



# Patent Infringement

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# Disclaimer

This presentation is for general informational use only and must not be relied upon in forming any legal opinion regarding patent infringement or other legal issue. Many of the statements in this presentation are based on generalizations of the relevant law. In reality, the law is much more complex than may appear from this presentation. It is recommended that competent counsel be sought in any case of suspected or actual infringement.

# Overview

1. What is Patent Infringement?
2. What are the Remedies for Patent Infringement?
3. What are the Defenses to Patent Infringement?
4. How can I protect myself against Patent Infringement?
5. What if I am accused of Patent Infringement?
6. I have a patent. How do I enforce my patent rights?
7. What are the costs of asserting Patent Infringement and defending against Patent Infringement?
8. Can I buy Patent Infringement insurance?

# Patent Infringement

**Definition:** “The unauthorized making, using, selling, offering for sale or importing into the U.S. for practical use, or for profit, of an invention covered by a valid claim of a patent during the life of the patent.”

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## Key Components of This Definition

- “. . . The unauthorized . . .”
  - No infringement if have permission of the patent owner to carry out the activity
  - Permission is commonly referred to as a “license”

“The unauthorized making, using, selling, offering for sale or importing into the U.S. for practical use, or for profit, of an invention covered by a valid claim of a patent during the life of the patent.”

- “. . . making, using, selling or importing into the U.S. . . .”
  - These four rights are the “exclusive” rights conveyed to the patent owner by the Patent Statute (35 U.S.C. § 100 et seq.)
  - Rights are “exhausted” under the “First Sale Doctrine”

“The unauthorized making, using, selling, offering for sale or importing into the U.S. for practical use, or for profit, of an invention covered by a valid claim of a patent during the life of the patent.”

- “. . . for practical use, or for profit, . . . .”
  - Very few exceptions
    - Generic drug testing
    - Experimentation with no commercial benefit

“The unauthorized making, using, selling, offering for sale or importing into the U.S. for practical use, or for profit, of an invention covered by a valid claim of a patent during the life of the patent.”

- “. . . of an invention . . . .”
  - Machines
  - Manufactures, (non-machine-type articles), e.g., soda bottles
  - Compositions of matter, e.g., chemical compounds
  - Processes
  - Virtually anything under the Sun, except abstract ideas, laws of nature and natural phenomena

“The unauthorized making, using, selling, offering for sale or importing into the U.S. for practical use, or for profit, of an invention covered by a valid claim of a patent during the life of the patent.”

- “. . .covered by a valid claim of a patent . . .”
  - Claims are the numbered items appearing at the end of a patent. For example:
    1. A chair, comprising:
      - a) a back;
      - b) a seat attached to said back; and
      - c) three legs supporting said back and said seat.

- Claims define the “metes and bounds” of a patent
- Claims must be “valid,” i.e., meet all of the “statutory requirements,” including usefulness, novelty, nonobviousness, definiteness, enablement, etc.
- Determining whether an invention is “covered” by a claim requires the claims to be properly construed

“The unauthorized making, using, selling, offering for sale or importing into the U.S. for practical use, or for profit, of an invention covered by a valid claim of a patent during the life of the patent.”

- “. . . during the life of the patent.”
  - Generally, the life of a patent extends from its issue date to the date 20 years from the filing date of the corresponding application
    - Maintenance fees are due at 3.5, 7.5 and 11.5 years from the issue date
    - Life can be longer if patent term extension(s) apply
    - Analysis is more complex for divisional, continuation and continuation-in-part applications
  - The statute of limitations for Patent Infringement is generally 6 years

# Patent Infringement

- Determining Infringement is a two-step process:
  - 1) Construe a claim (aka “claim construction”) to determine its legal scope; and
  - 2) Apply the construed claim to the accused product or process to see whether it falls within the scope of the claims.

# 1) Construing the Claims

- Determines exactly what the claims cover
- Often the most difficult, but most important, part of a Patent Infringement analysis
- In court, claim construction is a question of law decided by the judge

# 1) Construing the Claims

- Determine the meaning of each and every element of each claim at issue
  - An element may be a single word or a phrase
    1. A chair, comprising:
      - a) a back;
      - b) a seat attached to said back; and
      - c) three legs supporting said back and said seat.

# 1) Construing the Claims

- Typically, claim terminology is given its “ordinary and customary” meaning in the relevant art
  - In the chair example, the “relevant art” is likely the manufacturing of chairs
    - What would those having ordinary skill in the art understand the word, term or phrase to mean
  - However, patentee can be own lexicographer
    - Must provide clear definition
    - Cannot be contrary to ordinary and customary meaning

# 1) Construing the Claims

- Hierarchy for sources to aid in determining meaning  
(listed in order of decreasing weight)
  - “Intrinsic” evidence (of or relating to the patent itself)
    - Context within claims themselves
  - 1. A chair, comprising:
    - a) a back;
    - b) a seat attached to said back; and
    - c) three legs supporting said back and said seat.
  - 2. A chair according to claim 1, wherein said seat is attached to said back by a support extending between said seat and said back.

# 1) Construing the Claims

- Other types of “Intrinsic” evidence
  - Patent specification
  - Prosecution history
- “Extrinsic” evidence (from outside the patent)
  - Dictionaries
  - Treatises
  - Expert testimony

# 1) Construing the Claims

## ■ Special cases of claim construction

- In rare cases, claims are construed to maintain their validity
  - If it is ambiguous from intrinsic and extrinsic evidence whether term should be broad or narrow, if the broad construction reads on prior art a court may construe that term narrowly so that the claim is not invalid
- “Means plus function” elements
  - E.g., in lieu of “three legs,” say “means for supporting said back and said seat above a horizontal support” (Good) or “leg means for supporting said back and said seat” (May or may not be construed as a means-plus-function element)

# 1) Construing the Claims

- “Means plus function” elements
  - Sanctioned by statute (35 U.S.C. § 112, sixth paragraph)
  - Cover structure explicitly disclosed in specification that performs the recited function
  - Covers all “equivalents” to explicitly recited structure
    - Equivalents measured at time of filing
    - A structure is equivalent if it achieves substantially the same result in substantially the same way
  - Use of word “means” does necessarily invoke “means plus function” analysis (e.g., “leg means”)

## 2) Applying the Claims to the Accused Product or Process

- Infringement exists if, and only if, the accused product or process contains each and every element of a claim
  - If the accused device is missing one claim element, infringement cannot be found
  - The accused device or process can include more elements than just the claim elements

## 2) Applying the Claims to the Accused Product or Process

### ■ Two ways to infringe a claim:

#### 1) Literally

- Each and every claim element is literally present in the accused product or process

#### 2) Under the “Doctrine of Equivalents” (DOE)

- Each and every claim element is not literally present, but each element not literally present in the accused product or process is legally equivalent to the corresponding missing element

- Literal Infringement - each element literally present

1. A chair, comprising:

- a) a back;
- b) a seat attached to said back; and
- c) three legs supporting said back and said seat.

- Accused product:

- Stadium seat (does not literally infringe - missing legs)
- Chair with monopod leg (does not literally infringe - not enough legs)
- Stool (does not literally infringe - missing back)
- Four legged chair (literally infringes - it has three legs)

- Under the Doctrine of Equivalents, infringement can be found even if one or more claim elements are not literally found
- The Doctrine of Equivalents is not statutory, but rather is judge-made law
- Policy behind the Doctrine of Equivalents is to deter unscrupulous copiers from avoiding liability by making insubstantial changes to an invention as literally claimed
- The Doctrine of Equivalents is somewhat at odds with the public notice function of patents

## ■ Tests for equivalency under the Doctrine of Equivalents

### 1) “Function/Way/Result”

- Element of accused product or process performs substantially the same function in substantially the same way so as to achieve substantially the same result as the corresponding claim element

### 2) “Insubstantial Differences”

- Element of accused product or process is insubstantially different from the corresponding claim element
- Similar test to the function/way/result test

- Equivalency is evaluated at the time of infringement
- DOE does not extend to an equivalent that would make the claims cover prior art
- Availability of DOE is limited by the doctrine of “Prosecution History Estoppel”
  - Prevents patentee from recapturing equivalents given up while prosecuting the patent in the U.S. Patent and Trademark Office
  - Cannot recapture equivalents given up by amending claims for reasons of patentability, including narrowing claims to avoid prior art
  - Cannot recapture equivalents expressly disclaimed in arguing patentability



# Types of Infringement

- Two types: Direct and Indirect Infringement
  - Direct Infringement
    - A single entity provides (product) or performs (process) each and every element of a claim, either literally or under the Doctrine of Equivalents
    - Examples of Direct Infringers:
      - An unlicensed manufacturer that assembles a chair containing all of the elements of the claim
      - An unlicensed seller of such a chair
      - An unlicensed user of such a chair
      - An unlicensed importer of such a chair

# Types of Infringement

- Purchasers of patented products made by patentee or under license are protected from liability for most infringing activities under the First Sale Doctrine
  - purchase of patented product from patent owner or licensee essentially give the purchaser and subsequent purchasers a license to use, sell and repair the patented product
    - Repair cannot extend to reconstruction, which is considered an infringing activity
    - Example - Repair versus Reconstruction for chair example
      - Repair - replacing worn fabric
      - Reconstruction - completely rebuilding custom leg mount

# Types of Infringement

- Indirect Infringement
  - Two types, Contributory and Inducement
  - Must be direct infringement in order for indirect infringement to be found

# Types of Infringement

## ■ Contributory

- Selling or offering for sale a material component of a patented product or process, where the component has no substantial non-infringing use

- Examples:

- Chair of the exemplary claim made by attaching legs to a stadium seat purchased from a stadium seat supplier. If the stadium seat supplier provided the stadium seats to an unlicensed chair manufacturer (direct infringer), it would not be a contributory infringer because there is a substantial non-infringing use.
- A dependent claim to the chair claim above requires a specialized mount for attaching the three legs. The mount is so specialized that there are no substantial non-infringing uses. If the mount manufacturer sells the mount to an unlicensed chair manufacturer, it would be a contributory infringer.

# Types of Infringement

## ■ Inducement

- Actively and knowingly aiding and abetting someone else to directly infringe a patent.
  - Example:
    - Unlicensed seller sells a kit containing all of the parts for the chair, but the chair is unassembled. If the seller includes assembly instructions or, likely, even a photograph or diagram of the assembled chair, it would be inducing the assembler of the chair (the direct infringer) to infringe. (Note that if any of the parts would not have a substantial non-infringing use, then the seller would also be a contributory infringer.)

# Defenses to Infringement

## ■ Invalidity

- Patents are presumed valid
  - Invalidity must be proved by “clear and convincing” evidence
- Defendant can overcome this presumption by proving that that each claim at issue does not meet the statutory requirements, e.g.:
  - The invention is not useful
  - The claim is not novel or is obvious in view of the prior art
  - The invention is not “enabled” to the broadest scope of the claim
  - The patentee failed to disclose the “best mode” of the invention

# Defenses to Infringement

## ■ Patent Misuse

- Patentee is deemed to have misused a patent if engaged in activity that unreasonably extends to scope of the patent “monopoly” beyond Congress’s intent
- “Fraud on Patent Office”
  - Patentee has a duty of candor to the U.S. Patent and Trademark Office—conscious misrepresentations and omissions can lead to unenforceability
- Antitrust violations and anticompetitive behavior
  - Example: patentee licenses chair manufacturer to make chair, but conditions license on the manufacturer refraining from continuing making competing chairs

# Defenses to Infringement

## ■ Patent Misuse

- Product Tie-Ins (tying unpatented product to a patent license)
  - If product tied to the licensing of a patented product has no substantial non-infringing use, patent misuse does not exist
    - Example: chair patent owner can tie the purchase of custom accessory chair arms to the licensing of the chair patent
  - If product tied to the licensing of a patented product has a substantial non-infringing use, patent misuse exists only if patentee has market power in the relevant market
    - Example: in market where other chairs exist, chair patent owner can tie the purchase of fabric cleaner to the licensing of the chair patent
    - Example: if patent gives the owner a monopoly on all legged chairs, cannot tie the purchased of common paint for the legs to the licensing of the patent

# Defenses to Infringement

## ■ License Tie-Ins

- Tying licenses directed to different patents
  - Will typically be deemed Patent Misuse, unless:
    - 1) Either of the inventions cannot be practiced without infringing the other patent; or
    - 2) The patentee has no market power in the relevant market

## ■ Experimental Use by the accused infringer

- Very narrow defense
- Statutory exception - certain experimentation relating to patented drugs and veterinary biological products
- Non-statutory exceptions - scientific curiosity or amusement - cannot be any commercial motivation or motivation of self-convenience

# Remedies for Infringement

## ■ Damages

- Reasonable Royalty or Lost Profits
- Lost Profits - patentee must show that but for the infringement, it would have made the sales the defendant made
  - Can be difficult to prove, especially when reasonable non-infringing substitutes are available
  - Patentee must demonstrate it had the capacity to satisfy the demand of both its own, and the infringer's, customers
  - If patentee charged significantly higher prices, must reasonably prove that defendant's customers would have paid higher price
  - Can get lost profits for an entire product, even though only one part was patented

# Remedies for Infringement

## ■ Damages

### — Lost Profits

- In no event will lost profits be less than a reasonable royalty

### — Reasonable Royalty - amount a reasonable potential licensee would be willing to pay a reasonable patentee for a license based on “arms-length” negotiation. Considerations:

- Patentee’s manufacturing and marketing capacity (higher royalty if have capacity to expand on own)
- Amount other licensees have agreed to pay for a comparable license
- Royalties paid or methods used to calculate royalties in comparable situations

# Remedies for Infringement

## ■ Damages

- Notice of Patent - can only obtain damages starting from the time the infringer had specific notice of the patent or should have known of the patent
  - Specific Notice - Example: a letter sent directly to the infringer discussing the patent, e.g., an offer to license
  - Should have known (constructive notice) - Patentee marks the product or packaging with the patent number
- Take away: Mark your patented products!

# Remedies for Infringement

## ■ Damages

- Attorney Fees - Court may award reasonable attorney fees to the prevailing party in “exceptional cases,” which include:
  - Willful infringement
  - Inequitable conduct by the patentee in obtaining the patent
  - Bad faith by the patentee in suing for infringement

# Remedies for Infringement

## ■ Damages

- Treble Damages - Court may award up to three times the damages
  - Willful infringement
    - Example: Defendant aware of patent and makes superficial changes to product without consulting a patent attorney. May be assessed double or treble damages. With actual notice, must act with due care, which includes consulting a patent attorney
    - Example: Defendant consults patent attorney, who advises patent is likely invalid. Defendant continues to make product in good faith reliance on attorney's advice. No increased damage award.
- Prejudgment Interest - allowed by statute to adequately compensate patentee

# Remedies for Infringement

- Injunctive Relief - Court-ordered cessation of infringement
  - Permanent Injunctions - commonly used once infringement is found
    - Sometimes denied when public would be unduly inconvenienced or harmed by the injunction
    - Sometimes denied when harm of injunction to defendant would grossly outweigh benefit of injunction to patentee

# Remedies for Infringement

- Preliminary Injunction - Courts reluctant to use because liability not yet determined
  - Potential to harm competition is often too great to warrant
  - Must be very strong evidence of likelihood of finding of infringement and irreparable harm
- Injunctive relief can be sought in combination with damages

# Asserting Patent Rights

I own a patent that I think is being infringed.  
What should I do?

- Consult a patent attorney!
  - Patent infringement and related matters are often are complex and require knowledge not readily acquired
    - Examples: Before accusing someone of infringement, you should have patent counsel conduct at least an infringement study.
  - Notices to accused infringers of perceived infringement must be carefully worded. If not, the accused infringer can sue you to have a court declare the patent not-infringed and/or invalid

# Typical Events in Asserting Patent Rights

- Become aware of potential infringement
  - Typically by patent owner in monitoring its market
- Consult with patent counsel
- Assess the economics of the situation, e.g., consider the size of the accused infringer and the resources available for pressing forward

# Typical Events in Asserting Patent Rights

- Counsel performs at least a preliminary infringement study, including claim construction
  - Obtains prosecution file history from U.S. Patent and Trademark Office
  - If patent very valuable and/or asserting against a formidable party, perform validity study to assess strength of patent
- Reassess the economics
- If study(ies) positive and want to commit the resources, send carefully worded letter to accused infringer alerting of potential conflict (e.g., offer-to-license letter)

# Typical Events in Asserting Patent Rights

- Depending upon a number of factors, accused infringer may comply with the requests in the letter, e.g., take a license or stop selling the accused product, or may deny that infringement exists
  - If deny, patent counsel may send a second letter going into more detail on the infringement analysis
  - May be several replies and responses in attempt to settle the matter out of court

# Typical Events in Asserting Patent Rights

- If no success with correspondence and want to continue pursuing, file a patent infringement suit in a Federal District Court
- Proceed with litigation (discovery, deposition of witnesses, motion practice, etc.)
- Concurrently with litigating, proceed with negotiations (court will typically require one or more settlement conferences for the parties to negotiate an out-of-court settlement)

# Defending an Infringement Accusation

I have been accused of infringing a patent.  
What should I do?

- Consult a patent attorney!
  - Again, patent matters are complex and require special knowledge
    - What may at first appear to be a legitimate accusation, may turn out to be false, e.g., claims may be invalid or relevant scope may have been given up during prosecution

# Typical Events in Defending an Accusation

- Receive notice of potential infringement
  - Typically via a letter (e.g., offer-to-license letter from patent owner)
- Consult with patent counsel
- Counsel performs at least a preliminary non-infringement study
  - Obtains prosecution file history from U.S. Patent and Trademark Office
    - Claim scope may have been given up in prosecution before the U.S. Patent and Trademark Office
    - May aid claim construction

# Typical Events in Defending an Accusation

- Assess economics of the situation
- If non-infringement arguments are weak and want to fight, perform an invalidity study to see if can attack validity
- If study(ies) negative, depending upon the economics, may have several options
  - If accuser is small, deny accusation and, if possible, file a declaratory judgment action in Federal District Court; an accuser having little resources may be averse to pressing the matter
  - Alternatively, if the accuser appears to have sufficient resources, comply with requests or negotiate a settlement

# Typical Events in Defending an Accusation

- If the non-infringement study is positive, depending upon the economics, have several options:
  - Send a reply denying the infringement
    - May include arguments demonstrating that infringement does not exist
    - May also address invalidity, if have conducted an invalidity study
  - If possible, may want to file a declaratory judgment action in Federal District Court
  - Alternatively, if the economics of the matter warrant, negotiate a settlement. Even if the non-infringement study is favorable to the accused infringer, if the patentee is willing to fight, it may be in your best interest to settle

# Views on Avoiding Infringing Patents Owned by Others

- Spectrum: Absolute Vigilance to Head-In-the-Sand
  - Absolute vigilance
    - Review every unexpired patent relevant to your business
    - Review published patent applications and other publications to see if others may be seeking patents in particular fields
    - Have patent counsel prepare timely non-infringement and/or invalidity opinions for each patent presenting a reasonable question of infringement
    - If you want the technology of a particular patent, approach owner for license
    - Very difficult in actual practice and very expensive

# Views on Avoiding Infringing Patents Owned by Others

- Spectrum: Absolute Vigilance to Head-In-the-Sand
  - Head-In-the-Sand
    - Consciously avoid reviewing or otherwise becoming aware of any relevant patents
    - React only when accused of infringement
    - Can be very risky, is short-sighted and can be difficult to implement
      - Risk is that competitor or another has acquired one or more patents key to your business
      - Ignoring patents altogether can mean missing opportunities to build a meaningful patent portfolio, not only for your own products, but also to create licensing opportunities
      - It can be difficult to keep from learning about relevant patents

# Views on Avoiding Infringing Patents Owned by Others

- The practices of most businesses fall between these two extremes
  - Keep tabs on patenting activities of direct competitors
  - Have patent counsel prepare timely non-infringement and/or invalidity opinions for each patent presenting a reasonable question of infringement
  - Design around troublesome patents
  - Change business plan - enter different market(s)
  - If you want the technology of a particular patent, approach owner for license

# An Important Take-Away

- In litigation, a willful infringer can be assessed up to three times the damage award
  - A person with actual notice of another's patent rights has an affirmative duty to exercise due care to determine if his acts will be infringing
    - Includes duty to seek and follow competent legal advice before beginning activity that may be infringing
- Willfulness determined by the “totality of the circumstances”
  - Reliance on competent legal opinion typically shields an infringer
  - Absence of advice of counsel suggests, but does not mandate, willfulness

# Representative Costs Associated with Patent Infringement

- Infringement/Non-Infringement Opinion
  - \$5,000 to \$15,000  
(2005 AIPLA – 1<sup>st</sup> -3<sup>rd</sup> quartile)
- Validity/Invalidity Opinion
  - \$5,000 to \$18,000  
(2005 AIPLA – 1<sup>st</sup> -3<sup>rd</sup> quartile)
- Combined (Non-)Infringement/(In)Validity Opinion
  - \$9,000 to \$25,000  
(2005 AIPLA – 1<sup>st</sup> -3<sup>rd</sup> quartile)
- Notices of Infringement or Reply (each)
  - \$800 to \$3,000
- Negotiate Settlement
  - \$5,000 to \$50,000

# Representative Costs Associated with Patent Infringement

- Litigation (typical – based on 2005 AIPLA statistics)
  - < \$1 Million at risk
    - End of discovery           \$350,000
    - All costs                    \$650,000
  - \$1 to \$25 Million at risk
    - End of discovery           \$1,250,000
    - All costs                    \$2,000,000
  - >\$25 Million at risk
    - End of Discovery           \$3,000,000
    - All costs                    \$4,500,000

# The costs of enforcing a patent is so great - is a patent really worth it?

- It depends on the value of the invention
- Patent Infringement controversies are most often settled prior to trial and even litigation.
  - Roughly 20,000 to 30,000 formal notifications of potential infringement are received each year
  - About 4,000 to 5,000 Patent Infringement suits actually filed each year
  - Of these, approximately 75% are settled before trial
  - Typically, it is in the best interest of both the accused infringer and patentee to settle out of court

# The costs of enforcing a patent is so great - is a patent really worth it?

## ■ Insurance for Patent Infringement

- General Liability policies - coverage depends on exact policy language
  - Generally, however, the language of most General Liability policies excludes Patent Infringement
    - Policy holders have argued that Patent Infringement is covered under the “advertising injury” provisions, typically to no avail
  - Consult a knowledgeable attorney to determine if a General Liability policy covers Patent Infringement

# The costs of enforcing a patent is so great - is a patent really worth it?

- Insurance for Patent Infringement
  - Available for both infringement plaintiffs and defendants
  - Typically available from companies that specialize in infringement insurance, e.g.,
    - American International Specialty Lines Insurance Company (part of AIG Group)
    - Intellectual Property Insurance Services Corp., Inc.
    - Litigation Risk Management, Inc.

# The costs of enforcing a patent is so great - is a patent really worth it?

- Three basic types

1. Defense and Indemnity - covers defensive costs and damages (generally for companies with annual revenue of \$50 Million to \$500+ Million)
2. Defense Only (aka “Defense Cost Reimbursement”) - covers defensive costs (typically for companies with \$500,000 to \$25 Million in annual revenue)
3. Offense Only (aka “Infringement Abatement Insurance” or “Enforcement Coverage”) - covers costs of enforcing a patent (typically for companies with annual revenue of \$250,000 to \$10+ Million)

# The costs of enforcing a patent is so great - is a patent really worth it?

- Reasons for seeking patent protection in face of high costs
  - Depending on the industry, many competitors respect intellectual property of others
  - A patent represents intellectual property and intangible value
    - Venture capitalists often want businesses they invest in to have value. In the early phases of a business, the only value the business has is intellectual property
  - Even if do not make, use, sell or import the patented invention, can prevent others from patenting the same invention
  - Personal satisfaction

# The End

- Questions?

## Thank You!