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Potent Portfolio

New Year Is a Good Time to Assess Intellectual Property

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Executives in technology companies are increasingly recognizing that a strong patent portfolio can bring substantial value to their company. A well-crafted portfolio may be used for a multitude of purposes, including marketing and research and development. Moreover, a well-crafted portfolio may provide additional benefits, such as enhancing a company's image as an industry leader rather than a technology copycat.

Generally, a company may use one of two methods to develop a patent portfolio. The first method is directed toward accumulating a large quantity of patents in an attempt to broadly cover a technology area. This type of portfolio tries to broadly cover an area with patents of varying scope in the hope that at least one will be of value.

This approach may work well with entities having large intellectual-property budgets to accommodate the costs associated with filing and prosecuting large quantities of patent applications and maintaining and deploying the resultant patents. However, some believe that this method often results in patents of lesser quality.

The second method focuses on creating fewer, but higher-quality, patents. To develop a portfolio in this manner, a company typically invests in planning and executing a patent strategy. A patent strategy involves developing and deploying patents. To do this, a company carefully mines, analyzes and evaluates its intellectual assets from within, procures patents on some or all of these intellectual assets, surveys the trends in the industry and determines how the patents can be commercialized.

Using a patent strategy to develop a portfolio works well with most companies, including those having more-limited intellectual-property budgets than large companies. Moreover, developing a portfolio within the framework of a patent strategy provides a long-term blueprint for accumulating a portfolio of valuable patent assets.

Generally, a patent strategy is not of a one-size-fits-all variety. Rather, it is customized to fit within a company's business goals over both the short and long term.

In one example of a patent strategy, a first step focuses on developing a patent portfolio. This includes an audit phase and a procurement phase. A second step focuses on deploying the patent portfolio. This includes an industry-analysis phase and a commercial-analysis phase.

In the audit phase, a company organizes and evaluates all of its intellectual assets, for example, its technologies, processes and business practices. This involves working with key company executives to ensure that the patent strategy, as well as the broader intellectual-property strategy, closely links with the company's objectives. Often, these individuals will assist with developing a budget and scheduling time and access to resources.

Organizing intellectual assets also involves gathering key company documents. These provide information used to evaluate ownership issues and the scope of patent and other intellectual-property rights that are available. Documents may be available on any medium, for example, paper or electronic format. Examples of documents include business plans, company procedures and policies, investor publications and presentations, marketing presentations and publications, technical specifications and schematics, software programs and agreements involving the company. These agreements include employment, license, nondisclosure and confidentiality, investor and consulting agreements.

Organizing intellectual assets also includes identifying and interviewing all individuals who create or manage the company's intellectual assets. These interviews expand upon the documented intellectual assets and uncover undocumented intellectual assets. This information is used to evaluate patent and other intellectual-property issues, for example, identifying dates that may prevent patentability of particular intellectual assets or identifying co-development efforts that may indicate joint ownership of intellectual property.

After organizing information about the intellectual assets, each asset is evaluated to determine how to protect it. For patentable assets this involves determining whether it is best suited for patent or trade-secret protection, whether it should be made available to the public domain or whether further development is necessary.

In addition, an evaluation of filing for protection in jurisdictions outside the United States may be prudent. For example, patent protection may be sought in legally and technically sophisticated regions or countries such as Europe or Japan or in legally and technically developing countries such as China, India and Israel.

Additional matters to evaluate in the audit phase include conducting patentability or patent-clearance studies to determine the scope of potentially available protection or determining whether products or processes that include or use the intellectual assets potentially infringe third-party rights. This evaluation may also involve identifying company strengths with regard to its portfolio, as well as potential vulnerable areas where competitors have already established patent protection.

In the procurement phase of the patent strategy, a company builds its portfolio to protect core technologies, processes and business practices. The portfolio may be built with a combination of cornerstone patents, fence patents and design-around patents.

Cornerstone patents are sometimes referred to as blocking patents. They are used to block competitors from entering a market for products or services covered by the patent.

Fence patents are improvements of a competitor's core patents. They are used to fence in, or surround, the core patents with all conceivable improvements so the competitor has an incentive to cross-license its patents.

Design-around patents are sometimes referred to as work-around patents. A design-around avoids infringement of a patent and may itself be patentable. As the portfolio develops, the procurement phase provides an opportunity to evaluate whether to license or acquire patents from others, particularly where the portfolio is vulnerable to another's portfolio.

As the portfolio develops, the patent strategy turns to deployment considerations. Deployment may begin with an industry-analysis phase, including studying business and technology trends in a company's industry, especially those of present and potential competitors.

Here, a company identifies how the others are spending their marketing and research-and-development funds, for example, identifying who is filing for patent protection, what technologies and business processes are being patented and in what countries patent protection is being pursued. Some of this information is available by conducting searches on databases such as www.delphion.com, www.uspto.gov and www.epo.org.

Examples of searches include a state-of-the-art search and a competitor search. The state-of-the-art search focuses on trends and what companies are active in a particular technology area. The results of this search are compared with the company's business objectives and its developing patent portfolio. This search may also provide information on new competitors or identify areas in which the company could procure additional patents for present or future use.

The competitor search focuses on activity of a particular competitor. The search is for studying a competitor's business and technology directions by reviewing their patent portfolio to determine where research-and-development monies are being spent. This search determines a competitor's potential strengths and weaknesses by reviewing which patents in the competitor's portfolio are still in force or expired.

The competitor search is also useful to determine strengths and weaknesses of the company's patent portfolio in relation to the competitor's portfolio and whether the company's business objective could run afoul of the competitor's portfolio. Early detection of such problems allows the company to procure additional patents or architect design around strategies prior to a public release or use of products or processes by the company.

Deployment considerations also include a commercial-analysis phase, in which a company determines how to apply its patent portfolio. Generally, application of the portfolio may be for market, defensive or offensive-related reasons.

Market-related applications of the patent portfolio include marketing product or process features or legitimizing a particular technology area that is covered by the patent portfolio. This helps a company boost acceptance and sales of products and processes covered by their patent portfolio. Another market-related application is touting the patent portfolio to increase valuation for raising funds and preparing for mergers. Market-related applications might also include using the patent portfolio to encourage strategic partnering to establish and maintain an industry standard.

Defensive-related applications of the portfolio include cross-licensing it with the competitor's patent portfolio or carving out a niche in a crowded technology area. These applications provide the company with freedom to operate, especially in markets or technology areas in which patents play a prominent role in establishing or maintaining leadership positions.

Offensive-related applications of the portfolio include generating revenue through a licensing program. Typically, a company may license its non-core patents to companies in markets or fields that it does not have access to or does not choose to access. A company must also decide whether it wants a flat-fee type license, a royalty-bearing license or an outright sale of the patent. If a company chooses not to enter a particular market or field, it may create a new business or market by spinning off those non-core patents to start new companies.

Another offensive-related application is to use the patent portfolio to protect market share. This often involves enforcing core patents to protect key technologies or businesses. Typically, a company will request an infringer to cease their infringing activity. In some instances, the company may even offer an opportunity to license the patent or the portfolio under reasonable terms. If the infringing activity does not cease, and no license is granted, a company may have little choice but to assert its right to exclude the infringer in a patent-litigation action.

In summary, a well-planned patent strategy will likely reward a company with positive returns for years to come, and the approaching New Year offers a company a good opportunity to invest in the creation and execution of a patent strategy.

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