Patents, Litigation & Licensing
Emerging issues for clean energy technologies

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Mitchell filed the application for his newly issued US Patent on December 1890. That was only eleven years after Thomas Edison first demonstrated his improvements to the electric light in 1879, which allowed an incandescent lamp with a filament of carbonized sewing thread to burn for thirteen-and-a-half hours. Even now, Edison’s additional inventions are fueling the development of a massive electric utility industry across the United States. In an interview Mitchell stated, “I hope and believe that my invention will play a significant and important role in providing alternative and renewable energy sources to supplement the electric utility industry. It is also very relevant in providing electricity to people living in rural areas where the electric utilities do not provide service. I have been in discussions with the electric utilities in the hope of forming a partnership and licensing my technology.”

The press release is fictional and we don’t actually know what Mr Mitchell said the day his patent was issued in 1891, or whether he was able to license his patent. But over 100 years later, James M Mitchell’s dreams for alternative and renewable energy are finally coming to pass. Today, patents are playing an important role in the alternative and renewable energy industry, and they will continue to play an important role in the future.

Patents are a force to be reckoned with as indicated by significant patent litigation. As just one example, in a patent infringement action at the United States International Trade Commission (“ITC”) in Washington DC, General Electric is asking for an order that will block US imports of certain Mitsubishi wind turbines. GE is asserting three US patents, all directed to wind power generation technology. As the IP climate was changing, some companies were slow to recognize the change and build their patent portfolios.

In other cases, companies launched new products without investigating their competitor’s patents, resulting in costly licenses or infringement suits. An early investigation before product launch might have mitigated impact from the competitor’s patents. In some cases, companies only focused on patents for their own products and considering their competitors’ products when filing patent applications might have given them better leverage in the cross-license negotiation.

The trend illustrated above mirrors a similar upward patent filing trend that was observed in the semiconductor industry over the last 40 years. Just as in the wind power industry, the semiconductor industry also reacted to successful patent infringement litigation by patent holders, and companies started to build their patent portfolios for use in licensing, cross-licensing, and litigation.

The semiconductor industry also provides some lessons learned for the alternative and renewable energy industries. As the IP climate was changing, some companies were slow to recognize the change and build their patent portfolios. In one particular case, when a company entered license negotiations with a large peer company with far more patents, the final cross-license had a significant $200M payment to the company with the larger patent portfolio. That fee might have been less if the numbers of patents owned by each side were more comparable.

While the alternative and renewable energy industries are more than just wind power, the wind power industry provides a good perspective for the alternative and renewable energy industries as a whole. For example, owners of wind power patents include individual inventors, companies with less than a handful of patents, and large corporations with many patents. That same diversity applies for all the alternative and renewable energy industry technologies.
All of this means that patent infringement litigation for alternative and renewable energy technologies is here to stay. That litigation will certainly occur in US District Courts, where damages and injunctions can be awarded. Some Courts (like the Eastern District of Virginia, the Western District of Wisconsin, and the Eastern District of Texas) are reported to have reasonably fast case dockets, and the time-to-trial in those courts can be relatively short. Other Courts, (like the District of New Jersey) have much longer time-to-trial. Some Courts also have special patent infringement trial rules, which helps to formalize discovery and patent-unique issues.

Patent litigation for alternative and renewable energy technologies will also be prevalent at the US International Trade Commission, where a successful patent holder can get an order prohibiting importation of the infringing products into the US. The ITC is a specialized administrative court that is very experienced in patent law. Some unique requirements to sue in the ITC include: proof of a US domestic industry and import of the accused products into the US. If a plaintiff can satisfy those requirements, the ITC is a good place to sue. The time from filing a complaint at the ITC to getting an initial determination on infringement and validity is generally as fast or faster than almost every US District Court.

To avoid or settle litigation, licensing will also be more common, as companies with strong patent portfolios force infringers to either stop making and selling their products, or take a license. Cross-licensing will also be more common, as companies with strong patent portfolios realize success in the marketplace will require that they have access to patents held by others, including competitors and suppliers, providing the freedom to practice the technologies covered by patents that are licensed from others.

Indeed, there is an increased level of licensing activity in the renewable energy field. For example, last month American Superconductor subsidiary AMSC Windtec licensed its technology for 2 MW doubly fed induction wind turbines to Inox Wind Ltd. The license gives Inox rights to manufacture and sell the wind turbines worldwide. Inox will pay AMSC an upfront license fee and royalty payments, and plans to begin large-scale production in 2010. American Superconductor recently acquired Windtec, including 27 patents and patents pending worldwide on wind turbine technology by former sole owner and founder of Windtec, Gerald Hellenberger. Significantly, AMSC Windtec will supply the turbine electrical systems to Inox as part of their overall licensing deal.

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