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## Practical Guidelines For IP Portfolio Management

Law360, New York (April 14, 2015, 10:21 AM ET) -- The first article in this series addressed business and strategic reasons to use continuation practice, particularly for patent licensing or portfolio building.



This second article addresses how a patent portfolio manager may establish processes as part of their regular intellectual property management process to:

- Ensure that all stakeholders in the patent process are operating in a synchronized manner.
- Review how the patent portfolio supports the evolving business goals of the patent owner (often an established company, a startup, a university or an individual).
- Review factors relevant to any portfolio decisions in light of market trends and new competitor or customer products.
- Reassess existing portfolio assets in light of changes in regulations and court decisions.
- Determine both when to grow and (just as important) when to prune patent assets.
- Make cost-effective and strategic decisions on foreign filing as well as payment of maintenance fees and annuities.



Michael Moore

### Legal and Business Must Operate in Unison

For strategic portfolio management, regardless of whether the patent owner is a practicing entity making products or primarily focused on patent licensing, it is important that the portfolio manager (usually within the legal department) and their business counterparts

operate in unison. A patent portfolio should not be managed in a vacuum, and the portfolio manager is responsible for ensuring that any decisions and legal actions align with the long-term business goals of the organization.

The portfolio manager should establish a process to regularly meet with his or her business counterparts to assess new market opportunities and relevant competitive data, prior to making portfolio decisions. This is true both for new patent filings as well as managing an existing portfolio through continuation filings, maintenance fee payments, and foreign filing decisions.

### ***Who***

The attendees may include the patent portfolio managers (often in-house attorneys), representatives from the relevant business unit(s) impacted by any decision, and IP strategists or their equivalent in the organization. Where a large spending decision is anticipated, it may be appropriate to invite a representative from the finance department. This group includes the key stakeholders in the portfolio management process.

### ***Why***

In high-technology markets where technology frequently changes, such as semiconductors, computer hardware and software, it is important to ensure that portfolio management decisions are made with the most up-to-date business data. Relevant input should be gathered regarding current products, future business plans and competitors or potential customers that may be impacted. In this manner, a thoughtful and conscious decision can be made by the stakeholders regarding development or disposition of patent assets.

As we have seen in recent years, new court decisions are also relevant to management of a patent portfolio. Where there is a shift in or uncertainty of the law, such as around software patents following the Alice Corp. v. CLS Bank case,[1] this information should be considered as part of the portfolio management process. It may no longer make business sense to invest in a patent where enforceability is questionable.

### ***When***

Stakeholders should meet regularly to address upcoming portfolio decision points. This meeting would ideally take place monthly, or at least quarterly, so that upcoming decisions can be addressed in a timely manner. This is particularly relevant to foreign filing or prosecution decisions, as foreign counsel often require time for translation of the documents to be filed with the foreign patent office.

### ***What***

The subject matter to be covered in this regular meeting may vary depending on what stage the matters are at in the patent life cycle. For any new priority patent applications or continuation applications the patent owner is considering filing, relevant considerations include the following.

## **What Business Goal Is the Patent Owner Seeking to Reach?**

Before any portfolio decisions are made, it is worth reviewing what business goal the patent owner is seeking to achieve through its IP strategy. This goal will direct much of the day-to-day portfolio management activities.

### ***Product Protection***

For an established product company seeking to protect themselves against copyists selling

a knock-off product, it may be advisable to file a number of individual patents on key features of the product. The business unit can rank which features are most valuable and likely to appeal to customers, as those are often the ones most likely to be copied. Over time, the importance of one particular feature will likely change relative to another so this ranking should periodically be checked to ensure it is up-to-date.

### ***Startup Portfolio***

A different approach may be advisable in a startup, where the technology is at an early stage and has not yet been adopted by others in the market. For example, a startup looking to build a patent portfolio to protect its new technology may choose to spend its limited resources on a broad "omnibus" priority patent application.

An "omnibus" is a detailed parent case (often a provisional application) containing enabling detail and technical support for many different inventions. The startup may thus keep a utility patent application (or continuations thereof) pending for years in order to have the option of accessing the material in the omnibus priority filing. The patent owner can "slice and dice" different claimsets into separate continuation applications over time. This can reduce the up-front cost versus filing many individual priority patent applications, which is often beneficial for a cash-strapped startup.

The portfolio manager should periodically (at least annually, if not more frequently) solicit input from business and technical experts in the organization to determine what features to pursue patent protection on later, once they have been deployed in products or adopted by the broader market.

### ***Technology Commercialization***

For a university or research lab wishing to commercialize technology it has developed other business considerations are more relevant. It often behooves the university to first establish good patent coverage on the fundamental invention(s), and then collaborate with a commercial partner to help fund development of products which incorporate these inventions. Where appropriate, the university may grant an exclusive license to the commercial partner it is working with and allow that partner to then control the strategy around prosecution of any related patent application(s), in accordance with their business goals.

## **Factors to Consider in Regular Portfolio Management Meetings**

For day-to-day management of the patent portfolio, a regular meeting should be established to review upcoming actions, opportunities and costs. Before this meeting, a list of all upcoming portfolio decisions to be made (with estimated costs) may be circulated to legal and business stakeholders so they have time to research and provide informed input.

The portfolio decisions may relate to both opportunities to develop the portfolio, and managing costs associated with it, including:

- Filing of priority application and level of detail and cost involved.
- Filing a continuation application to keep a patent application 'open' for further prosecution, upon receiving a notice of allowance.
- Speed at which patent owner needs to receive allowed claims.

- Foreign filing and nationalization decisions.
- Determining when to discontinue prosecution of a patent or family or cease paying maintenance fees, for cost reasons or otherwise.

## **Filing of Priority Application**

Every patent application is a business investment by the patent owner, and the return should justify the expenditure on filing and prosecuting of the patent. Patent attorneys often feel compelled to describe and claim everything possible in the priority filing, but that may not be cost effective for the client or appropriate for their stage of business at the time. This is where business input on the market value of the underlying technology is helpful, to determine the desired level of complexity and depth (i.e., corresponding preparation cost) of the application.

## **Filing a Continuation Application**

Upon receiving a notice of allowance for an application, the patent owner may choose to file a continuation application to keep the patent family "open" for further prosecution or claim development. There is a cost associated with the continuation filing and later prosecution, so this is an investment decision to be made.

## **Speed at Which Patent Owner Needs to Receive Allowed Claims**

A patent owner may select a Track One patent application filing in an attempt to get a faster allowance, for a fee. The Track One process is useful for obtaining quick issuances of patents covering features likely to be used or copied by competitors. In some situations, early allowance of a narrower claim may be preferable to a lengthy prosecution of a broader claim. Of course, it is often advisable in these patent families to preserve the option of further prosecution through continuation practice.

## **Foreign Filing Decisions**

Filing outside the U.S. may be advisable to protect a patent owner's inventions across geographic markets. Foreign filing can be expensive, and includes both translation and national stage fees. Whenever a foreign filing decision needs to be made, it should be brought to the portfolio management meeting for review as an investment decision. This includes:

- Filing a Patent Cooperation Treaty application from a priority case, or choosing whether to stay within the home jurisdiction only. A PCT application provides a mechanism to simultaneously seek protection for an invention in 148 countries throughout the world, and also serves to defer some costs and decisions as to which countries to select until a later stage (30 months from the priority date).
- Filing of national stage applications (which are often costly and include translation fees) either directly (e.g., Taiwan) or from a PCT application.

Relevant factors for the stakeholders to consider when making foreign filing decisions

include:

- In which jurisdiction a competitive product is likely to be manufactured, assembled or shipped from.
- How favorable is that jurisdiction to a patent owner's rights?
- What is the cost to litigate in that jurisdiction?
- Are injunctions available in that jurisdiction?
- What is the likelihood of enforcement of any injunction received in that jurisdiction?

## Portfolio Maintenance and Discontinuation Decisions

Although most portfolio managers are focused on growing their patent holdings, it is worthwhile to periodically review the patent assets and determine if they still serve the patent owner's business interests. Thus, when an application appears to be stuck in lengthy prosecution, or when maintenance or annuity fees become due for payment, these matters should be brought to the stakeholder meeting for review.

Some patent owners use the U.S. Patent and Trademark Office's 11-year maintenance fee as a decision point on whether to keep or drop the patent. By pruning "dead wood" from the portfolio, scarce resources can be allocated where they provide most business impact.

## Conclusion

By establishing a process for regular review of patent portfolio filing and management decisions and by engaging with appropriate stakeholders in the process, a patent owner can bring discipline, judgment, and strategic thinking to management of its portfolio. In the long run, this often generates greater value for the organization and for shareholders.

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[1] 134 S.Ct. 2347 (2014)

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