The Limited Monopoly™

Developing a Patent Strategy for Your Business - *Building Value*

by Robert Gunderman, PE and John Hammond, PE

Why a Patent Strategy?

A patent is a legal instrument that allows you to exclude others from making, using, or selling your patented invention. A patent is a limited monopoly, limited to the term of the patent and also limited to the scope of your patent claims. It is therefore important to align your business objectives with your patent filings and prosecution, and perhaps patent acquisitions. Your patent strategy should be a key part of your business plan, and like a good business plan, it should be revisited and revised regularly to keep up with your business. A patent or a patent portfolio is an asset, and has value. With many technology companies, it is their biggest asset, and has a direct correlation with the value of their company.

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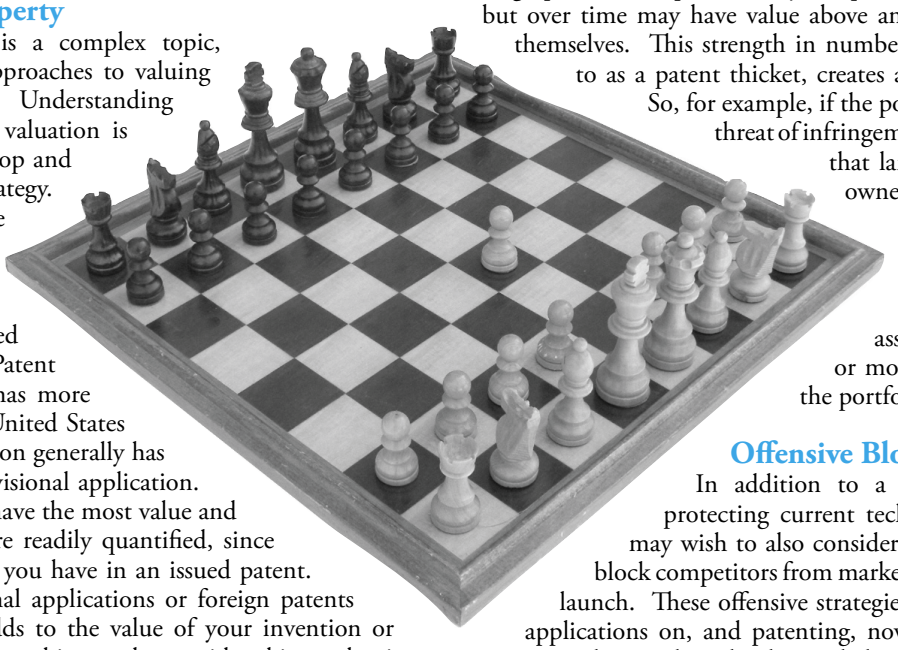
The Food Chain of Intellectual Property

Valuation of patents is a complex topic, and there are many approaches to valuing intellectual property[1]. Understanding some of the basics of valuation is important as you develop and refine your patent strategy. While there are exceptions, generally an invention with no patent filing has the least value. A United States Provisional Patent Application generally has more value, and a pending United States Utility Patent Application generally has more value than a provisional application. Issued patents usually have the most value and their value can be more readily quantified, since you know what claims you have in an issued patent. If there are international applications or foreign patents as well, this usually adds to the value of your invention or portfolio. There are many things to be considered in a valuation, and knowing some of them will help guide you toward decisions that maximize value.



The Perils of File and Forget

Patent preparation and prosecution can be expensive, and to a start up company or small business it is easy to spend the money for a patent application, and then assume the job is done. This is a perilous approach. Your patent initiatives should be continually evaluated, and course corrections made as your business evolves and changes direction. To file and forget means that a resulting patent may not be of value to your business. If your product offerings or product functionality changes, or competitors rise and fall, your patent application should reflect these changes. For example, claims can be amended by way of a preliminary amendment before they are examined to more closely reflect the recent changes to your product, or maybe to read more directly on a competitor's product such that any resulting patent has stronger enforcement potential.

Patents as a Bargaining Chip

A large portfolio of patents may be quite costly to accumulate, but over time may have value above and beyond the patents themselves. This strength in numbers, sometimes referred to as a patent thicket, creates a position of strength. So, for example, if the portfolio owner is under threat of infringement from a competitor, that large portfolio gives the owner the ability to cross-license, sub-license, trade, or otherwise resolve disputes with a competitor by assertively playing one or more bargaining chips in the portfolio.

Offensive Blocking Strategies

In addition to a defensive strategy of protecting current technologies, a company may wish to also consider offensive strategies to block competitors from market entry or new product launch. These offensive strategies include filing patent applications on, and patenting, novel items that may be envisioned as markets develop and change or as products take certain evolutionary paths due to changing market conditions and technical advancements. A blocking strategy protects against what other companies in your market are likely to develop, manufacture and sell, absent patents to block their development.

The "Keep Alive" Continuing Application

Frequently it is difficult to envision market direction or technical advancements that may occur in the future. One strategy that can be used to buffer these unknowns is to file a continuing application before a patent issues. This continuing application is a "new" patent application claiming the filing date of the parent (original) patent application, and containing the same subject matter as the original parent patent application, but with different claims. So, for example, if a patent application is

allowed, and there is subject matter in the original specification that was not claimed, a continuing application allows one to direct a set of claims at this unclaimed subject matter. With a "keep alive" continuing application you also have the ability to file a preliminary amendment to the claims once you are aware of a potential infringer to align your new claims with the potential infringer's product, creating a situation of literal infringement and stronger enforcement potential, should your patent issue. Just be aware that a continuation must be filed before the original patent issues.

Partnering and Strategic Alliances

Many companies, especially those in certain industries like biotech and medical device companies, require partners for business and product success. Partners and strategic alliances bring to the table research and technology as well as commercialization expertise, distribution channels, and funding. Since inventions oftentimes build on previous innovations, partners and strategic alliances can foster innovation and growth of one's patent portfolio. In addition, partners and strategic alliances can foster transactions such as licensing that can provide a much needed revenue stream for an early stage technology company.

International Considerations

International patent applications can be costly and require a certain degree of visionary thinking. If a U.S. application is filed, a corresponding foreign application must be filed within 12 months of the U.S. filing date. Usually in 12 months it is difficult to envision what countries you may require patent protection in. A PCT application helps soften that decision and buys you some time (30 months from your original filing date) before you must file in each country of interest. A PCT (Patent Cooperation Treaty) application is a single filing at 12 months that then allows you to delay decisions about each specific country for up to 30 months (31 or 32 months in some countries). It is an important tool in developing an international patent strategy. However, there are rules and deadlines that must be understood if you are to effectively use the PCT as part of your patent strategy.[2]

Patent Due Diligence

Due Diligence investigations into a company's patent portfolio and overall patent strategy are oftentimes conducted by investors, potential acquirers, partners, and even potential customers. As patents are of public record, they can be investigated to determine if key products are adequately protected, if the subject patent portfolio has been properly managed, if there are any issues that could affect validity, and other such considerations. It is important to your business to not neglect your patent portfolio, and the best way to do so is to develop and continually revisit and refine your patent strategy. It takes years to create a strong portfolio. Just like a business, a strong patent portfolio can't be created overnight. Continually building your portfolio in parallel with your business will pay solid returns over time.

The People Perspective

A patent strategy that Sun Tzu would praise is worthless if people are not positioned to execute it. Without any training on the basics of patents and intellectual property, people can make serious mistakes that can bar the opportunity to obtain a patent on a critical invention, weaken an issued patent, or even worse, render a patent invalid or unenforceable. In order to execute your strategy, it is essential that your managers, scientists, and engineers have a thorough understanding of key aspects of patents. Some essential subjects are as follows:

- The consequences of public disclosure of an invention before filing a patent application, with respect to U.S.[3] and foreign rights.
- Record keeping best practices - the inventor's notebook and the Invention Disclosure.[4]
- Conception of an invention, and the need for diligence in reducing it to practice.[5]
- The enablement and best mode requirements of a patent application.[5]
- Duty of Disclosure to the USPTO.[6]
- Fundamentals of inventorship, ownership, and assignments.[7]
- Patentability and Infringement – what they are, and how they differ.[8]
- Patent searching and competitive surveillance via patent literature and databases.[9]

Having people trained and knowledgeable in these principles will help to ensure that your patent strategy is sound, and will be implemented in a systematic manner. Moreover, it will facilitate and lower costs in the patent application and prosecution processes, and ultimately result in stronger patents. Training should be an essential part of any patent strategy.

For further information on footnoted subjects, see prior issues of "The Limited Monopoly™" provided at **www.patenteducation.com/patentarticles.html**: under the following topics:

1. "Business Aspects of Patents"
2. "International Patent Applications"
3. "One Year On-Sale Bar"
4. "Invention Disclosures"
5. "Patent Fundamentals"
6. "Duty of Candor"
7. "Inventorship" and "Ownership Rights"
8. "Patentability' or "Infringement"
9. "Searching"

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