analysis based on reverse engineering.

Ultimately the key success factor for investigating the validity of your patent hinges on finding evidence that maps to the key elements of the claim. If found, this would be prior art, and would confirm that what was taught at the time of filing was anticipated – and that pursuing infringement of that patent in a licensing program may not be advisable.

A combination of technical analysis and access to a credible source of older evidence – prior use – may be what is required to confidently validate your own patents.

## Interpretation is key

Proving infringement starts with an interpretation of the claim to make sure all the elements are well

### Résumé

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understood. However, during negotiation, the words used can often be interpreted in multiple ways. The evidence you have gathered might be relevant, but it may not align closely enough with a particular interpretation to prove infringement. Interpreting a claim is never cut and dry – it is a practiced skill and can be highly subjective.

This does not necessarily mean that highly detailed, very specific claim charts are always the best strategy. During the negotiation stage, a company may concede that the claim charts are very specific – and show this is not how their product or innovation works. A presentation that is too specific does not provide any options or maneuverability to cover other implementations that are relatively close.

For this reason, some patent experts deliberately write their first claim charts with somewhat broad evidence. While this strategy risks lengthening the prosecution phase, the resulting patents may be more likely to provide flexibility to adapt during negotiation. Often this leads to a dependent claim to narrow the focus on a specific inventive step or innovation.

Interpretation can mean the difference between a favorable ruling or being in a situation where you must adapt quickly. In the U.S., when a case of infringement goes to court, a pretrial process includes a Markman hearing where evidence about the patent is reviewed by a judge. Also known as a “claim construction hearing”, the judge’s interpretation of the scope and meaning of the disputed patent claims is a key success factor in patent litigation. A judge will consider whether the language that is used in a

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claim is taught in the patent specification. If it is not, the meaning is determined by those skilled in the patent art at the priority date of the patent.

In some cases, there can be many possible interpretations of a single claim. If the claim is interpreted differently or in a very narrow way by the judge, the parties may get an unfavorable Markman ruling.

In the event of an unfavorable ruling, the options are to abandon the use of your patent or to get more evidence to cover the interpretation of the Markman ruling. Evidence can include, but is not be restricted to, live testimony from an expert witness, additional documentation, schematics and images that directly concern the elements of the claims as interpreted.

The best strategy is to ensure you are focusing on the right claims to increase the chances of getting a favorable interpretation and ensure you are as well prepared as possible for negotiations.

### Target products with high economic value

Unlike the government, which spends – in total – several days reviewing the merits of a patent application over the prosecution period, a company that has been served notice of infringement, and that is faced with the prospect of a significant payout, will invest considerable resources to challenge your assertion. Usually this involves a tenacious legal team tasked to find prior art to invalidate your claim(s), or to show non-infringement. Those teams may work for weeks with an exclusive focus on weakening and excluding your asserted patents.

In our experience, only 1 to 2% of an asserting company's patents get through the negotiation process and actually get licensed. Many are invalidated by the served company through prior art or prior use. That means you will need to create or acquire 50 to 100 patents for every patent that you will be able to use against targets. Combined with the significant cost to prepare a licensing campaign, and asserted product needs to have an annual revenue rate of a hundred million dollars or more to warrant an assertion.

Related to economic value is the importance of focusing on high-volume, high-value features – and the ability to find EoU on these features. That means ensuring from the outset of your license planning that the inventive feature for which you are claiming infringement has high value – like an integrated circuit which is hard to design around, or one that greatly influences a customer buying decision. Put another way, how much less would a customer pay for a product if the feature enabled by the patent was removed? A court is unlikely to award a large settlement to a patentee because an alleged infringer used an unimportant feature that will have no impact on the market price or usability of the product.

Bottom line: it costs a lot of money to create patents and to prove infringement. The outcomes can be significant. Make sure there will be a payoff by focusing on important features that are being sold in high volume.

### Ensure a proper chain of custody

Matching key elements to the evidence is the lynch pin in a successful licensing program that is focused on enforcement. This involves investigating potentially infringing products to whatever depth of technical analysis is required to validate use of the claim. How this evidence is discovered is also a critical consideration and key success factor for licensing programs. Evidence – and the process by which it is prepared – must be defensible in court should your claim chart(s) be challenged.

If chain of custody is not thorough, it can result in evidence being inadmissible and discredited. The quality of teardown procedural documentation, use of properly licensed tools and equipment to perform analysis, how the product was purchased and from what source – these and many other considerations collectively form a chain of custody that must be carefully maintained. For example, evidence can be deemed unusable simply because an unlicensed tool was used as part of the reverse engineering process.

### Analyze your exposure before you assert

A company that is served notice may turn the tables and counter assert by saying “you infringe on our patents”. An exposure analysis will help measure that scenario by assessing the relative strength of the target company's portfolio against your products in the context of the current market.



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An exposure analysis assesses the feasibility of a patent assertion against a specific target and anticipates how they will respond. This type of assessment can uncover, for example, the likelihood that the organization you are trying to assert against will turn around and make a strong case against you with their own claim charts.

An exposure analysis may involve:

- Determining how much of your target's portfolio aligns with your products
- Identifying the strengths of your portfolio against the target's products
- Making solid, evidence-based decisions about the balance of portfolios and whether to proceed with an assertion of infringement with confidence.

An exposure analysis reduces your risks by anticipating how the target company will respond and can use statistical analysis to anticipate the magnitude of this response.

### In conclusion

Assertion is the process of enforcing your patent rights to seek compensation for the use of your innovations. Claim charts provide your target or ultimately the court with the hard evidence it requires. Without them, your claim of assertion and ultimately your settlement may be weakened.

Finding accurate litigation-worthy technical data in the public domain to prove infringement is daunting. A web search will often result in tens of thousands of results and take hundreds of person hours to sift through. Searches may eventually yield conventional items such as data sheets, marketing brochures, press releases, technical reports, and conference proceedings. While useful this type of information may not map the key elements to your claims.

Typically, information required to develop a claim chart and prove infringement is gathered through technical analysis based on reverse engineering and mapped to specific patent claim elements. Together this forms a compelling argument to enforce patents. This requires finding patents that enable technologies of the most important features of infringing products and using evidence to prove infringement.

How technical analysis is undertaken to obtain evidence is critically important. The analysis must follow a provable chain of custody to be admissible in court. While this analysis can be undertaken internally, it requires highly specialized expertise and sophisticated reverse engineering equipment to go as deep as required to reveal the inventive step behind innovative, complex technology products.

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