# Building a Premier Patent Portfolio Under Corporate Budgetary Constraints

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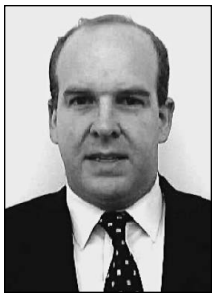

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Corporate patent managers are called upon daily to make the decisions necessary to build and maintain a premier patent portfolio that effectively secures the freedom of action of the corporation, provides licensing opportunities, enhances its value proposition, and protects its technological "crown jewels." In lean economic times characterized by tighter budget constraints, these patent managers are charged with the difficult task of accomplishing these goals in an even more cost-effective manner.

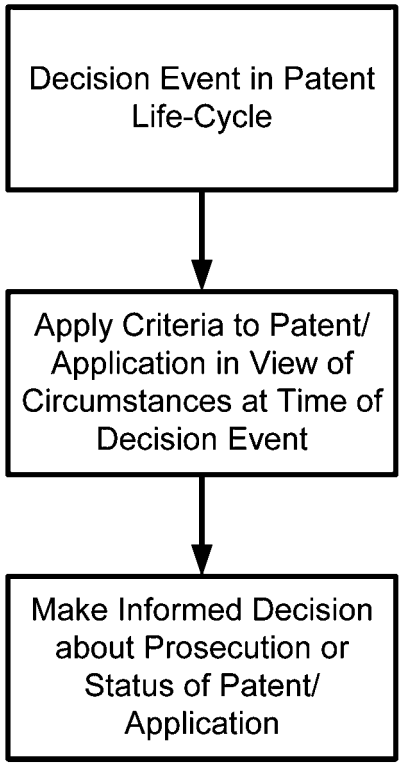
Thus, it is important that each cost-incurring decision during the patent life-cycle be made intelligently. Examples of such decisions include: whether to file a patent application on an invention, how many patent applications to file in particular technological areas, whether to file for international protection, whether to continue and/or appeal prosecution of a patent application, whether to pay a maintenance fee on an issued patent, etc.

As illustrated in the figure, the value of the subject technology and any resulting patent should be assessed at each of the foregoing junctures to afford the best patent portfolio under financial constraints. To accomplish this assessment, the following criteria ought to be considered.

## DO THE CLAIMS COVER A COMPANY'S OR COMPETITOR'S PRODUCT?

Quite often, corporate patent managers are inundated with "wouldn't it be great if" invention submissions. While these submissions should never be simply discarded, special scrutiny should be applied, since covering currently relevant technology lies at the root of the defensive and offensive value of the company's patent portfolio.

One should be aware that, when initially selecting inventions for patenting, the existence of a competitor's product may constitute prior art. On the other hand, 2-3 years into the prosecution of a patent application, identification of a competitor product may govern the amount of resources (i.e., payment of a maintenance fee, filing of a continuation, etc.) that is expended. For example, it makes more sense to pay the second and third maintenance fee payments for a patent that is currently infringed, instead of a patent that covers out-of-date technology. Various competitive intelligence techniques may also be used to uncover and track the infringement status of the various patents in a portfolio[1].




## DO THE CLAIMS COVER SOMETHING THAT WOULD INFLUENCE THE BUYING DECISIONS OF CONSUMERS?

This criterion is designed to reflect the likelihood of inclusion of features in competitive products. It contemplates whether claims will likely cover a competitive product in the future by begging the difficult question, "Would this feature be something that would give a company product a significant competitive edge?" Addressing this question focuses patent expenditures on product features that matter to the consumer.

## DO THE CLAIMS COVER SOMETHING THAT IS VISIBLE?

If a company can not readily verify whether a patent is infringed (i.e., it is hidden in code, in a semiconductor fab, etc.), the resultant value is diminished since the patent can not be effectively asserted absent expensive reverse engineering, discovery, etc. While these patents may indeed protect important technology, a patent portfolio replete with such patents is more difficult to use.

## WHAT IS THE POTENTIAL BREADTH OF THE CLAIMS?

Some companies rely on their inventors, as experts in their field, to answer the question: "What is the prior art and how broad will the resultant patent coverage likely be?" While this may be an optimal strategy for corporations that are involved in fast-moving technologies or that are worried about being put on "notice" by searching and analyzing prior art patent literature, much can be gained by a prior art search. Since thousands of dollars are traditionally expended to file, prosecute and maintain a patent application, conducting a search that may help the corporate patent manager make an intelligent expenditure often makes sense.

## DOES A COMPANY ALREADY HAVE CLAIMS IN A PARTICULAR TECHNICAL FIELD OR RELATED TECHNOLOGY?

Often, a corporate patent manager responsible for a portfolio in excess of 1000 patents has a hard time "weeding out" inventions that are duplicative in their own patent portfolio. It is often hard to determine whether claims are the first in a technical field for a company, or whether they only supplement pre-existing patent coverage. It is obviously good to spread out patent protection among product lines and over business units. In the context of a battlefield analogy, sometimes it is better to spread a large number of deadly medium-sized mines about a technical field (i.e., the battlefield), in contrast with creating a colossal mine (i.e., a large group of applications) in each of a few areas. Of course, depending on the circumstances, however, it may be appropriate to file many applications in a specific important area. Patent mapping may often be useful in determining the distribution of patent filings among different technological arts[1].

## IS THE TECHNOLOGY THE SUBJECT OF A PARTNERSHIP AND/OR ALLIANCE, OR BEING JOINTLY-DEVELOPED?

While most partnerships and alliances often begin with the best intentions, it is often ideal to protect and maintain a corporation's patent rights in case they must be leveraged in a situation where a deal goes sour or the business environment changes. While this often requires the difficult task of determining who invented what, the detrimental ramifications of not protecting the corporation's intellectual property dwarf the tediousness of filing for patent protection. Therefore, patenting technology developed in conjunction with a partnership and/or alliance is a must.

## WHAT IS THE VALUE OF THE MARKET OF A PARTICULAR TECHNOLOGY, AND WHAT MARKET SHARE DOES A CORPORATION OR COMPETITOR OWN?

In a cross-licensing and/or settlement situation where companies are comparing the value of patents as "trading chips," the reasonable royalty percentage of the associated market/market share often affects negotiations and should be considered during the procurement of patents. For example, it is difficult for a company to leverage a patent covering a competitor's smallest, least lucrative product line, in a situation where such competitor is enforcing a patent covering the company's largest revenue source. Thus, it may be less important to cover a product that a company or competitor is giving away for free, in favor of protecting technology relevant to a market worth millions.

## WHAT IS THE TECHNOLOGY LIFE-CYCLE?

If the technology is likely to "come and go" in less than 3 years, it is possible the patent will have little worth after issuance. With the average patent prosecution timeframe spanning 2-3 years after the time of filing, short-lived technologies may best be protected by other means, i.e., trade secrets, copyrights, etc. Moreover, it may make sense to publish a defensive publication, so that the company does not find itself in a situation where it is prevented from practicing its own invention.

## WHERE IS THE TECHNOLOGY MARKETABLE?

This criterion comes into play when deciding the jurisdictions in which to pursue patent protection. While this decision can be cost-effectively delayed via the PCT process, this decision is important, as filing and maintaining a single patent world-wide can cost in excess of one million dollars.

## HAS THE TECHNOLOGY BEEN DISCLOSED PRIOR TO THE FILING DATE OF THE RELATED PATENT APPLICATION?

This is an obvious, often easy-to-determine "show-stopper." This question comes into play when deciding whether patent protection is available in international "absolute novelty" jurisdictions, and whether a U.S. statutory bar exists. Often evaluation of an invention starts by applying this fundamental criterion.

## WOULD THE TECHNOLOGY BE EASILY DESIGNED AROUND?

If the technology itself is open to a vast number of equally-effective alternatives, patent protection on one particular design may be less valuable. To avoid infringement, a competitor need merely choose an equally viable, non-infringing alternative.

## CONCLUSION

By applying the foregoing criteria to patents and applications for patent when making patent life-cycle decisions, a company is capable of building and maintaining a premier patent portfolio under reasonable budget constraints. IPT

## ENDNOTES

1. Zilka et al., "Competitive Intelligence and Its Role in Increasing the Value of a Patent Portfolio," *Intellectual Property Today*, January 2003