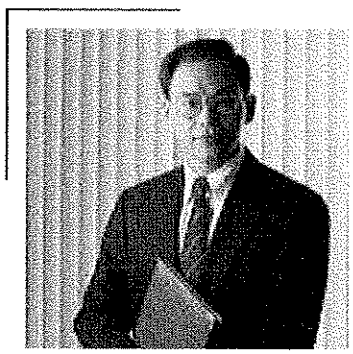

Launching a Successful Patent Licensing Campaign

Tuesday, June 20, 2006
by: *Richard F. Cauley and Peter O. Huang*

The epic battle between Research in Motion, makers of the Blackbe and NTP, owners of a patent which covered that product, ended wh the trial judge, wielding the threat of an injunction which could hav shut down the Blackberry email system, forced RIM to settle. The pressure which the judge was able to impose - an injunction - woul virtually have put the company out of business -- forced RIM into a settlement of over $600 million, e though it had already persuaded the US Patent Office to reject two of the patents NTP had asserted in the litigation.

Like NTP, patent holders have often relied on the implicit threat of an injunction to persuade unwilling targets to take a license. The specter of having an entire product line shut down can be a powerful incentive for a company to take a patent license, even if it may suspect that, eventually it could prove that it did not infringe or that the patent would be found invalid.

A sea change in the relative bargaining positions of patent owner and target may have occurred, however, on May 15, 2006, when the United States Supreme Court decided eBay v. MercExchange. In that case, the court reversed long-established precedent holding that a patent holder was automatically entitled to a permanent injunction after winning at trial and gave trial judges the discretion to decide whether a patent owner has suffered "irreparable harm" sufficient to warrant an injunction. Indeed, the first district court to consider this issue – the normally plaintiff-friendly Eastern District of Texas – denied a plaintiff an injunction to prevent Microsoft's from using infringing "product activation" software.

This may prove a difficult burden to meet where a patent owner's primary current asset is its patent portfolio or where the patent owner has not begun selling products in substantial quantities. Indeed, i may prove difficult for a patent holder to obtain an injunction where the patent owner and the infringe do not compete.

The question, for companies seeking to license their inventions, is how to effectively persuade infringers to take a license to their patents when the threat of an injunction has been dramatically lessened. The answer is for patentees to intelligently select targets who pose the greatest competitive threat – 1) those who are, or will be, in the same market niche as the patent holder or 2) those who can, in some manner, interfere with the patent owner's ability to compete.

A successful patent licensing campaign for a small to medium-sized company starts, of course, with the patent itself. To be most effective, the patent must be placed squarely at the chokepoint of competition. The patent must cover a technology everyone either already uses -- or wants to use.

The patent holder also must have the financial resources and the will to wield this competitive weapon. Often invitations to license – and even threats – may have to be sent to direct competitors who may then be motivated to retaliate. The licensor must be willing to back up its threats with lawsuits, if necessary and also be willing to weather "unfair competition" actions brought by targets seeking to get the patent holder to back off. A patentee who is not ultimately willing to back up its "invitations to license" with a lawsuit is not likely to be taken seriously.

With a significantly lessened injunction threat, a patent holder must be even smarter in order to snag potential licensees. A patent owner must not only be vigilant in identifying potential infringers, he should be careful to avoid sending "invitations to license" to every company in an industry without investigating whether the potential target actually uses the patented technology. These letters are usually ignored – costing the patentholder time, effort and energy. After all, a months-long delay in licensing a patent will not impress the next target and in-house attorneys do talk to each other.

The better strategy, now that the threat of an injunction is less credible, is to do a comprehensive analysis, before sending out any letters, of which targets are the most likely to be economically threatened by your patent portfolio and which pose the greatest competitive threat to you. After the targets have been approached, the initial inquiries should be followed up aggressively – the potential infringer should know that you are serious and that you will take action if your initial inquiries are ignored or rejected. Infringers of your patents should know that for them, despite the eBay decision, there are still consequences – including the real threat of an injunction – of failing to take a license to your patents.

ARTICLE TOOLS | Email It | Print It | **Blog** It! |

BLOG COMMENTS

There are **NO** comments related to this article. Be the first!

RECENT HEADLINES

SPONSORED LINKS

contributing AUTHOR

Wang, Hartmann & Gibbs, P.C.

1301 Dove Street
Suite 1050
Newport Beach, California 92660
Phone: (949) 833-8483
Fax: (949) 833-2281
Web site: http://www.whglawfirm.com

Richard F. Cauley is a senior trial lawyer specializing in patent and licensing litigati former partner at the law firm of McDermott Will & Emery, LLP, based in Silicon Va Mr. Cauley has over 20 years of trial experience in complex patent infringement ar other trademark and copyright litigation. He has successfully represented clients ir semiconductor, computer and disk drive industries. Mr. Cauley has prevailed in numerous important cases for major industrial clients throughout the U.S.

Articles Appearing in ipFrontline™

Launching a Successful Patent Licensing Campaign, published: 6/20/2006

BACKGROUNDER

contributing AUTHOR

Wang, Hartmann & Gibbs, P.C.

1301 Dove Street
Suite 1050
Newport Beach, California 92660
Phone: (949) 833-8483
Fax: (949) 833-2281
Web site: http://www.whglawfirm.com

Peter O. Huang has substantive experience in areas such as patent law, trade secr trademark, antitrust, unfair competition, tort law, employment, contracts, and gen commercial litigation.

Prior to joining the firm, Mr. Huang served as a research attorney for the Sonoma County Superior Court and worked for a prominent Silicon Valley law firm.