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Patentability and Freedom-To-Operate

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Patents play a major role for technology-based, emerging ventures[1]. The manner of handling of patent affairs may often make the difference between unheralded success and colossal failure!

Patentability considerations for the purpose of protecting innovations through patents and freedom-t--operate (**FTO**) vis-à-vis third parties' patents and other rights, are important considerations in the handling of patent affairs for a technology venture. These are two distinct aspects that may be performed at different circumstances and, while both require searchers, these are different for each such purpose.

Patentability

It is critically important for a technology-based venture to obtain patent protection to cover its innovations as a strong proprietary position that serves as a barrier to competitors may be critical in building and maintaining value in the venture. While, trade secrets do occasionally play a very significant role, for many, if not most ventures, patents, at times in combination with trade secrets, are essential.

The importance of patents in the modern business environment is manifested, among others, in investment and other technology-based deals: without strong and enforceable patents (or at least the prospects for having such patents), a venture is less likely to pass the scrutiny of an intellectual property due diligence where, in many cases, patents play a critical element for closing the deal.

The importance of patents necessitates a carefully thought-out strategy that, among others, focuses on patenting the critical and value-generating elements of the innovation. Patentability is a key considerations for patenting, the basic requirements being novelty and inventive step. Novelty means that the invention be different than anything previously known in the art; and inventive step means that the invention has to not be distinct from the prior art in a non-obvious manner[2].

The basis for a patentability evaluation is a prior art search, the purpose of which is to gain an understanding of what is known in the field and the results serve as a basis for evaluating whether an invention is novel and involves an inventive step. Relevant prior art that needs to be considered includes the general knowledge in the field, patent literature (namely prior patents and published patent applications[3]), non-patent literature (e.g. scientific papers, industry reports, etc.) and public disclosure of

any nature (internet websites, trade shows, lectures, dissertations, etc.).

It is to be emphasized that in such a search patents are reviewed for their content, as any other technological literature, and not for the scope of protection they provide[4].

Freedom-to Operate (FTO)

Patents entitle their owners to exclusive use of the invention protected thereby and, as such, have the purpose of blocking third parties from making use of the technology protected by the patent without the patentee's consent. Thus, even when a venture develops a technology protected by patents, there may be third parties' patents that may be infringed by the technology as a whole or by a certain element of the developed product or system and that may, accordingly, block commercial activity of the innovative technology or product developed by the venture. By way of example, a new technology of a medical device where the innovation is embodied in the sensors may be blocked by patents that cover hardware, signal processing technologies, or special materials or chemicals used for such sensing. It is thus critically important for a technology-based venture to perform a study, at a suitable time, aimed at identifying patents that may present an FTO bar for products and services embodying the innovative technology developed by the venture; or determine that there are no such blocking third-party patents. FTO issues arising from third party patents may be dealt with in various ways, such as securing an exclusive or non-exclusive license under blocking patents or engineering around such patents.

Here again, the basis for an FTO study is a search, albeit a very different search than that carried out in the context of a patentability study. Patents end with claims and the focus of an FTO study is on the claims of prior patents in order to understand whether they encompass the products developed by the venture or elements thereof within their scope. It should be noted that gaining an understanding of the scope of claims (or what is often referred to as "claims construction") is not always an easy task and often requires a deep professional study[5].

Furthermore, it should be noted that patents are applicable only for the specific territory in which they have been registered, FTO studies are territorial in nature. There may be different patents in different territories and even patents belonging to the same patent family may have claims of different scopes in different countries.

Conclusions

Patentability and FTO evaluation are critically important for a technology-based venture. The studies are different requiring different searches[6] and the timing for performance of such studies may be different.

A patent attorney should be consulted for specific cases and circumstances.

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[1] Includes an independent venture referred to as a “Start-Up”; as well as a new venture within an established corporation.
[2] While novelty is a relatively simpler, YES/NO criterion, inventive step is a more subjective criterion and its analysis requires a far deeper study than that intended to evaluate novelty.
[3] Patent applications are published within 18 months of their earliest priority and once published they become part of the known art. However this 18 months’ period presents a problem in that when making a search there is always a possibility that there are relevant patent applications filed in the 18 months prior to the date of the search which may present a patentability bar. Even if not published by the date of filing a later patent application, such earlier patent applications may bar patentability of a later patent application.
[4] In other words, a patentability search and study does not obviate the need for an FTO search and study.
[5] Requiring, for example, to consult the patent application file at a patent office to understand the history of how the claims got to their current form, which is an important legal guide to claims’ scope.
[6] A patentability study and search being silent in answering FTO questions and vice versa.