



## IP Risk management – Cost-effective Clearance Searches

This is the second article in a series of related articles which tackle the task of patenting on a budget. The first article dealt with acquiring a patent in a cost-effective way. Essentially, it came to the conclusion that, although patenting is an expensive business, there are many things that a business can do to minimise those costs. Future articles in this series will deal with patent exploitation and patent enforcement.

This article will deal with clearance searches, also known as “freedom-to-operate” searches. After explaining what they are, I will address the important questions of *when* to do them, *why* to do them, and perhaps most importantly, *what* to do with the results.

Before we deal with these questions, it is important to mention a few general considerations. One of the most common misconceptions that we encounter is the thought that “I have a patent on this technology; therefore I have the *right* to use it”. This is not true. A patent does not give you the *right* to do anything; a patent bestows a “negative right”. Rather than giving the owner the right to exploit the technology covered by the patent, it enables the owner to prevent others from doing so. You may have a granted patent that protects your technology, but that does not necessarily mean that you would not infringe someone else’s patent by exploiting it.

By way of analogy, owning a patent for a particular product is like owning a house at the end of a path, the path being owned by a third party. You can stop other people coming in your front door, but you cannot go into your own house unless you have the right of access to the path. That path represents third-party IP. Therefore, before you launch any commercial product, regardless of whether or not you have patent protection for it, it is vital to know if you can walk down the path, i.e. it is vital to know if you have **freedom-to-operate**.

### What is a freedom-to-operate search and do I need one?

Essentially, a freedom-to-operate search is a risk assessment exercise, designed to manage the risks associated with exploiting technology that may infringe third party patents. This search is best conducted with a specific product in mind, and it is important to conduct it as early as possible in the product development process.

Firstly, we should make clear that these searches should not be conducted without careful consideration. Of course, there are risks associated with not having one done, such as having to defend an infringement suit. However, there can also be serious consequences to having a search. To name one, there is often a duty to disclose the results of a freedom-to-operate search to your investors; you cannot just “hide” an unfavourable report. Also, what should you do if you find out you do not have freedom-to-operate? We will touch on some of the issues in this article, but it is important to discuss these in detail with your patent attorney, before conducting the search. Beware the patent attorney who agrees to carry out your freedom-to-operate search but doesn’t ask why!

There is no point in denying it; a freedom-to-operate search does not often come cheap. This is a specialised search, and it is essential that you enlist the services of a patent attorney. Depending on the complexity and scope of the search, it will set you back anywhere from £2,000 to £15,000. However, there are things that you can do to minimise these costs.

As we said, the freedom-to-operate search should be conducted as early as possible in the product development process. In our experience, these searches are often conducted too late. Sometimes after thousands have been spent on developing a product. Sometimes even after the product is



launched! If you find relevant third party IP at this late stage, the options available to you are often more limited and more expensive than if the search had been conducted earlier.

When asked to perform a freedom-to-operate search, the first thing your patent attorney will need to do is formulate a search strategy. For this, they will need to know as much information about the product as possible. Technical specifications and drawings, or even a prototype of the product may be useful. These will all help make your attorney's job easier, and will ultimately make the whole exercise cheaper. As a general rule, the narrower the search strategy, and the more information you provide, the cheaper the search will be. Other useful information is the expected launch date of your product, and details of the geographical areas in which you intend to market it.

You may have done some initial searching yourselves. In fact, the search may have been prompted by stumbling across a relevant patent on a competitor's website. If this is the case, then it would certainly be helpful (and indeed cost-effective) to provide your attorney with details. They will almost certainly also want to perform their own searches, but this may provide a good starting point.

At this stage, it may also be helpful to have a face-to-face discussion with your patent attorney. As we said, a good patent attorney will always ask why you want a freedom-to-operate search, and that search should always be conducted with your business plan and future commercial interests in mind.

### **What to expect from a freedom-to-operate search?**

A freedom-to-operate report is rarely short; you should be wary if it is! It is very unlikely that the search will find no relevant IP at all. Of course, it is possible that it will conclude that there is no immediate infringement risk, but it is also likely that it will identify at least some IP that you should keep an eye on. You can expect the report to contain a list relevant granted patents and patent applications. The status of the patent is important; a patent proprietor cannot begin infringement proceedings in a particular country until their patent is granted in that country. The freedom-to-operate report will also concentrate on the claims of relevant patents/applications; the claims define the legal scope of protection.

It is important to note that the claims of a granted patent are very rarely the same as the claims that appear in the first patent application publication. Claims are often drafted broadly to begin with, and then the scope narrowed during prosecution. Although patent applications are not an immediate infringement risk, a patent proprietor may be able to claim damages retrospectively from the date of publication of the patent application. Your patent attorney should be able to give you a good idea as to the likely scope of the granted claims, and they will often advise that you maintain a "watch" on the patent application.

### **So how do I "watch" a patent application?**

Your patent attorney will do that for you. We have access to specialist databases that enable us to monitor the prosecution of patent applications. We will be able to tell you if the claims of the patent application have been limited during prosecution, so that it no longer presents an infringement risk. Alternatively, we will also be able to tell you when an immediate infringement risk has been created, i.e. if a patent is granted that affects your freedom-to-operate.

A really good patent attorney will do more than just report on the status of a patent application. Often, reviewing the prosecution of a competitor's patent application gives you a real insight into where their commercial interests lie. This may be relevant to your business plan, and may help you avoid potential infringement risks in the future.



This may sound an expensive exercise but, once again, there are things you can do to save money. The major cost-cutting strategy in this area comes from regularly reviewing your watch list and, ideally, you should conduct these reviews with your attorney every six months or so. Paying your patent attorney to monitor patents which are no longer of any interest to you, is just throwing money away. For example, do you really want to market your new product in Belarus?

### **Help, I'm infringing!**

What do you do if your freedom-to-operate report is bad news? You're about to launch a product that infringes a third-party patent - what are your options? To put it simply, you have four options, each of which is explained below. The decision here is undoubtedly a commercial one, but a good patent attorney will help to guide you through your options.

#### **1. Ignore the third-party patent and launch your product**

This first option is not as absurd as it initially sounds, and indeed this may be the most cost-effective option. How likely are you to get caught? Will the patent proprietor ever be able to find out that you are infringing their patent?

Even if you are caught, how likely is it that the patent proprietor will begin infringement proceedings? Litigation is an expensive business (even if you are successful), and not all businesses will be prepared to get involved in an infringement suit. Your patent attorney may ask you questions about the patent proprietor, and their attitude to litigation. Perhaps you are fairly certain that the patent proprietor will never have enough resources to begin infringement proceedings. To use an analogy, this option is like riding your bicycle down a one-way street; illegal for sure, but how likely are you to be caught and prosecuted?

That said, this option is not without its risks. Beware of US patents in particular. Judges in the US do not take kindly to "wilful infringement" and, if found guilty, you risk having to pay (the extremely costly) punitive damages.

#### **2. Re-design your product**

On the one hand, re-designing your product may be relatively cheap and easy. On the other hand, this option may simply not be feasible, for example, your product may already have launched and have been established. Whether or not this option is a viable one is a decision for your product development team. However, if you decide that it is a possibility, your patent attorney will be able to help you identify possible product modifications that would enable you to avoid infringement.

#### **3. Seek a licence from the patent proprietor**

A detailed discussion of this option is beyond the scope of this article. Licence negotiations are often a job for the lawyers, but there are things that your patent attorney can do to strengthen your position, should you wish to go down this route. One way in which they can do this is to provide a "validity opinion" for the patent. It may be that this opinion concludes that the patent is likely to be invalid, i.e. that it should never have been granted in the first place. If this is indeed the case, then the validity opinion can provide a very strong bargaining chip in licence negotiations. The patent proprietor may well know that you have a strong case, and decide that granting you a licence is preferable to defending a revocation action in the courts.



#### **4. Attack the patent, i.e. seek a revocation**

You may arrive at this option via a number of different routes. Perhaps the patent proprietor has refused to grant you a licence, despite you having very convincing arguments against the validity of the patent. Perhaps you want complete legal certainty; licences are often for a limited period and you may want to avoid the doubt of whether or not it will be renewed in the future. Regardless of how you arrived at this option, you should not continue down this route without having strong arguments for invalidity, and your patent attorney will be able to prepare these for you. There is simply no point in spending £100K+ on a revocation procedure that you have no chance of winning.

Revocation of a patent doesn't necessarily have to involve such astronomical costs. For example, the European patent Office offers the option of "opposing" a patent, although this can only be done within nine months of it being granted. The detailed discussion of this procedure is for further articles, but it is useful to know that this procedure often costs well under £10,000, which is cheap compared with the costs of a national revocation procedure.

#### **Summary**

The most important thing to take away from this article is to think before conducting a search. If you decide to have a search done, make sure this is conducted with your business plan in mind. Think about the consequences that come with a freedom-to-operate report, and what you might do about them. Finally, insist on quality. Any good patent attorney can provide an accurate freedom-to-operate or validity opinion, but a great patent attorney will do more; they will tell you what you should do with them. A lack of communication is usually to blame – the company does not know the relevant questions to ask about patents, and the patent attorney does not know or think to ask the right questions about the business.

#### **Background**

Peter Finnie is a European Patent Attorney and Partner in the London-based firm of Gill Jennings & Every LLP. He is a recommended patent attorney in the latest edition of the Legal 500 and Chambers UK. The core of his practice is represented by UK start-up companies for whom he advises on the development of OP strategies as an integral part of business planning and fund raising.

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