

DEALING WITH COMPETITORS – IP STRATEGIES FOR STARTUPS

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Dealing with your competitors: Why?

- Out-License: to earn money
- In-License: to gain access to critical technology
- A necessary part of doing business
 - But be aware of patent landscape / Freedom to Operate issues

Licensing Negotiations: Who?

- Established companies with products
 - Usually an out-license of your technology
- Other small companies with technology
 - Usually an in-license for access or Freedom to Operate
- Lawsuits can arise in either scenario

Licensing Negotiations: What?

- Pure licensing deal
 - License to use patent
- Covenant to not sue or be sued
 - Peace treaty to avoid litigation
- Collaboration/asset purchase/merger
 - Part of a larger "business deal"
 - Usually have 'dispute resolution' clauses
 - Be wary of 'IP representations'

Licensing Negotiations: **When?**

- Friendly negotiations with someone you know
- Requests to or from strangers
 - Including patent assertion companies
- Both require careful savvy approach to avoid litigation

The Old School Way to Avoid Litigation

- Act respectable
- Do not threaten people
- No one gets sued



The Old School anti-Litigation Dance

- Orchestrate the dance to avoid conveying an actual threat
- But worded in such a way to 'motivate' the target
- Bottom Line: if you made someone uncomfortable, they sued



The Old School Way to Get Sued

- Threaten to sue unless the target takes a license
- If target has a "reasonable apprehension", could file a pre-emptive suit
- Called a Declaratory Judgment Action or a "DJ"

New School

Supreme Court in Medimmune case in 2007
overruled "reasonable apprehension" of
litigation test

Now much easier to bring DJ action to claim
patent invalidity or non-infringement

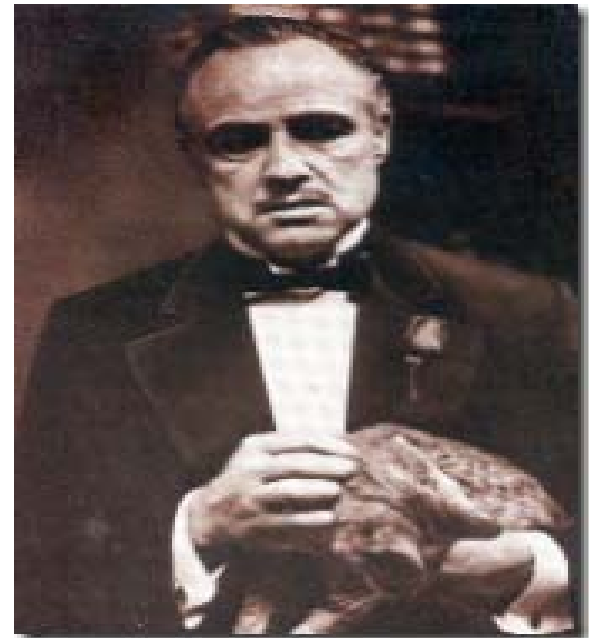
Licensing negotiations can quickly turn into
litigation

Fed. Circuit Makes Patent DJ Suits Much Easier: *Sandisk* (2007)

- Anyone that receives an **unsolicited** request to take a patent license and pay a royalty
- Can bring a lawsuit against the patent owner where the communication gives the target the option of either:
 - 1) potentially infringing the patent or
 - 2) abandoning its business plan in fear of the patent.
- This “sweeping change” in the law can turn any run-of-the-mill license negotiation into a litigation.

An Offer You Can't Refuse

- Refusal to take a license can lead to lawsuit
- If you affirmatively tell licensor you do not infringe or patent is invalid, may leave patentee with no choice but to sue
- Be careful in your response



The New Way to Avoid Litigation

- Act respectable
- Do not threaten
- Do not 'motivate' target by explaining why they 'might' infringe
- Reach a "no suit" agreement before negotiating



Thank you

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