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The Role Of Assertive Patent Licensing

By **Charles Neuenschwander** (August 9, 2017, 4:11 PM EDT)

Assertive licensing is an attempt to grant rights to an unlicensed party that currently uses the licensor's patented technology. It is less an option and more the last choice in a continuum of licensing tools.

There is nothing sinister about it. Asking something in return for benefiting from unfettered use of one's inventions does not condemn a licensor to forever wear a scarlet "T" (troll) on its chest.

Contrast "technology transfer" or "technology licensing" with assertive licensing. These two models are offers for potential collaboration — working together to jumpstart efforts to employ new inventions or receive a fee to allow others to do future developmental work. Many high-tech companies profitably follow this path. There are no conflicts in chasing these opportunities and assertive licensing, in parallel.



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However, singularly pursuing such "win-win" licensing ignores an obvious question: What do you do about those who knowingly or unwittingly disregard your intellectual property (patent) rights? Ignore them? Doing so saves you from the drain of key corporate time, resources and potential litigation costs, but is putting your head in the sand the wise choice? This option also appears to fail to fulfill fiduciary responsibilities to shareholders.

The alternative to doing nothing is to choose a level of effort, expense, timing and risk appropriate to your needs. Dealing with unlicensed use of patented technology is called assertive licensing, and it comes in various levels of intensity.

Speak Softly

There are two paths to license potential infringers without hammering them with the dreaded "infringement" accusation:

1. Approach the potential licensee without pursuing anything more than a cursory investigation to determine if they infringe. Finding a sophisticated technology company (the one worth the effort to mount an assertive program) that will write a check is next to impossible — even if it does its own investigation and realizes you are correct. More important than that, it is flat-out wrong to attempt to force a license on any company if you haven't made the effort to know, with some degree of certainty, it steps on your patents.
2. Complete necessary due diligence to know if, based on your claim interpretation, there is infringement. This level of effort produces something between Rule 11 and trial-level quality information. But to remain "soft," you refrain from outright accusing anyone of infringement (outside attorneys should stay home). You meet and discuss, with or without presenting information concerning the transgression. Even when you soft peddle their malfeasance, a "dispute" may exist and you open yourself to a potential declaratory judgement action.

Lacking a compelling case where the licensee gains something it does not already have with the free use of your technology, soft licensing most often fails. Infringers see no benefit; why pay unless the alternatives are less desirable? Obfuscation or delay — they both work to see how far you are willing

to push the matter.

Bridges to Collaboration

In 2003, when Bill Gates came to understand his anti-patent mentality no longer worked, he turned to Marshall Phelps, retired from IBM Corp. Microsoft Corp. is now a patenting juggernaut and by 2009, more than 500 collaborative deals were complete.[1] However, as we will see, Microsoft is willing to go further than simply offer to collaborate.

Bridges to collaboration differs from soft licensing. You diligently prepare to demonstrate in some fashion the value of both the technology and the legal right to use it. When collaborating fails and without the grant of a legal right, the next step is ...

Stick Licensing

"Accept a license, pay me money, or I will hit you with my (litigation) stick." This is the immediate image when we hear "assertive" or "infringement licensing." It is what most of us think of when we read about patent assertion entities or trolls.

Contrary to what we most often hear or read, not every lawsuit is based on frivolous patents, with overly broad claims, in an attempt to extort money, thereby reducing innovation. More often than you might think, companies like IBM and Microsoft carry big sticks for instances when speaking softly fails to achieve the desired response. As an example, after Phelps arrived, Microsoft has been plaintiff in 32 district court patent lawsuits; many of which were filed before the America Invents Act, when you could have multiple defendants.[2]

For many high-tech licensors, litigation serves two purposes: It is the remaining tool left (other than walk away) and it sends hints to future licensees as to what happens when they don't hear the message. Steve Jobs traveled this path when he went after others shouting "Google, you f----ing ripped off the iPhone, wholesale ripped us off." [3]

For most high-tech companies, it is not difficult to create opportunities to utilize several licensing models. True tech-transfer or technology licensing can be pursued to exploit opportunities that will not materialize within your corporate strategic imperatives and boundaries.

Bridges to collaboration should be preferred for many reasons: It pulls IP assets out of file cabinets and utilizes them to promote your real business — most of us do not exist to simply exploit Rembrandt-ish patents. It can bankroll a portion of research and development that broadens the scope of current or future markets and helps underwrite efforts to create and maintain IP rights while demonstrating good stewardship of the IP function. It is not incompatible with the potential later use of a big stick and, yet, it helps minimize litigation costs.

However, not everyone who utilizes your patented technology without a license is a good candidate to help build a bridge. With the preparation discussed above, many can be expected to agree to a voluntary royalty-bearing license or a substitute payment in kind. For those that don't, you are back to the question: What to do next? If you walk away, you waste the preparation effort, you fail to send a warning to future licensees (actually you do send a message, but not one you will be happy with), and you must critique your strategy: Am I wasting time and money pursuing low-probability collaborators?

Assertive (stick) licensing should be the last choice, but one that is wholly acceptable as long as your patents remain strong (construction, infringement, validity) and the other side is playing the stupid card. Respected international tech companies, large and not-so-large, utilize litigation when everything else fails.

A well-run program utilizes tools based on a coordinated progressive monetization strategy. It is not a choice among doors one, two or three. Such a program requires meeting head-on and answering the question: What do I do with existing unlicensed users of my technology? And it works best by preparing and utilizing the information that is required in the event assertive licensing is required — i.e., evidence of use and infringement.

Today's congressional sound bites and press narrative promote the thinking that litigation abuse is the No. 1 one patent issue. This fosters reluctance on the part of some to enforce and defend their patents. It is especially true for high-tech companies — of all sizes — that have little history in the litigation arena. If we lose the will to challenge those that stand on the shoulders of prior inventiveness without a thought about the rights of patentees, we have lost something very fundamental. Lest our senators, representatives, courts and press forget, the infringer can just as easily be an Asian tiger taking business from a U.S. company — large or small. What will be the narrative then?

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[1] Marshall Phelps and David Kline, *Burning the Ships*, (Wiley, 2009)

[2] DocketNavigator. No attempt is made to look at each case to analyze each case for number of parties or subject matter. Prior to Phelps arrival, Microsoft was plaintiff three times.

[3] Walter Isaacson, *Steve Jobs*, (Simon Schuster, 2011)

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