

## “Freedom to Operate” Studies Manage Risk and Uncover Opportunities

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A key business concern for any entrepreneur developing a strategy for commercializing a technology is whether they have “freedom to operate.” This involves determining whether products or services based on their technology infringe any patent rights of others. Because freedom to operate issues can inhibit market entry and increase the likelihood of patent litigation, identifying such issues early can help guide research and product development, help formulate patent strategy, uncover roadblocks for funding, and identify potential licensing partners.

### Understanding FTOs

A freedom to operate (FTO) study, therefore, should be viewed as more than a legal technicality. It is a business tool that can be used early on to identify and manage intellectual property (IP) risks and opportunities. Because the IP landscape is continuously evolving due to the ongoing patenting efforts of others, the timing and scope of an FTO are important. Although a more focused FTO is possible when a precisely defined product or service is in place, this is not often realistic for the early stage business initiative where, in many cases, the product or service is at the conception stage. Nevertheless, a solid understanding of the commercial potential of the product or service can usually be sufficient to construct a strategy for identifying potentially problematic patents at an early stage and for monitoring the IP landscape over time.

### FTO Scope

The scope of a freedom to operate study can vary depending of a variety of concerns that include the costs of developing the product or service and the level of acceptable risk associated with investing in that development. For a defined product going to market, an FTO may be a highly directed clearance study before going ahead with a

product launch. With undefined products or technology being developed, an FTO may identify competitors, help focus business development, and manage risk. In some instances, an FTO may only consist of an evaluation of a known competitor’s patent portfolio or may involve a small scale search to identify patents with broad claims that on their face potentially cover the product or service. In other instances, an FTO can involve a detailed search for patents in various countries and may be followed by a validity analysis of one or more of the identified patents.

In some instances, the FTO may involve searching for published patent applications to identify disclosures that could support claims which would cover the product or service. For example, in areas of emerging technologies, patents with claims covering the product or service may not exist yet, but potentially problematic applications could have pending claims that are of concern. To avoid potential future infringement problems, such pending patent applications can be monitored over time to detect the development of a freedom-to-operate problem. Attention given to such applications may depend on the whether or not the application is held by a disinterested third party or a key competitor.

### Conclusion

With a tightening economy and scarce resources, it may feel like it’s an easy decision to set certain intellectual property concerns aside. But a key to any successful business is to know your market, your competition, and the IP landscape. An early FTO study can provide the needed insights to making the right decisions.



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