

Investors in the Green Economy: You Could Lose Your Investment in Green Innovators by Failing to Identify the Green Inventors that Came Before Them

With President-Elect Obama's [announcement that he will establish an "Apollo Project" to develop a Green Economy](#), there is no doubt that "the Green Technology train has left the station." Indisputably, investors will start to invest heavily in companies that appear to possess commercializable Green Technology that will enter the marketplace as the US embraces the Green Economy and develops the necessary infrastructure to make this happen. Before staking a claim to one or more of these companies, however, investors should understand whether existing patent rights owned by third parties could undermine the investment potential of even the most promising Green Technology innovators.

Anyone seeking to capitalize on the Green Economy and its attendant Green Technology must recognize a fundamental reality of US patent law: in granting a patent, the Patent Office cares only that an invention is useful, novel and nonobvious. Significantly--and this is the rub for investors in Green Technology companies--the Patent Office cares not a wit that an invention has commercial significance either today or in the future. As a result, many patents exist today for inventions that did not possess commercial viability when the patent issued, but that cover Green Technology that today may be on the cusp of commercialization. The owners of such patents can (and quite likely will) enforce their rights against those companies that successfully introduce that same Green Technology into the marketplace. Put simply, investors in Green Technology innovators must be hyper-diligent to ensure that inventors who had the same idea but could not commercialize that technology do not derail their commercial plans.

A salient and well-known example of an inventor extracting a patent toll from a successful innovator is found in the [infamous NTP vs. Research in Motion \("RIM"\) patent litigation](#). In this case, NTP acquired patents issued in the early 1990's to email technology for use on mobile devices. The inventor of the NTP-owned patents never commercialized the patented technology and the patents issued several years before RIM introduced the technology into its BlackBerry(r) device. Nonetheless, [after several years of contentious litigation, RIM settled with NTP for over \\$600 million](#). The huge settlement was bad enough, but [RIM also suffered from loss of market share due to the uncertainty resulting from the litigation](#), which certainly led to significant additional financial loss. No doubt investors in RIM would have liked to know about the NTP-owned patents prior to making their investments in this mobile email innovator.

Many people reference the NTP vs. RIM case using the term "[patent troll litigation](#)." However, it would likely be wrong to characterize the owners of patents to not-yet-commercialized Green Technology with the pejorative "patent troll." Many reasons can be present for such patented inventions having failed to be successfully commercialized, not the least of which is that a market simply may not have existed at the time the patent covering the technology issued. In the US, however, any inventor owning a patent possesses superior rights to the patented technology over one who successfully commercializes that same technology. In short, inventors' US patent rights trump those of innovators. (Note that this rule differs in some other countries, where the patent laws require compulsory licenses from the patentee to those seeking to commercialize the patented technology.)

So what does all this mean for those who seek to capitalize on the emerging Green Economy by investing in innovative Green Technology companies? At a minimum, Green Technology investors must endeavor not to focus solely on the viability of the technology itself such that they fail to determine whether another party owns superior rights to that technology. To this end, Green Technology investors must obtain Freedom to Operate opinions, which will inform them whether the technology of interest is covered by a third party's patent rights. While this may seem like an obvious step when vetting a new Green Technology investment, I am nonetheless repeatedly surprised that even sophisticated VC's and private equity investors fail to conduct the most basic of Freedom to Operate analyses before moving forward with an investment decision in a technology company.

A Freedom to Operate analysis should only be the first step when investing in a potentially commercializable Green Technology company, however. An investor must also conduct what I call a "Permission to Innovate" analysis. A Permission to Innovate analysis tells the investor whether any third party patents exist that are close to the likely development and commercialization path of the relevant Green Technology. A knowledge of such closeness is critical to know when a technology is yet-to-be commercialized because an innovator must be able to develop technology freely in response to market forces. A Permission to Innovate analysis will provide the investor with knowledge of whether the area of Green Technology in which she seeks to invest is crowded with third party patents that could limit the freedom of a Green Technology company to innovate in the future.

Many investors will see the emerging US Green Economy to constitute a possible "gold mine" and will rush to stake a claim. Nonetheless, investors would be well-served by realizing that good Green Technology ideas have been in existence for many years, and many of these ideas are covered by US patents. Investment success may hinge on knowledge of such pre-existing patent rights to ensure that a company's commercialization of promising new technology is not restricted by the person who first invented and patented that technology. As such, I believe it is critical for Green Technology investors to develop substantive patent knowledge of the relevant patent landscape prior to joining the Green Technology "gold rush."