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Managing an international patent portfolio

McDermott Will & Emery LLP

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Managing an international patent portfolio

The media is full of stories regarding high-stakes patent disputes which highlight the key role that patents play in the global business environment. For example, in the United States the recently settled BlackBerry dispute had the potential to affect not only the litigating companies, but also consumers who had come to rely upon the ubiquitous devices. The large settlement paid by BlackBerry to the patent owners proved the great potential of patent assets as revenue generators and, conversely, the threat they may pose to a company's core business. Increased globalisation has magnified these potential risks and rewards, so that proper management of an international patent portfolio is more important than ever.

There is increased recognition that the licensing of core and non-core intellectual property can be a major revenue source for many companies. For some companies, it is the only source of revenue. Not only must a company's valuable technology be protected, but these assets must also be properly utilised. The failure to manage properly and exploit fully a company's patent rights may lead to charges of wasting assets.

Create an IP strategy

Developing a robust international IP strategy is a safeguard against unwanted litigation attention. Possession of a strong international portfolio of patents can be an effective deterrent to litigation, as well as a useful bargaining chip in a cross-licensing situation. However, companies must be judicious in how they allocate resources. Filing and maintaining patents on all technical innovations in all countries is prohibitively expensive and impractical.

A comprehensive approach to developing a robust IP strategy begins with an audit of a company's existing portfolio and practices and explores how these relate to the markets in which the company's products are made and sold. Most companies already have significant intellectual property, although it is often not strategically

procured or managed. An effective audit will identify and categorise the existing intellectual property and highlight deficient areas of the portfolio in light of the competitive marketplace. There are three principal goals of a robust IP strategy:

- protect the company's research and development investments in its home country and abroad;
- deprive competitors of useful design-around options to products; and
- build an IP war chest to ward off suits by others and generate licensing revenues.

An IP audit can be performed in many ways. One method is to separate the intellectual property into two clusters: general technology and the company's products. Often a company owns intellectual property that does not relate to its current or planned products as a result of terminated product areas or through acquisition. Nonetheless, such intellectual property can be invaluable in generating licensing revenue, defensive positioning or enhancing the company as a takeover target. By separating the intellectual property into different general technological categories, a sense of organisation and structure is obtained that will be used in determining how best to exploit existing intellectual property. The audit also needs to identify the countries in which patent protection has been obtained and correlate this patent protection with the products being manufactured or sold in these foreign countries. This process will identify gaps in patent protection that may exist on a global basis.

The most obvious patenting strategy is to ensure the company's existing product lines are covered by enforceable patents or securely protected by trade secrets. Without such protection, a company may find itself unable to protect its own technology from being copied. The process of categorising the existing

intellectual property and associating it with the company product lines identifies the level of protection for each product line. This exercise may also suggest technical areas and geographic regions in which the intellectual property should be bolstered.

Following the categorisation of the existing intellectual property, a sense of the market perception of the strength of the intellectual property should be determined. One method for achieving this objective is patent mapping. Patent-mapping tools measure the extent to which a patented invention is considered revolutionary or core to a particular field.

For those patents that are considered particularly important, a review of the history of the patent file at the patent office is recommended. This is necessary to determine the claim scope and may also uncover latent problems that could affect the enforceability of the patent, including inventorship, inequitable conduct, ownership and other issues. Remedial measures, such as corrections to the patent, are best handled at this stage rather than during licensing negotiations or litigation.

Any comprehensive audit of the scope of a company's IP position must also take into consideration the foreign protection that has been obtained. As IP exclusivity rights are generally limited to the country in which they are granted, the review of the portfolio needs to consider whether adequate protection has been sought or obtained in those countries that are important markets or where competitive manufacturers are located.

Foreign filing decisions

An interesting aspect of portfolio management relates to foreign filing decisions – in particular, which foreign countries to select when protecting an invention. This decision ought to be driven primarily by the business model and company structure, taking into account the markets generating current and future revenue. Cost-benefit techniques have been used to assess the portion of total market represented by individual countries. From such techniques, it is clear that desirable countries depend on the industry sector, the product itself and its typical user profile. It is no surprise that the list of most desirable countries evolves over time.

In addition to consideration of the marketplace, foreign filing strategies may consider countries selected for manufacture of the product and competitive products, as well as key transit countries in shipping routes. To this end, foreign filing programmes increasingly take account of border detention provisions which allow the seizure of items that allegedly infringe IP rights.

The sophistication levels of foreign filing programmes vary enormously among established companies, with the

more impressive establishing a measurement, control and decision-making infrastructure to complement business objectives, partnering strategies, planned deals, exits and key operational threats to the business.

The decision regarding which foreign countries in which to file and maintain protection is complicated by a number of factors including the time, cost and the level of enforceability that the various countries provide. The theory and practice of IP enforcement differ from one country to the next. In particular, the types of relief, reliability, fairness and enforceability of judgments will vary between countries. The decision to file patent applications in emerging territories, and thereby commit to costs for things such as filing and translation, must be weighed against the practicalities of enforcing granted patents in a country perhaps not historically known for respecting patent rights. Many companies are nonetheless filing applications in key emerging territories in consideration of the potential market for their products and local manufacturing prospects.

In circumstances where the size of an emerging market makes doing business attractive, risk can be mitigated by reliance on tightly worded contracts regarding registered IP rights. China is one example where the IP law and court system have been considerably improved over recent years, partly to accommodate concerns of foreign businesses wishing to operate there. India and Brazil are other examples of attractive markets which are gaining acceptance as regular filing territories. At present, a wave of IP disputes in the courts of several such countries are being carefully monitored and the results will assist companies in future decisions as to where to file for patents and other forms of registrable protection.

Subject-matter specific considerations can also have a bearing on where to file. For example, the protection available for biotechnology inventions, medical methods and drug forms varies from one geographic territory to another. So too does the propensity to certain illnesses. In fields such as software and computer-implemented inventions, the standards for patentability vary, from relatively lenient in the United States and Australia to more stringent in Europe and Japan. However, valuable protection remains available. Business methods are protectable in some territories but not in others, and professional advice should be sought on all such matters.

Once a company has determined the scope, content and strength of its existing intellectual property on a global basis, it is in the best position to determine how to enhance its IP positioning with respect to its competitors. Companies take different approaches to adding to their IP portfolio. Too many companies are reactive, taking no

action until an engineer prepares a patent disclosure on a design project and then filing a patent application for that invention. Such an approach may result in numerous disadvantages, including:

- loss of rights for failure to file timely after a sale or before disclosure of the product;
- loss of priority to the invention;
- narrow scope of claims focused only on the embodiment of the product; and
- failure to consider the competitive products.

Be proactive, not reactive

Forward-thinking companies are increasingly proactive in their approach to intellectual property. These companies act beyond merely patenting inventions that relate to a product about to be manufactured. Instead, they seek to stake out a commercially effective position with respect to their competitors – for example, by organised and strategic patent harvesting and procurement exercises. These help to protect against design-arounds and copycat products, and deprive competitors of less desirable alternatives to the patented inventions.

Brainstorming is frequently used to stake out broader and more commercially effective IP boundaries at a relatively low cost. Once rights are perfected in the property, they can be used in the competitive marketplace. Brainstorming can target individual products, patents, companies or technologies. For example, to enhance a company portfolio, a brainstorming session may be held that focuses on developing intellectual property in relation to one or more existing products or to future products. The goal is to leap ahead of the competition in staking out a claim to intellectual property related to company products. This helps to protect the company from encroachment on its own product lines by competitors' IP protection, or even by its own customers. For example, a company may be in the business of making sensors that are useful in feedback control in a number of industrial applications. In addition to obtaining patent protection on the sensor itself, brainstorming to focus on the different applications of the sensor will create intellectual property on the use of the sensor in various practical ways. If these applications are not pre-emptively protected by the company making the sensor, a customer may seek patent protection on the combination of the sensor with the application and actually preclude the company from selling sensors to the customer's competitors. This will severely circumscribe the company's market for its sensors.

To protect its own products, a company needs to perform focused brainstorming on the range of design alternatives and applications for its products, and not

simply rely on a single engineer to consider the design alternatives. For instance, a company may have a new, patentable medical device that is to be used with a disposable product. In addition to patenting the device itself, a company with a comprehensive approach to protection will seek patents on the use of the device with all foreseeable disposable products. This approach also has the salutary effect of increasing the potential damages base for any possible infringer.

Another effect created by brainstorming on a company's product lines is the fostering of ideas that will be incorporated in improved products, or at least deprive competitors of all possible, less desirable variations on the company's novel designs. Conversely, a company may seek to box in a competitor by patenting around the competitor's patents or product lines. This hampers the competitor from improving its products without paying heed to the IP rights obtained by the company. The company has thereby positioned itself for cross-licensing and entering into the product space occupied by its competitor.

When performed correctly, the brainstorming process can generate intellectual property at a relatively low cost compared to typical research and development expenses. The cost is that of a small group of engineers or scientists for a day. Once the ideas have been harvested in the brainstorming session, they are then filtered and patent protection is sought on the most promising.

By proactively enhancing its IP assets, a company takes control of its IP positioning with respect to the competition. This forms an integral part of the comprehensive approach to forming a robust IP portfolio.

Patent maintenance

The process of managing an international patent portfolio does not end with obtaining patent protection. The decision to continue prosecution of multi-territorial patent families over a number of years, and to maintain patents across the world, is one that must be made carefully so as not to waste money on unenforceable patents or patents on outdated technology, or abandon those patents that are still valuable assets in various contexts (eg, defensive, licensing revenue or blocking competition). A thorough review of patents when they come up for renewal to see how they fit into the overall global business plan of the company is recommended. It is not enough to do so only once (ie, during an IP audit), since conditions change. IP budget expenditure should be continually redirected to achieve an optimised return on IP investment. In practice, this is easier said than done in innovative companies with large and continually evolving portfolios. However, there is a plethora of

approaches and tools which can improve the efficiency and quality of such decisions.

The management of an international patent portfolio requires judicious use of enforcement of the patent assets owned by the company. Failure to enforce the patents may be considered a waste of the company's assets, and allows competition to gain a foothold in various markets around the world, potentially putting the company at a disadvantage with respect to its competitors. Enforcement management decisions must take into consideration:

- the varying scope of protection afforded to intellectual property in different countries;
- the competition in these markets; and
- how litigation in one country may affect or spark litigation in another country.

If a company does not have strong patent rights in a foreign country in which it is manufacturing or selling a product, it may put itself at risk by initiating a lawsuit against a competitor in its home country if that

competitor has patent rights in the foreign country. Therefore, a company needs to take a global view of a competitor's patent rights, as well as its own, when contemplating enforcement. Another critical consideration of any enforcement plan is providing for the financial and management resources required to achieve the desired objectives.

Conclusion

Protecting a company's investment in research and development and building up an IP war chest to dissuade others from suing the company must be undertaken in a broad and comprehensive fashion. Patent brainstorming can widen the geographical and intellectual boundaries of IP protection, and provide greater opportunities for cross-licensing agreements with competitors and protection against unfair copying. Developing a comprehensive patent management strategy is a cost-effective method of achieving worldwide protection for a company's product lines and ensuring freedom to operate in an increasingly global economy.

John is a partner in McDermott Will & Emery's IP, media and technology department, based in the San Diego office. He counsels on infringement and validity matters, and preparation and prosecution of patent applications.

John Hankins

Partner, San Diego
Tel +1 858 643 1423
Email jhankins@mwe.com
McDermott Will & Emery LLP
United States



Justin is head of IP prosecution in the London office of McDermott Will & Emery. He deals with IP matters covering procurement, exploitation and enforcement of IP rights, and in particular patents and designs.

Justin Hill

Director of IP Prosecution, London
Tel +44 20 7577 6943
Email juhill@europe.mwe.com
McDermott Will & Emery LLP
United Kingdom



McDermott Will & Emery

7 Bishopsgate, London, EC2N 3AR, United Kingdom

Tel: +44 20 7577 6900

Fax: +44 20 7577 6950

Web: www.mwe.com

Other offices: Boston, Brussels, Chicago, Dusseldorf, Los Angeles, Miami, Munich, New York, Orange County, Rome, San Diego, Silicon Valley, Washington DC