Tips For Reassessing Company Patent Strategies

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Carey Jordan and Jeremy Harrison, partners in the Vorys Houston office, authored an article for *IP Law360* titled "Tips For Reassessing Company Patent Strategies." The full text of the article is included below with permission from *Law360*.

Tips For Reassessing Company Patent Strategies

Over the past 25 years, technology has advanced at a breakneck, disruptive pace. Since 1990, we have seen the introduction of digital cameras, smartphones, drones, the internet of things, gene editing through clustered regularly interspaced short palindromic repeats, portable defibrillators and digital books, just to name a few. It was only 10 short years ago in 2007 that Apple introduced the iPhone with its touchscreen technology that now invades nearly every personal electronic device. This disruptive technological growth trend is not expected to slow in the coming decades.[1]

These technology disruptions have corresponded with a commensurate unprecedented number of global patent filings, which have steadily increased since 1990. In 2016, for example, more than 3.1 million patent applications were filed worldwide across more than 160 patent offices, an increase over 2015 filings by 8.3 percent.[2] This pattern of technology encroachment followed by increased patenting should continue to going forward.[3] Although aggressively protecting technological advancements with patents has historically been a pharmaceutical and high-technology phenomenon, the accelerating pace of technological developments has pushed the need to patent into all sectors to guard against irrelevance in this disruptive age. Thus, companies and their business leaders must reassess their patenting strategies. It is imperative that effective and cost-efficient patenting strategy and management is a core business concern. Failure to shift corporate thinking has caused many well-established companies to be blindsided by technological developments that oust them from their market leadership positions.[4]

Patent Budget Pressures

In the midst of these remarkable technological advances and the imperative to patent, we are simultaneously enduring one of the most tumultuous global economies seen in several decades. The housing and financial markets have crashed, and the price of oil precipitously declined with no definitive signs that it will recover to previous levels in the near future. Practically all industries have been adversely affected one way or another, which has required companies to take a closer look at how it spends money, and either make processes more efficient or initiate cost-saving cuts where appropriate.

Patents are especially subject to budget pressures because they are not tangible corporate assets and they are the most expensive intellectual property to acquire and maintain, especially for global companies filing patent applications globally. This costly nature is often amplified by internal and external counsel who fail to make the connection between patenting strategy and corporate objectives, causing the corporate perception of patents to be a cost center rather than a profit center, the proverbial bee in the chief financial officer's bonnet. The perception means patents are not considered corporate assets, but rather necessary costs subject to continued cuts in successive budget cycles. Consequently, in the face of scathing budget cuts, in-house patent counsel, C-level executives, technology managers, and other IP managers are being asked to protect innovations on a global basis, while simultaneously facing budget cuts that make their job difficult at best, and impossible at worst.

The Common, But Wrong, Response

Oftentimes, companies take a hatchet to their patent budget without considering the deleterious effect on the resulting patent assets. Companies must employ a scalpel, and not a hatchet, when searching for cost savings. Decisions regarding cost reductions should not undermine the value of acquiring patents to build a robust arsenal to leverage. "Scalpel" solutions are narrowly tailored and effective, which can increase the efficiencies in their patent procurement and management processes.

Mitigating patent expenses through piecemeal efforts such as reducing the number of applications filed, outsourcing patent drafting to non-U.S. providers,[5] or the fees accepted per application are examples of hatchet-type reductions that can hamper the value of the resulting patent arsenal because of they often result in inferior asset quality. Similarly, forgoing non-U.S. filings for otherwise valuable innovations poses significant risks, especially if a competitor has holdings in this area because it is harder to get to the negotiating table if you have nothing to offer. In such a scenario, the company may find itself excluded from that market. Further, many companies try to save money by retaining third-party legal processing vendors who have little or no substantive accountability for the matters further jeopardizing the potential asset value of the resulting patents.

Furthermore, this myopic focus disregards the more weighty elements that contribute to patent spend; foreign patent office fees, foreign counsel fees, and translation vendors and other costs. Successful companies will embrace patents as corporate assets and approach patent management in a different way. Companies that fail to adapt to the new norm will miss opportunities for innovation and will struggle to compete.

A Smarter Way to Patent

A successful patenting strategy should be a company core competency. Patent and corporate strategies should align and mutually reinforce and support each other. Companies must embrace and utilize data-based objective analysis to align business goals with filing strategies and portfolio management decisions to optimize the value of the patents procured while at the same time minimizing the costs involved. Companies should integrate strategic business goal alignment algorithms, comprehensive competitor analytics, and patent strength analytics to build a successful patenting strategy. Combining these techniques with pragmatic, predictable prosecution costs can ensure companies are not sinking more money into sunk costs rather than building patent assets.

A successful patent strategy in today's disruptive age should protect market potential and growth of the technology, including current and future research and development, product pipelines and commercial efforts. Second, the strategy should be based on strategic filing, examination and maintenance strategies that capitalize on early indicators of patentability, jurisdictional realities, and company objectives. Third, this strategy should address how patent assets can be leveraged through collaborations, external innovation, corporate opportunities, product exclusivity, and other monetization methods. Fourth, a successful patenting strategy also should elevate the innovative culture of the company and the reputation of the company in the industry. Fifth, a successful patenting strategy should create blocks where competitors are working. Lastly, a successful patenting strategy should include strategically abandoning patents when business activities are no longer aligned with jurisdictional realities.[6] This ensures the resulting patent arsenal can be leveraged as assets of the company.

Successful companies will embrace the ongoing innovation paradigm shift by thinking smarter to continue to build corporate patent arsenals that can be leveraged as assets to drive innovation, collaboration and monetization opportunities. Doing so may transform company patent departments into corporate asset centers providing corporate benefits through leverage. By approaching patenting in a smarter way, it is possible to lower costs of managing patent portfolios while simultaneously strengthening a company's patent position in the marketplace. However, it's not possible by using the same approaches and processes that are likely decades old.

[1] Jayson DeMers, 7 Technology Trends That Will Dominate 2017, Forbes, Nov. 16, 2016, https://www.forbes.com/sites/jaysondemers/2016/11/16/7-technology-trends-that-will-dominate-2017/#6dd6a2ab4a51; and MIT Technology Review, 10 Breakthrough Technologies 2017, https://www.technologyreview.com/lists/technologies/2017/.

[2] World Intellectual Property Indicators available from World Intellectual Property Organization 2017, www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2017.pdf. This 3.1 million number does not include utility or plant patent applications.

[3] CFO Insights: Reassessing IP Strategies in a Disruptive Age, Deloitte, 2014.

[4] Georgetown Law, 2016 Report on the State of the Legal Market, Jan. 7, 2016 at 1.

[5] Some companies mitigate patent expenses by outsourcing original patent application drafting tasks to foreign countries. However, unless proper clearances are obtained, this strategy may violate U.S. Export

Administration Regulations that prohibit sending information relating to technology overseas without a license.

[6] CFO Insights: Reassessing IP Strategies in a Disruptive Age, Deloitte, 2014.