

# Patents are revenue drivers, create value for investors and serve as avenues of collaboration

Patents are usually thought of as a way of protecting a particular invention or product, erecting a virtual technological fence and providing a competitive advantage.

However, as best exemplified by large corporations with vast patent portfolios, such as IBM and Texas Instruments, this is not the only use for patents. Both companies have reportedly made billions of dollars from patent licensing.

Indeed, many companies are finding that patents can help improve their bottom line, either directly through licensing or sale of unused technology, or through indirect use of patents to achieve a goal.

For example, in a reversal of strategy, Microsoft has recently been aggressively seek-

ing to license its technology to achieve wider adoption.

At the request of the organizers of the Fifth Annual Albany Symposium on Global Nanotechnology, which took place Sept. 26-28, I organized and moderated a panel discussion on this very topic.

GE, IPinsights, a semiconductor industry consulting firm, and Sematech, a semiconductor industry consortium, were represented on the panel.

GE has historically limited the licensing of its patent portfolio. However, according to Jim Aloise, director of global licensing development at GE Licensing, GE has stepped up its efforts in licensing over the past few years.

GE distinguishes between core technologies and non-core technologies, including non-core applications of core technologies. Aside from specific situations and some licensing by the individual GE businesses, generally only the non-core technologies are licensed by GE Licensing.

GE Licensing identifies prospects and uses market intelligence, including evidence of patent infringement, as part of a strategy to sign up licensees.

GE has licensed non-core technologies like basic digital camera technologies and MPEG-2 video compression technology used in DVD players (GE is not in consumer electronics). GE is currently targeting its microelectronics pack-

aging patents for licensing applications other than health care and military.

IPinsights is a technical adviser to companies in the semiconductor industry. It assisted Texas Instruments, for example, in developing its highly successful licensing program.

Mike McLean, vice president of IPinsights, took the view that legitimacy for a licensing effort requires a minimum of about 50 patents. The phrase "license a portfolio, litigate a patent" was used. The message seemed to be that only large companies can play the licensing game.

While a larger patent portfolio does lend legitimacy and negotiating clout, and garner respect, quality (versus quantity) of patents matters as well.

For example, a smaller company with a broad core patent in a technology area can still license. The core patent must, however, be as close to bulletproof as possible. Indeed, patent licensor Jerome Lemelson and others have successfully licensed single patents to entire industries.

Licensing prospects increase with additional patents surrounding the core patent. For example, patents directed to applications of the core technology can create a niche that may interest multiple players.

As another example, improvements to the core technology should be sought to reduce the risk of others doing the same.

Another way that patents can be used to achieve a goal is through collaboration. Patents can be licensed to a joint research effort to solve problems that may be bigger than one company alone can realistically ad-

dress.

Another aspect is membership in a research consortium to address industry-wide problems, such as that facing the semiconductor industry.

Sematech is a consortium of semiconductor producers including IBM, Texas Instruments, Samsung and many others.

Sematech conducts and sponsors research and development of advanced technology for nanoelectronics.

International Sematech is a part of Sematech focusing on fab operations, productivity and industry modeling. There are two divisions of International Sematech, one located in Austin and the other at Albany Nanotech.

In the case of consortiums like Sematech, direct revenue is not the underlying goal, but by solving problems affecting all the member companies, the members are able to continue in their businesses at a commercial advantage to non-members, as well as to innovate beyond the solution.

Thus, patents have more uses than just excluding others. Patents can also generate revenue through licensing or sale, as well as serve as a defensive shield for patent infringement, create value for investors, serve as tools to obtain needed technology through cross-licensing, and provide avenues for collaboration to solve common problems in a given industry.

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