Tuesday, December 20, 2011

THE DAILY RECORD

WESTERN NEW YORK'S SOURCE FOR LAW, REAL ESTATE, FINANCE AND GENERAL INTELLIGENCE SINCE 1908

IP FRONTIERS

Develop a strategic IP portfolio management plan

The management of a company's intellectual property is all about two things: (1) guiding the work of the Research and Development staff and transforming any created inventions into valuable corporate assets; and (2) coordinating the work of the R&D staff with the business plans of the sales and marketing departments of the company.

Achieving efficient and comprehensive strategic portfolio management can only occur if the business and R&D sides communicate throughout the IP development and implementation stages. This strategic approach must span from the time an idea is conceived in the lab to when the product is released into the marketplace.

By JOHN W. BOGER
Daily Record Columnist

In order to manage a portfolio of intangible assets, the person in charge first needs to know what should be included in the collection. IP portfolios should include all four types of IP that are owned or licensed by the company. The inventory should include all patents (e.g., your products), trademarks (e.g., your company logo), copyrights (e.g., your company sales literature), and trade secrets.

When a company is developing a strategic management plan for its IP, it needs to ask and answer seven critical questions.

The first question is obvious: Who will be in charge? A company needs to be careful that they don't fall into the trap of only putting a technical person in charge. What results when this occurs is a portfolio too heavily weighted in flashy technology ideas that have little applicable use to the company. The appropriate person or persons should be cross-pollinated between the technology/science side and the business side. This person or persons must be provided with enough clout to also be able to implement and enforce the company IP-related procedures with no fear of retaliation.

The second question is: What is the IP worth? The answer can be complicated and very subjective. Typically, there are two types of evaluation: quantitative and qualitative. The quantitative evaluation provides an estimated monetary value for the IP, while a qualitative evaluation identifies the strengths and weaknesses of the IP. Several quantitative evaluation methods may be used.

The first is the cost method, which looks at the associated costs that would be necessary to develop the IP asset. Unfortunately, there is no direct correlation between the cost of the IP development and future revenue.

The second method is the market method, which values the IP by comparing the market price that has been received in a recent comparable transaction. This is a fairly straightforward process, but is only useful in active markets and when similar IP is exchanged.

The third method is called the income method and measures the potential revenue that can be derived from the IP. This process requires calculating the present value of the IP based exclusively on anticipated income. The drawback to the income method is the reliance on subjective market and consumer assumptions.

The third question is: What is the offensive and defensive strategy for the IP? Will it be used as a "sword" to generate revenue and block others or will it be used as a "shield" to mitigate litigation risk. The offensive strategy should focus on the company's philosophy on IP filings. This includes both for covering products that generate revenue, as well as filings that protect the profitable products by blocking design around attempts by the competition.

Blocking patents are also useful from a licensing standpoint to generate revenue. Just ask Kodak. The defensive strategy focuses on keeping the company from being sued. The best defensive practice is to retain the help of outside counsel to perform pre-emptive patent, trademark and copyright clearance searches before ever marking your new products, logos, etc., thereby avoiding possible third party infringement law suits.

The fourth question is: What is the "OUS", or "outside the United States," strategy for the IP? The answer will depend on where the company plans to make and sell its products: inside

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the U.S. or outside the US., as well as where your competition makes and sells its products.

Because IP protection is on a per country basis, if your company has plans to sell, use or make a product in a certain foreign country, then they will likely want to file for protection in that jurisdiction. The caveat is filing in countries outside of the United States can be extremely expensive, so a company must choose wisely where they plan on filing for patent and trademark protection and be prepared to enforce their rights once in place.

The fifth question focuses on what the company's short- and long-term plans are for product development. To efficiently manage the IP portfolio inventory, long range business plans must factor in how the IP portfolio value can be maximized while also protecting current and future product offerings. As products evolve over time, the contents of the portfolio will also need to evolve and be able to address the changes in technology, customer preferences, expiration of IP and competitor behavior (such as design around and reverse engineering activities).

The sixth question is: does the company own everything in the portfolio? This would seem to be an absolute yes, but surprisingly it is not always the case. Many companies are lax in enforcing procedures for ensuring patent applications assignments are required and that all employees when first hired have signed "work-made-for-hire" agreements. Whoever is charged with managing the portfolio must have strict rules in place that require all IP be assigned to the company no matter what.

The final and most important question is: Are the contents of the IP portfolio fully integrated with the business? Essentially, is the IP portfolio inventory being coordinated in conjunction with the execution of the company's business plan?

A company must always make the portfolio a chief element when the business plan is being developed and executed to ensure that profitable products (now and in the future) are protected and that all logos and names are registered and being properly used.

Once these seven critical questions have been answered, your company can then use the following five steps to strategically manage its IP portfolio, remembering that these are ongoing and require diligence and creativity.

The first step is finding out what IP is in your portfolio now. Included when making this assessment is identifying the protected technologies and determining the strengths and weaknesses of the coverage? Performing an IP audit is the best way to determine what you have.

The second step is to determine what your IP needs are for the portfolio. This gap analysis is done to determine what technology your company needs to beat its competitors. To accomplish this goal, all of your competition needs to be looked at closely. For example, finding out how many patents they have, what are the covered technology areas, what are their strengths and do these actually pose a threat to your products and technology?

The third step is to formulate a portfolio investment strategy. This means to identify what IP is needed to round out your existing portfolio. Taking such action does not just mean going out and buying certain patents or technology, but rather working with the R&D department to identify and build on existing strengths and strategize on how to cure weaknesses of the current portfolio.

This also includes identifying key inventors both inside and outside of the company. Other actions that are taken to correct portfolio weaknesses include actively entering into licenses and building cooperative alliances with non-competitors.

The fourth step can be used with the third step. This step is to divest unused non-core IP to generate licensing revenue and/or cross-licensing relationships. Remember, managing a portfolio is about building value and not about trying to accumulate as many IP assets as possible.

The last step for strategically managing a portfolio is to institute a system to monitor and maintain the IP inventory to ensure that it remains current and is being properly used. Putting in place a comprehensive system for making maintenance payments, filing renewals and tracking the expiration of the IP is key to keeping the existing IP portfolio current and mitigating any possible surprises.

Companies in today's highly competitive technological industries must progressively manage their IP portfolios to survive. Understanding the need to fully involve marketing/sales with R&D and proactively monitor the marketplace will go a long way in meeting the company goal of strategic management of its IP portfolio.

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