



## Strategic Patent Counseling



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*What questions do you, as patent counsel, need to investigate in order to set forth a strategy which will help your client protect its product line in the marketplace?*

You have been engaged by a new client to formulate and implement a patent strategy geared to the needs of that particular client. What questions do you, as patent counsel, need to investigate in order to set forth a strategy which will help your client protect its product line in the marketplace and at the same time help assure the client's right to use the technology necessary for the success of that product line, as well as provide the client the opportunity of realizing royalty income should it desire to license its patents? Below are several basic questions you may wish to consider in preparation for offering counsel to the client. Each area is primarily an outline of questions to be considered and is not intended as an exhaustive study. A separate article could easily be written about each.

### CURRENT PATENT STRATEGY

What is the client's current patent inventory, and what has been its patent strategy until now? Frequently clients have no formulated strategy other than to file for patent on inventions as they arise. If this is the case you have the opportunity to change this collection of reactive tactics into a coherent proactive strategy.

A logical place to begin is to assess the current portfolio of the client's issued patents and pending patent applications, as well as its current products, those under development, and those planned for future development.

If defects exist in the claims of your client's issued patents, consider whether they can be corrected by reissue. If so, this should be undertaken to optimize future enforcement.

Are there other known infirmities in the client's patents? If prior art problems exist and can be cured by re-examination, it may be better to do so now in an *ex parte* proceeding than to allow the prior art to arise in subsequent license negotiations or litigation where it can be characterized by opposing counsel.

### U.S. FILING STRATEGY

Care must be given as to who will be the prospective infringers when drafting claims in patent applications about to be filed, or when amending or adding claims in pending applications. Who are the potential infringers? Claims should be drafted, if possible, so that the potential infringer will directly infringe them because licensing or enforcement will be easier against a direct infringer as opposed to a contributory infringer. For example, an electronics invention is often embodied in software in a chip within a larger hardware product. It could also be produced in some instances by a software company supplying the invention as code on a diskette. Does the corresponding patent contain article of manufacture claims covering this software embodied in storage so that both the chip manufacturer and the software company will be a direct infringer? This can be important in giving your client latitude for future enforcement. [For a more thorough discussion of this type of claim and its benefits see Marilyn Smith-Dawkins "*Patent Protection for Computer Programs on a Tangible Medium and How to Claim Them After In re Beauregard*," 20 NEW MATTER, No. 2 (1995).]

Further, should different sets of claims be in different applications? For example, it may be important from a licensing perspective to have the combination claims issue in one patent and the subcombination claims issue in another, if inventorship will allow it. These and other enforcement considerations require careful planning during patent application drafting and prosecution.



## RIGHT-TO-USE CONSIDERATIONS

It is also prudent to assess the patent situation of your client's important competitors. A database search of their U.S. patents and their issued and published foreign patent applications can give an important over-the-horizon look at their future patent strategy as it may affect your client. Frequently, their published European applications will yield U.S. applications which have not yet matured into patents, and this information can be important to your strategy. Your competitors' issued patents and the number or content of their pending applications gleaned from your database search will give you a good assessment of the relative strength of their portfolios and their filing trend. More importantly, you may discover competitor patents that are potential infringement problems that justify a thorough infringement and validity study. The results can allow you to advise your client as to design avoidances, or assure right to use by needed licenses early enough to avoid critical problems. The competition's filing trend and the content of their patents and pending applications gives valuable insight with which you can tailor your client's needed response.

## FOREIGN FILING

How extensively should foreign filing be undertaken? Much has to do here with the life cycle of the products under consideration. If the technology is moving so fast that the inventions under consideration will lose their commercial value in a relatively short time period, it may not be wise to file extensively in foreign countries because the invention may no longer be attractive by the time the foreign patent issues. On the other hand, there are usually important inventions that are used in a product line for many years and foreign patents on these become very important. One way to help make the decision is to use PCT filing. While there is a front end fee, the time period before country protection must be declared can allow sufficient time to decide whether an invention has shown enough value in the marketplace to justify going forward with foreign country protection. During this period, you may have received the European Patent Office search and may perhaps have received a USPTO action that will give additional insight to the invention's value for foreign protection purposes. In addition, the information gained from the above database search on competitor foreign patent activity might tell you whether the rest of the industry has considered this type of invention valuable enough to justify your filing for protection in foreign countries.

Further, one need not obtain protection in all or even a majority of foreign countries. Protection in a selected number of strategic countries, such as all countries of manufacture, or the major countries where the product is marketed, can be sufficient.

## MANUFACTURING INVENTIONS

Should your client file on manufacturing apparatus or manufacturing process inventions? The patent statute requires that the patent specification set forth the best mode contemplated by the inventor for carrying out the invention at the time the patent application is filed. If the invention under consideration is a manufacturing apparatus or a manufacturing process that is not discoverable from inspecting the ultimate product, then the patent application will have to describe an innovation that would not legally be discovered absent issuance or publication of the patent application. One has to weigh the value of disclosing what would otherwise remain a trade secret against the value of the claims available. Further, if the competitor's manufacturing process which your client's prospective patent would cover is itself held trade secret within the competitor's facility, detecting infringement of your client's prospective patent may prove difficult. This mitigates against your client's filing the invention in favor of holding the process a trade secret. However, one must further consider the risk that your competitor might have made the same manufacturing process invention and is obtaining *its own* patent which might be assertable against your client's process if your client decides to hold the invention a trade secret rather than apply for a patent. This is a difficult decision with no guaranteed successful answer. A database search can tell you whether such process inventions are routinely filed in the industry under consideration. This information can help make an informed decision on the question.



## PATENT TECHNICAL AREA COORDINATION

One can refine the client's patent filing strategy by assessing the client's patent strength by individual technical areas. This requires enlisting the aid of the client's technical personnel to help categorize its product line and technology by important technical area and then characterize your patents that apply to each area in terms of their importance and claim coverage. This can yield a determination of the technical areas in which the client's patent portfolio is strong and those in which it is weak. This information can then be used to focus more patent attention on innovations in the weaker technical areas. Stated another way, this process can tell you where your client has good claim coverage and where coverage needs improvement.

## LICENSING CONSIDERATIONS

At times your client's business competitive analysis activities will discover competitive products that infringe the client's patents. However, this is not generally the case, especially where the patented invention is electronic and is embodied in a chip within a hardware product. Definitive coverage, of course, requires not only detailed engineering knowledge and analysis of the target product, but also analysis of the claims and their prosecution history through the USPTO. Sometimes an unexpected insight into which products infringe can be gained from reviewing your competitor's patents. For example, a competitor's patent might disclose functions that are validly covered by your client's claims. This can then be used as a starting point in determining which of your competitor's products you and your client should focus on in your study leading to enforcing its patents.

Another consideration is the timing of asserting your client's patents against an infringing product. If your database search has detected relative weakness in the competitor's patent portfolio as applied to your client's product line, now may be a good time to assert the patents that you have determined to be infringed. However, if you discover relative strength in your competitor's patents as they apply to your client's products, prudence might dictate not asserting your patents till the relative strength shifts to your favor.

A frequently overlooked licensing fact is that licensing those patents that are broad enough to apply outside your client's industry can be very profitable. At times a keyword database search using terms of your client's claims to search on issued patents may yield the insight that one or more of your client's claims is infringed by products *outside* its industry. This can lead to a very profitable licensing program, because it is usually unlikely that concerns outside your client's industry will have patents infringed by your client's products. If your search yields this situation there is essentially no royalty exposure to your client under the infringer's patents. The result can be a one way royalty flow in your client's direction. Before embarking on a licensing strategy, however, a well thought through enforcement strategy should be decided on. You should make certain you have thoroughly reviewed the validity of the prospective licensed patents and advised your client as to strengths and weaknesses, including re-examination if needed, as mentioned above. You and your client should agree on an enforcement litigation strategy in case prospective licensees refuse to take a license, or should litigation otherwise be deemed appropriate.

## CONCLUSION

A number of considerations for strategic patent counseling have been discussed. An organized patent application filing plan, both U. S. and foreign, as well as thinking ahead to enforcement at the time of prosecution is crucial. A well formulated patent strategy also depends in significant part on understanding the patent activities of the competition. A substantial amount of such information is publicly available by database searching. This can give you, as patent counsel, helpful guidance to use in making your client's patent strategy plan-driven as opposed to reacting on an invention-by-invention and patent-by-patent basis.