

INTELLECTUAL PROPERTY

CLEARANCE OPINIONS: WHY AND WHEN YOU NEED ONE

A product clearance opinion (or freedom to operate opinion) analyzes if a product or operation infringes on enforceable patents in a territory or country of interest. As patent laws of different countries may vary, a clearance opinion is needed for each country of interest.

The best time to obtain such an opinion is at the product design phase so that if there is an infringement issue, the design can be changed, abandoned or a license obtained before further investment in the product.

A clearance opinion is drafted by a patent attorney who performs a clearance search for most relevant patents and compares the product to those patents to determine infringement. Clearance opinions can be time-consuming and expensive, so the factors for a company in deciding to obtain such an opinion are important.

One factor is the value of the product or service in terms of investment, revenue, profit margins, etc. A product requiring high upfront investment is a good candidate for a clearance opinion before such investment is made.

An infringing product with higher

profit margins has proportionately higher damage awards, so such a product is also a good candidate for a clearance opinion.

Have similar products been subject of patent infringement litigation? Is the market for the product very competitive? If so, your product may also become a target of costly litigation, and so is a good candidate for a clearance opinion.

Is the product made from parts manufactured by other companies, especially foreign ones? Since there is a chance such parts maybe infringing parts, obtaining a clearance opinion is a good idea.

If the result of a clearance opinion for a product or service is unfavorable, the company has a decision to make. Proceed anyway and take a chance, change the design, obtain a license, abandon, etc.? If the decision is likely to proceed anyway, then the cost of a clearance opinion cannot be justified. With such a risky approach, however, the company should be prepared for significant litigation costs in order of hundreds of thousands of dollars.

Clearance opinions for a product can be pricey because the legal analysis involved in comparing a



Michael Zarrabian

Concept IP | LLP

The Intellectual Property Law Firm
for Innovators

11601 Wilshire Blvd., Fifth Floor
Los Angeles, CA 90025

310.409-9920

mzarrabian@conceptip.com

www.conceptip.com

product to the claims of a patent is very involved and time consuming. A patent attorney would also pull the file history of the patent and study it to determine scope of the patent claims.

A clearance opinion is no guarantee that a product will not be subject of patent infringement, and a court may find infringement despite what the opinion says. However, the opinion informs whether a product design should be changed or abandoned. It is also effective as an insurance policy as a product may become a target of (meritless) patent infringement claims. In case a court determines your product does infringe a patent despite a favorable clearance opinion, having such an opinion in hand reduces the chance of being tagged with treble damages and attorney fees for willful patent infringement.