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Patent Connections – New Year's Patent Resolutions: Bulk Up Or Trim The Fat? A Humble Suggestion Is To Try Both

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Happy New Year, my friends! After four straight columns about patent litigation, it's time to switch gears and discuss a topic that is neglected far too often: long term IP planning. As the previous columns have discussed, owning patents as part of an overall business strategy can provide a source of revenue and protection from competition. *** *Bear with me. This is not going to be (yet another) mindless blog about how you can protect your products by filing patents. The kind of protection I'm talking about is more like leveling the playing field against a larger competitor. Like I said, bear with me*. ***

As usual, a little background is warranted. Long term IP planning is something that too often goes neglected at most companies. Sure, you may give your IP department a prosecution budget each year, which they use to pay for new patent applications, and ongoing prosecution costs (responding to office actions, filing appeals etc). Of course, as I mentioned in my last column, this strategy could just end up getting your company an arsenal consisting mainly of hundreds of low quality patents, reminiscent of Steve Buscemi's memorable line in Armageddon: "You know we're sitting on four million pounds of fuel, one nuclear weapon and a thing that has 270,000 moving parts built by the lowest bidder. Makes you feel good, doesn't it?" If you're footing the bill for your company's patent expenses, you should expect more than an invitation for a ride on the yacht you helped your patent attorney buy.

Perhaps the most puzzling patent-related expense that goes missing from many long-term IP strategies is the payment of maintenance fees. By way of quick background, maintenance fees come due every 3 ½, 7 ½, and 11 ½ years from the date the patent issues. You can't pay them all in advance. Instead, you have a one-year window, which opens after 3, 7 and 11 years (respectively), and closes after 4, 8, and 12 years. The midway point is *technically* the date the payment is due. If you decide to pay after that date, you'll owe an additional surcharge. For companies that do no long term planning, maintenance fees are paid (or not) on an ad hoc basis. When the fees become payable (or worse yet, when the fees become due or past due), companies without a strategy make snap decisions about whether to keep one patent, or abandon another. Of course, throughout the course of a year, and especially a 5 year period, your tolerance for expenses and beliefs about a product/ technology can vary greatly. This is no way to make decisions, especially when the payment windows and due dates are fixed in place as of the instant the patent issued. At any given moment, knowing which patents you own, it's remarkably easy to find out how much you would owe in fees (assuming you kept all of your patents) over the next fiscal year, or, perhaps, a five year period. Advanced planning gives you the opportunity to prioritize patents that are important to your business and gives you time to figure out what to do with ones you feel you can let go.

Less puzzling, but equally missing from most IP strategies is a patent acquisition budget. Rather than simply filing dozens of patent applications that will sit for two or three years before examination, and possibly two or three more before finally issuing, very few companies even consider the prospect of acquiring patents in the transactional marketplace that can help support their overall business strategy. Joff Wild, editor of Intellectual Asset Management, listed a number of facts and figures about the IP marketplace in the United States, including the revelation that a single company spent $115 M USD in 2009 to acquire 1,000 patents. Joff's source estimates the overall size of the IP marketplace in the US as approximately $84.4 B USD. There are a number of assumptions that went into selecting this number, but a sizable number of opportunities remain for entities looking to the transactional marketplace for IP acquisition. Whether looking for leverage in patent litigation (like Facebook, Groupon and possibly Google), or looking to strategically hamstring a competitor (like a consortium including Apple, Microsoft, Oracle and EMC), large companies are already looking at the transactional marketplace for opportunities.

"But I compete in a niche market, and fundamental patents aren't available," you might be thinking. Doesn't matter. A patent strategy focused on product protection is too narrow to provide any truly useful protection. Your goal in acquisition should be to protect your *business interests*as a whole. Consider EMC (part of the consortium mentioned above) and Google as an example. Google's platform may be seen as a threat to EMC's cloud computing business. Should it matter to EMC whether a patent enforcement strategy results in royalties paid on products similar to EMC's? Or would they be just has happy collecting royalties on, for example, search advertising technology?

By identifying your competitor's vulnerabilities, and bulking up in that area, while leaning down your prosecution efforts, you'll wield a bigger stick and likely get more value out of your IP budget. Ask yourself, will that third CIP on an even narrower implementation of your core product really add more value than an early patent exploiting your competitor's own IP weaknesses? Overall, the point is not so much to let this (or any website) dictate your patent strategy. But you should have a strategy. Talk to your chief IP counsel, and learn what you're spending your money on, and why. If the answers you get are nothing more than *we're filing patents around our key products to protect them from competitors*, then put your lawyers to the test. Find out how much protection those patents will yield. Are they broad enough to keep competitors at bay? Or are they narrow implementations in an already crowded field, where simple design alternatives will erode your customer base while incurring no liability? Bottom line, spend your money wisely.