

# Monetizing Patents

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Turning patents  
into dollars

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NAPP 2007 Convention

# Alternative ways to monetize patents

- Litigation
- “Stick Licensing”
- Business transactions related to products
- “Carrot Licensing”

# Challenges associated with Litigation

- Costs/fees
  - Out of pocket – average cost reports
  - Financing entities and contingency fees
- Risk of offending potential customers
- Change of negotiating dynamics
  - Avoiding looking like the “soft touch”
  - Testosterone
  - Defense lawyer incentive
  - Zero sum game
- Risk of losing the patent
  - Invalidity/Unenforceability
  - Appeal a foregone conclusion (note Fed. Cir reversal statistics)

# Challenges associated with Stick Licensing

- Negative attitudes by target
- Cheaper for target to litigate for a while
- Remedies (injunction, damages, time value of money) vs. cost
- Declaratory judgment standards (evolving)
  - New Supreme Court and Federal Circuit cases
  - *MedImmune v. Genentech*, 549 U.S. \_\_\_\_, 127 S. Ct. 764 (Jan. 2007) (licensee can challenge patent without breaching license)

## Declaratory judgment standards (evolving)

- *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. Mar. 2007) (abolishes “reasonable apprehension of suit” test)
  - “We hold only [only!] where a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license, an Article III case or controversy will arise.”

## *SanDisk Corp. v. STMicroelectronics, Inc.*

- Facts:

- Patentee had provided claim charts showing how claims read on SanDisk products and invited discussion of cross-licensing agreement.
- But patentee had said: “ST has absolutely no plans whatsoever to sue SanDisk.”
- Parties wanted to have “business people talk and see if a peaceful resolution is possible.”
- SanDisk denied activity was within scope of patent and sued for declaratory judgment.
- District court followed previous Federal Circuit standard and dismissed, but Federal Circuit reversed.

## *SanDisk Corp. v. STMicroelectronics, Inc.*

- Not mandated by *MedImmune* (*but see* 127 S. Ct. at 774 n.11 – “The reasonable-apprehension-of-suit test ... conflicts with our decisions ...”)
- Judge Bryson (concurring): “it would appear that under the court’s standard **virtually any invitation to take a paid license** relating to the prospective licensee’s activities would give rise to an Article III case or controversy if the prospective licensee elects to assert that its conduct does not fall within the scope of the patent.”

# Challenges associated with Carrot Licensing and Product Deals

- “NIH” syndrome
- Suspicious attitudes
- Confidentiality concerns
- Non-exclusivity typical



# Sales: an increasingly popular alternative

- Why companies often prefer to buy rather than take a license (even an exclusive license)
- The general market for patents - who is buying?
- Reasons for buying patents
  - Cross-licensing
  - Product protection
  - Intellectual property as an asset
  - Purchase for enforcement
- Methods of selling patents
  - Public auctions
  - Private auctions
  - Direct approaches

# What it takes to sell patents

- Good contacts (US and abroad)
- Technical evaluation
- Consideration of scope of patents, e.g. –
  - Claim scope
  - Competitors and competitive solutions
  - Foreign counterparts
- Review of pre-existing licenses & cross-licenses
- Review of title
- Annuities/maintenance fees check
- Contract work

# Implications for patent prosecutors

- Issues re: title/fees
- Issues re: scope of claims
  - Means/function
  - Unnecessary limitations
  - Methods: perspective of different parties
  - Apparatus: what is the commercial equipment or product that is being sold?
- Issues re: foreign counterparts
- Other recommendations

# Thanks for the opportunity!

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*Experts in monetizing valuable patents*

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