

Patents: What Entrepreneurs and Investors Need To Know Now

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et avec **MARIO BREGA**

avec
ELI WALLACH

avec la rôle de TUCO

Scénario et Dialogues

AGE SCARPELLI LUCIANO VINCENZONI et SERGIO LEONE

Réalisé par

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Produit par

ALBERTO GRIMALDI pour la P.E.A.



Surprise!



**MOST PATENTS ARE
WORTHLESS!**

My Assumptions

- **Weak patents are not worth having**
- **Develop a patent portfolio as if you intend to enforce the patents later on**
- **The market increasingly understands what makes a patent valuable**
- **There are numerous free online tools that can help at various stages of patent portfolio development**
- **Entrepreneurs and investors need to educate themselves**
- **Patent attorneys need to be managed**

Increasingly Difficult To Monetize Patents

- **Changes in the law resulting from court decisions and the American Invents Acts (2013)**
- **For patent owners, these changes have negatively affected:**
 - Patentable subject matter – what’s patentable
 - Damages – how much you can get if someone infringes
 - Injunction – keeping infringing items off the market
 - Loser pays in “exceptional cases” – you better have a good case
 - AIA – Inter Partes Review – defendants get “two bites of the apple”

Patentable Subject Matter

- Consult a registered patent attorney regarding all patentability questions
- A variety of decisions have affected nearly all areas of invention, for example:
 - Medical diagnostics
 - DNA sequences
 - Software and computers
 - Financial services
 - Business methods
- **Software and Computers**
 - Simply doing things that were done without a computer now with a computer – dead in almost all cases
 - Still possible to get software patents provided that **the invention is a technical solution to a technical problem.**
 - *(DDR Holdings, LLC v. Hotels.com, L.P., CAFC No. 13-1505s)*

Damages When Infringement Proven

- Much harder to get treble damages for willful infringement
- Old “rules of thumb” for calculating damages are now usually inapplicable
 - Entire Market Value Rule, 25% rule, Nash Bargaining
- Apportionment of damages for complex products
 - Damages calculated on the smallest saleable infringing unit
 - Example: if the microprocessor infringes, damages are typically based on the value of the microprocessor rather than of the whole smartphone or computer in which it’s installed.

Injunction – Prohibits Proven Infringer From Continuing to Make, Sell, Import

- The real threat of an injunction used to be sufficient to get an infringer to settle
- Getting any injunction is now much more difficult
 - Result of a Supreme Court case - *eBay Inc. v. MercExchange, L.L.C.*,
- However:
 - A patent owner who practices the invention is more likely to get a injunction against a direct competitor
 - A patent owner who does not practice the invention is much less likely to get an injunction
 - Monetary compensation only

Loser Pays Costs In “Exceptional Cases”

- A bit easier for winning defendants to get their legal costs paid if the infringement case is unusually weak
 - *Octane Fitness, LLC v. Icon Health & Fitness, Inc.* Supreme Court
- Makes it somewhat more difficult to get trial attorneys to take infringement cases on contingency

THE Big Problem: Inter Partes Review

- **The American Invents Act provides a process at the Patent Office for anyone to challenge the validity of an issued patent.**
 - Used by some hedge funds to attack the patents and value of publicly traded pharma companies
- **Many defendants routinely file IPR petitions when sued for infringement.**
 - Costs for plaintiff to defend their patents may run a few hundred thousand dollars for each patent
- **IPR Pluses: a lot of weak patents that never should have been litigated have been killed at the Patent Trial and Appeal Board (PTAB)**
- **IPR Negatives: High case costs and prolongs the infringement suit for many months**

So What's An Entrepreneur Or Investor To Do?

How To Build Patent Value



The 5 Main Reasons Why Most Patents Are Worthless

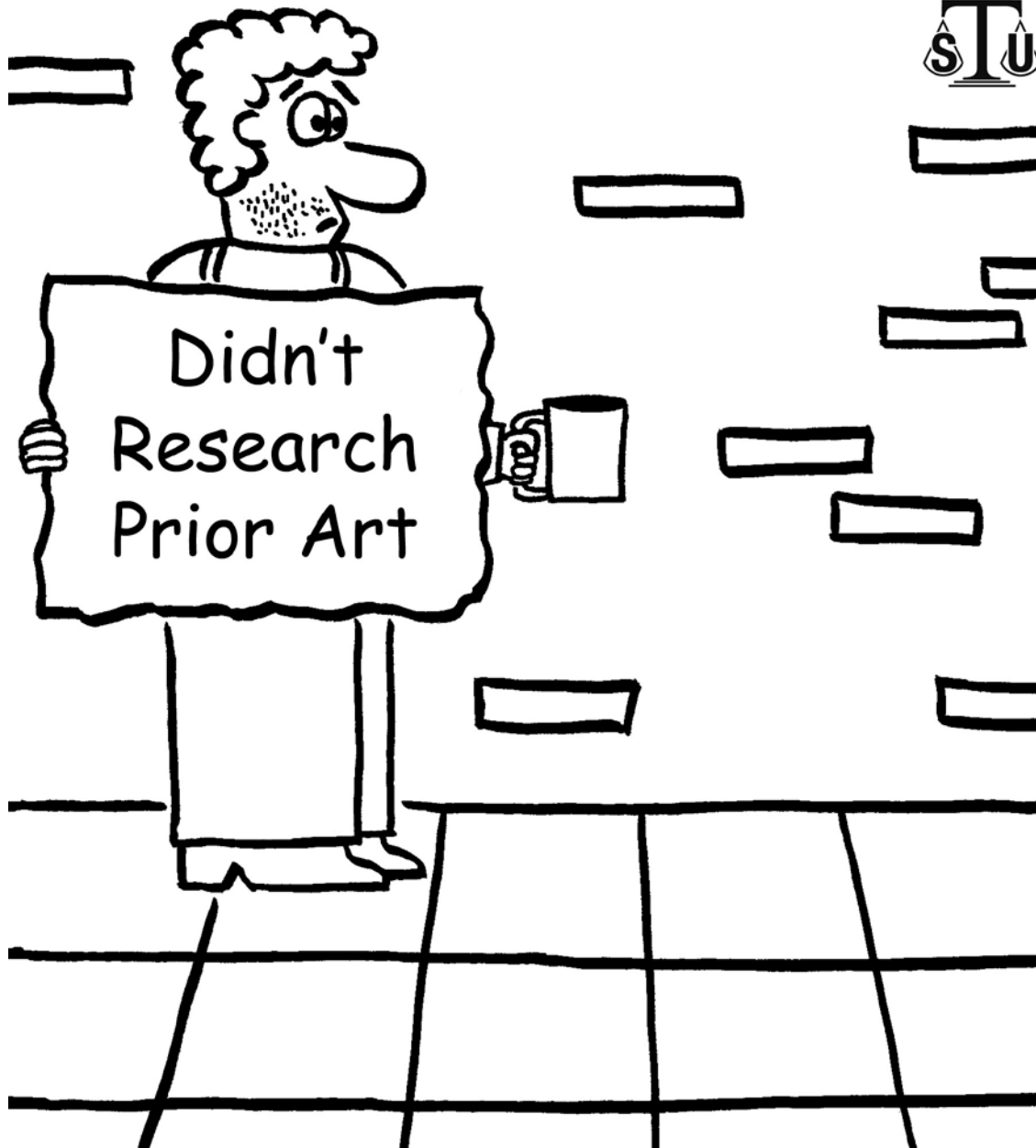
- 1) Market didn't go there
- 2) Claims badly drafted
- 3) Leaving the prior art searching to the Patent Office
- 4) Failure to search the patent prior art
- 5) Failure to search the non-patent prior art

1. No One Is Practicing The Invention

- **Entrepreneurial risk – happens all the time**
- **Patent owners failed to commercialize**
 - No market uptake
 - Failure to raise the next (first) round
 - Pivot, move on, etc.
- **No one else is practicing the invention(s)**
- **Chalk it up to experience and move on**

2. The Claims Are Unenforceable

- Claims “define, in technical terms, the extent, i.e. the scope, of the protection conferred by a patent.”
- **Typical claim problems**
 - **Claims too narrow**
 - Claim elements A+B+C+D+E
 - Infringement requires that all claim elements be practiced
 - A+B+C+D doesn't infringe
 - **One party does not practice all claim elements**
 - So-called “divided claims”
 - A+B+C+D practice by one entity, E practiced by another
 - Usually solved by better claim drafting



3, 4, 5 Failure to Search the Prior Art

- **3. Leaving the searching to the patent examiner**
 - Patent dead on arrival in almost all cases
- **4. Failure to search the patent prior art**
- **5. Failure to search the non-patent prior art**

- **Inventors are not required to search for prior art**
- **Only required to tell the patent office about prior art that they know about**
 - Failure to do this is usually considered “inequitable conduct” and is grounds for invalidating a patent if enforced

Searching Matters Because

- **Indicates seriousness of purpose, strategic intent**
 - Compare Apple iPod patent (US7,345,671) with Steve Jobs as co-inventor with the garden variety Apple patent

Apple 8,375,312



US008375312B2

(12) **United States Patent**
Marinkovich et al.
 (10) **Patent No.:** US 8,375,312 B2
 (45) **Date of Patent:** Feb. 12, 2013

(54) **CLASSIFYING DIGITAL MEDIA BASED ON CONTENT**

(75) Inventors: **Mike Marinkovich**, Santa Clara, CA (US); **Greg Lindley**, Sunnyvale, CA (US); **Alan Cannistraro**, San Francisco, CA (US); **Evan Doll**, San Francisco, CA (US); **Gary Johnson**, San Jose, CA (US)

(73) Assignee: **Apple Inc.**, Cupertino, CA (US)

(*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 1228 days.

(21) Appl. No.: **11/760,720**

(22) Filed: **Jun. 8, 2007**

(65) **Prior Publication Data**
 US 2008/0307337 A1 Dec. 11, 2008

(51) **Int. Cl.**
G06F 3/00 (2006.01)
G06F 3/048 (2006.01)
 (52) **U.S. Cl.** **715/762**; 715/764; 715/804; 715/833; 715/846; 715/848; 715/768

(58) **Field of Classification Search** 715/762; 715/764, 804, 833, 846, 848
 See application file for complete search history.

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(Continued)

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(57) **ABSTRACT**

A computer-implemented method for classifying digital content can include displaying one or more poster frames in a user interface, wherein a poster frame corresponds to an item of digital content, displaying one or more first level classification panes adjacent to a poster frame corresponding to an item to be classified, wherein a first level classification pane is associated with a keyword, and enabling a user to associate a poster frame with a first level classification pane to cause the keyword associated with the first level classification pane to be associated with the item to which the poster frame corresponds.

22 Claims, 4 Drawing Sheets

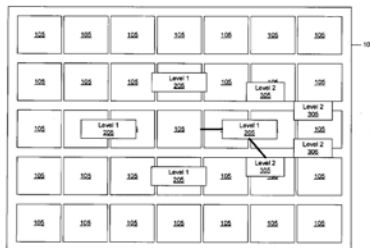
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Searching Matters Because

- **Indicates seriousness of purpose, strategic intent**
 - Compare Apple iPod patent (US7,345,671) with Steve Jobs as inventor with the garden variety Apple patent
- **Patent more likely to stand up if litigated**
- **More likely to survive Inter Parties Review**
- **In computer related inventions, 300+ patent references and 100+ non-patent references are good numbers to aim for or exceed**

Many Useful Online Tools

Some examples:

- **Google patents**
 - <http://patents.google.com>
- **The USPTO patent and pending application databases**
 - <http://patft.uspto.gov/>
- **The European Patent Office database**
 - http://worldwide.espacenet.com/?locale=EN_ep
- **WIPO Database**
 - <http://www.wipo.int/patentscope/search/en/search.jsf>
- **Sumo Patents (charges for paper copies)**
 - <http://www.sumobrain.com/login.html>
- **The Internet Archives**
 - <http://www.archive.org/web/web.php>

Work With A Registered Patent Attorney



However, Many Patent Attorneys Are Part Of The Problem

- **Increasingly patent attorneys are being judged on efficiency in obtaining a patent**
 - Lowest cost
 - Fewest number of office actions at the patent office during prosecution
 - Analytical systems are providing comparisons of law firm efficiency
- **Numerous patent attorneys have told me that their job is getting a patent issued (regardless of quality)**
 - Creates a version of “the Dancing Dog Problem”
- **Patent quality is key to patent value**

Recommendations

(Reflects my biases, of course)

- **Try to anticipate where the market will be in 5 years**
 - Envision the invention broadly
 - Think about alternative “embodiments” of the invention
 - Can tweak the claims as the market evolves
- **Make sure its possible for one party to infringe the claims**
- **Search extensively, especially for computer and communications related patent applications**
- **Fire any patent attorney who recommends not searching the patent and non-patent prior art**

The End

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Domo arigato

Dank u

Danke schoen

Thank you

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