Managing your patent portfolio

Jason Rutt, head of patents at specialist IP law firm Rouse, explains the ins and outs of conducting a full portfolio review

In a world driven by innovation, the value of a company’s IP is often the value of the company. Now every chief executive wants a patent portfolio that gives him impregnable patent protection on his products extending out until the edge of recorded time while giving him both a stream of licensing opportunities to delight his stockholders and a pile of unexpected cash from his innovative ideas on exploiting IP.

However, he’d also like this accomplished while improving his bottom line by doing it for the minimum possible outlay. Doing more with less has become the mantra – and to square this circle requires careful management of your portfolio.

When managing a patent portfolio a company needs to be aware of a number of things:
1. Costs of prosecuting and maintaining a patent portfolio
2. The commercial value of your patents, in particular:
   a. Which patents provide exclusivity for your products
   b. Which patents provide additional value such as licensing revenue or blocking the commercial activities of close competitors
   c. What has no value and should be dropped

Expense of IP

Most companies are aware of the costs of prosecuting a patent portfolio. There are the fees associated with agents and patent offices when prosecuting a patent application and, additionally, many applications will require translation into the native language and costs for this can be huge.

The prosecution fees and translation costs can soon mount up on a broadly filed portfolio. Moreover, what is sometimes overlooked is that once the patent is granted regular payments are required to keep the patent in force. These annuities increase each year, as patent offices assume that a patent maintained must protect something worthwhile.

However, the importance of projects and products can change. A once important and much sought after patent may no longer provide value to the business. Accordingly it is important to regularly assess whether the number of countries a patent is filed in is appropriate. If not, it should be allowed to lapse in some countries or even be dropped altogether.

To assess the value of your patent portfolio you first need to understand what you have by mapping it.

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Mapping your portfolio

The best way to do this is to create a spreadsheet. While initially this can be quite laborious to produce, once in place it is easy to keep up-to-date and it facilitates all other activities. The spreadsheet should include details for each patent family. Excel is particularly useful as you can sort columns by specific criteria. The spreadsheet should include for each family:

1. Title and or internal reference
2. Priority date
3. The countries in which the patent has been filed (and granted)
4. What the patent or application covers. This can be done by pasting in the abstract or creating your own summary or key claims.

More sophisticated spreadsheets will also record:
1. Claim types (compound, apparatus, process, etc).
2. Inventors
3. Licences, patent term extensions (PTEs), etc.
4. Publication number in case of dispute as to what the patent contains. If you can create hyperlink to the patent text, so much the better.
5. A record of previous commercial decisions relating to the patent family and the reasons for them.

The spreadsheet has two uses. Not only does it provide a sound basis for decisions about the portfolio, it maintains institutional knowledge. In a world where inventors and attorneys frequently move roles, understanding of a portfolio can quickly be lost.

This basic step allows you to understand the value of what you have in your portfolio. The next step is to decide how widely the patent cases in your portfolio should be filed and maintained depending on importance.

Creation of filing lists

A different geographical scope for each patent family can be important. For a patent protecting a product, the patent needs to be filed in the countries in which the product is marketed and manufactured. For one which covers a product but which doesn’t provide absolute exclusivity, a lesser country scope may be necessary. For patents that block opportunities for competitors to develop closely related products, a geographical scope sufficient to cover enough major markets to make developing a product uneconomic would suffice. If it is intended to provide freedom to operate (FTO) by disclosing the invention, then one country is sufficient and it should be considered whether it’s necessary to maintain the patent beyond publication. In such circumstances publication via a journal or IP.com may be a better option. Some companies may choose to have another list of countries in which they file patents held for potential licensing opportunities.

As a company it’s important to decide in which countries each type of patent will be filed. An appropriate cost benefit analysis should be conducted, bearing in mind the greater the number of countries, the greater the cost. If the intention behind keeping a patent changes, then a change to the number of countries in which a patent is filed is probably appropriate.

Many companies choose to review cases when prompted by events in the prosecution process, eg Paris Convention filing at 12 months or entry into the national phase of the PCT at 30/31 months. Having filing lists prepared facilitates that decision. In addition it’s a good practice to review the portfolio on an annual basis.
Portfolio review

In outline, to initiate a portfolio review, an attorney should make recommendations on cases for discussion with key decision makers. Following a meeting with decision makers, those decisions are then shared with a wider audience to get endorsement. Lastly, a check should be run that there are no formal barriers to enacting those decisions.

Many companies choose to review the IP of discrete aspects of the portfolio. Usually this is done by reviewing a distinct technology area, but sometimes it can be helpful to focus on IP associated with projects in development and products separately as they may involve different groups of decision makers. The key thing is to divide the portfolio such that it is a manageable size. Attorney recommendations should be capable of review by an individual or small team from the business rather than needing a large group of stakeholders. Having decided upon the area, the next thing to prepare is a list of cases for consideration.

Firstly review your map of the portfolio – is it up to date? Have you added in cases that were licensed in or out? Are there new filings? Do the notes accurately record portfolio decisions from last year? A good first step is to cross check it against whatever docket management tool the company uses. For small companies who may be using agents, understanding what IP you actually have is a simple service such firms should be able to offer easily and inexpensively from their docket management tool. The process can also act as a useful cross check that helps identify any cases that have inadvertently lapsed. Confirm your records are up-to-date before starting work.

Making recommendations

Portfolio reviews never work well as isolated forays from the ivory tower of the patent department to the research and development (R&D) or commercial parts of the business. For in-house attorneys, understanding the current R&D and commercial aims of the organisation is a crucial part of their role. Which R&D projects have started and which have closed? For many attorneys this link to the business is often about understanding what inventions have been made, identifying the additional opportunities to file IP to protect the aims of the business, maintaining exclusivity and protecting market share against competitors. This activity of capturing inventions is vital and probably a topic in its own right. But only this closeness to the needs of the business will allow you to make informed and educated recommendations.

With your knowledge of business, start to make recommendations to maintain, cut back or abandon cases. The form of the recommendations should allow those reviewing to fully understand the situation. An effective way to do this is to take the spreadsheet mapping the portfolio and restrict it to the cases to be considered. Then add some additional columns for your recommendation, outcome from review meeting, subsequent endorsement and action.

Who to involve in the review and its aims

It’s important to find someone or a small group of people able to make decisions to review the portfolio with you. Your job has been to be close enough to make informed recommendations. Someone close enough with greater knowledge needs to judge if your recommendations are well informed. At the meeting, the challenge issued at every stage should be “why are we keeping this?” What use does it actually have? Is it a patent covering a product giving vital exclusivity? Does it cover a product but add nothing to the protection afforded by other IP? Does it block a competitor, or just provide FTO? Is it licensed out or a candidate for doing so? Is the project still going or dropped because it doesn’t work? These are all vital questions, and there is no substitute for asking this of each case.

It’s important to record during the meeting why and on what basis decisions on cases have been made. These decisions will likely be reviewed and that understanding can be vital for the future – appoint a minute taker.

Those decisions are then shared with a wider audience to get endorsement

Many larger companies will review by discrete area – technology, development stage or the like. Most companies tend to operate across silos; so however more effective it is to review IP in isolation it’s important to reach back out and check that something proposed for abandonment or cutback is not vital to another part of the business. In addition there can be those that have a different perspective. For example, getting the input of those from a commercial or litigation background on decisions taken by R&D might be informative. Accordingly, identify people in these other areas who will take responsibility for reviewing portfolio decisions on behalf of their business area. Share the appropriate spreadsheet with them and set a date to receive their comments. Be prepared to meet with them if they object to cutbacks.

Lastly, a check should be run that there are no formal barriers to enacting those decisions

In all the effort of taking these decisions it can be easy to forget some simple questions. For any cases that are recommended for abandonment or cutback, are there any outstanding obligations? A particularly good example can include long-forgotten licences. Other issues can include cases where you may need to offer an acquired patent back to the prior owner or if a case is held in joint ownership.

When you do abandon cases it is important to write to agents saying that you want to drop this case without incurring further costs. Usually this is done by allowing it to lapse through non-response to an office action or non-payment of annuities. It saves unexpected bills from agents.

Cases maintained for licensing

Many companies have been prepared to licence key patents covering their technology to competitors to increase their revenue. A new phenomenon is the approach of looking to out-license IP which has little discernable value to the company but may be attractive to other parties. Examples might include patents covering a research programme which the company has decided is a low priority and isn’t being invested in. While this can be a great source of revenue when successful, it has to be balanced against the costs of maintaining the portfolio. It’s important to have a focussed and time-bound plan. The subject of out-licensing is a topic in its own right, but the plan needs to identify:

- Likely projects or cases for out-licensing
- Likely licensees
- Additional materials, in particular know-how that you will share
- A date by which the efforts to licence will be terminated

Licensing projects are easy to let run and run, with those leading such efforts often convinced that with just a few more months they could find a deal: set a date. Having completed your analysis, act on the decisions and make sure the decisions and the reasons for them are added to your spreadsheet, ready for next year’s review.

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