

5 Ways To Ramp Up Your Patent Portfolio

By Erin Coe

Law360, San Diego (January 27, 2012, 2:43 PM ET) -- With technology giants expected to jostle for bankrupt Eastman Kodak Co.'s enviable collection of patents, attorneys say building a strong patent portfolio is not only critical for companies wanting to protect their innovations and set themselves apart from rivals, it gives them more leverage in litigation.

Kodak is expected to sell off at least a portion of its massive patent portfolio after filing for Chapter 11 earlier this month in a New York bankruptcy court. While it remains unclear just how large Kodak's portfolio is, the company in November revealed that it had decided to put up for sale about 1,100 digital imaging patents, which accounted for about 10 percent of its entire portfolio and were valued at up to \$2.6 billion.

"By some reports, Kodak's portfolio is potentially expected to draw more money than the Nortel portfolio," Marc Fineman, an intellectual property partner of Levenfeld Pearlstein LLC said.

The portfolio of bankrupt Nortel Networks Inc., containing more than 6,000 patents and patent applications, was purchased in July by Apple Inc., Microsoft Corp. and others for \$4.5 billion. The highly sought after patent cache of the Canadian telecom gave the winning bidders a powerful asset in the mobile computing market, attorneys said at the time.

That acquisition was followed a month later by Google Inc.'s move to acquire Motorola Mobility Holdings Inc. and its portfolio of 17,000 patents for \$12.5 billion. The purchase was aimed in part at staking a claim in the mobile technology space, but also to bolster Google's position in lawsuits over its Android operating system, said Fineman.

"Google has set its sights on enforcing its Android system against Apple and other players out there, but the acquisition is a defensive move as well," he said. "If Apple enforces its iOS system against it, Google wants patents in its portfolio to leverage against Apple so that it has some ammunition to negotiate a settlement."

As patent acquisitions and sales become a crucial part of conducting business in the 21st century, both large and small companies have a number of tools at their disposal to strengthen their portfolios.

"Patent portfolios have significant value and are worth protecting," Fineman said. "If companies properly budget and put appropriate procedures in place, they don't have to be Apple or Microsoft to do this."

Here are five ways intellectual property lawyers say companies can reinforce their patent portfolio.

Study What Your Competitors are Doing

Companies should closely follow the innovations by their rivals, customers and other parties in an attempt to obtain patents that are useful to those entities or disruptive to them, according to Travis Thomas, a Baker Botts LLP partner who represents semiconductor and computer companies.

“For a patent to have value, it must be directed to what other entities are doing,” he said. “A patent on a valuable technology gives you a legal right to prevent others from using it, and if the patent is disruptive to them, they may have to come to you to use the invention.”

Companies may also stockpile patents for defensive purposes. They may not be looking to sue and extract revenue, but are maintaining key patents in case competitors come after them, according to Thomas.

“Sometimes you need to patent in areas that are outside the confines of products and services that you make and sell to cover more directly what your potential threats make and sell,” he said.

A business should conduct a patent search in certain subject matter areas that are relevant to it or to its competitors and customers in order to see what patents have issued over the last five years and who holds those patents, Thomas said. It can then determine critical technology areas that have a lot of room for filing patent applications and create IP in that space, he said.

“When you have the opportunity to get much broader patents that cover more products and services, they can be more valuable,” he said.

Firms that only patent incremental improvements on their current products and services are selling themselves short because they can end up with a patent portfolio that is made up of less forward-looking technology, Thomas said.

“Companies need to look beyond their products and services to see what else they can try to patent so that their portfolios are balanced with patents they know are valuable and with more prospective patents,” he said. “But forecasting what the market is going to look like in five or 10 years can be difficult, so when companies file these patent applications, they need to spread their bets, just like if they were playing roulette.”

While developing patents in a space beyond a company’s expertise can take time, a company can jumpstart its portfolio by acquiring patents and pending applications from third parties. When Apple, Microsoft, Research in Motion Ltd. and others bought the patent portfolio from bankrupt telecom Nortel, they did so to protect themselves and to be able barter more effectively, said Cono Carrano, a partner of Akin Gump Strauss Hauer & Feld LLP.

“If a company has currency to exchange, it can sometimes settle litigation and cross-license technology,” Carrano said. “But if a company doesn’t have a meaningful portfolio and gets sued, it doesn’t have much to do but defend itself, and that’s not an advantageous position to be in.”

Review Your Portfolio Often

Instead of acquiring patents and using them in a limited fashion, companies need to look at their portfolio as a form of business currency and consider how to use it more dynamically, said Carrano.

“Companies that are simply acquiring patents might as well be putting currency in a shoebox under their bed,” he said. “It takes effort to decide what patents to use, what to keep and what to divest.”

By taking a more active role in managing its portfolio and re-evaluating its patent strategy on a frequent basis, a company can get on the same page as its business units and stay focused on how to help the company as a whole, Carrano said.

While the pharmaceutical industry tends to use its portfolios in a more traditional way to exclude competitors, consumer product and electronics firms are constantly reviewing the patents they have, that they need to develop or acquire, and that they need to license or sell, he said.

“Because the marketplace is moving pretty fast, planning needs to be done more regularly,” he said. “Companies should spend more time on evaluating what they do have and where they need to go.”

Companies also should examine their pending patent applications to make sure they are still aligned with technology as it evolves, according to Fineman.

“Technology is fluid and sometimes over the course of a patent application examination, which can take two to five years, technology changes, and those changes are not always captured in the original application,” he said.

If firms keep track of improvements in technology, they can consider filing new patent applications that claim priority to the original patent filing and strengthen their portfolio by keeping patent filings up to date with product and technology development, he said.

In the pharmaceutical industry, companies can use information they gather from clinical trials, such as whether certain patient populations are treatable by a drug, to file new patent applications and extend the term of the patents that cover their drug, according to Maria Laccotripe Zacharakis, a McCarter & English LLP partner.

“Reassessing a patent estate as a company product proceeds through a clinical trial can be an effective patent strategy,” she said. “It is one way to protect a drug from generic competition.”

Encourage New Inventions, In-house

Companies want more patents on inventions that are going to be most useful for their business goals or the legal issues they are facing, and sometimes they have to look no further than their own employees.

While most companies encourage their engineers and developers to submit invention disclosures for potential patent applications, companies should take a more creative and proactive approach by using patent mining and brainstorming tactics, said Thomas.

Businesses can dig for patent application ideas by looking at new products their engineering and development teams are already working on and determining whether to patent any innovations that distinguish themselves from what else is on the market, he said.

“Lots of companies don’t have enough in-house attorneys to keep track of what their engineers and developers are working on, but it’s low-hanging fruit,” Thomas said. “Companies are already putting resources toward developing innovations, which are most likely valuable, and that’s important from a patent standpoint.”

Companies can also work with employee teams to kick around ideas that may be outside the scope of what they are doing on a daily basis, he said.

“Maybe an employee read something in The New York Times or sees the market going a certain way,” Thomas said. “Capture those ideas on a whiteboard and put order to the chaos. Try to organize by nailing down abstract ideas in a concrete way.”

Some of these ideas may end up having legs that could be important for expanding business development and protecting the company against threats, he said.

Take Advantage of the USPTO

When a company discovers an error or additional prior art after a patent issues from the U.S. Patent and Trademark Office, it can make use of the agency’s ex parte re-examination and reissue proceedings to try to fix any problems, and later this year, it will also be able to avail itself of supplemental examinations, which were introduced as part of the patent reform law.

These procedures are important because they allow for a company to take steps to strengthen issued patents prior to enforcing them against competitors and potential infringers, according to Fineman.

“These tools are a preemptive way to address issues in advance of enforcement,” he said. “They can help reinforce the validity of a patent before a defendant has a chance to challenge it.”

In September, companies will be able to ask for a supplemental exam, which lets them submit a broader array of information relevant to the patent, including prior art products, and the USPTO will only call for an ex parte re-exam if it raises a substantial new question of patentability.

Although the initiation of a supplemental exam could lead to an ex parte re-exam that narrows or rejects the claims of a patent, if a company planned on enforcing the patent, the issues would likely come up in litigation anyway, according to Laccotripe Zacharakis.

“It’s better to deal with any problems at the USPTO than try to enforce the patent in litigation and incur costs associated with that only to have the other side raise the issue and invalidate the patent in the court system,” she said.

The supplemental exam could also come in handy if questions arise over a patent’s validity while a company is trying to license its patents or raise revenue from investors, she said.

“If investors or potential collaborators raise concerns of weaknesses during due diligence, a company can address those concerns by initiating a supplemental exam,” Laccotripe Zacharakis said.

Stay On Top of Filings Abroad

For companies that have portfolios with patent filings in foreign countries, they would be wise to make sure that all prior art references for a pending patent application are disclosed to the various patent offices, according to Fineman.

“It’s important to make sure that all prior art that is uncovered by one patent office is shared with the other offices,” he said. “In the U.S., there is an obligation on the applicant and the attorneys to make sure all prior art that is known is disclosed, and while some offices don’t have a formal requirement, it’s a good practice to disclose it so that all patent offices have the benefit of looking at the same universe of prior art.”

A company may have prosecution proceedings taking place in 25 different countries around the world, with each one happening independent of the others, he said. Because patent agencies may not always be exchanging information with each other, applicants need to stay on top of sharing any prior art or risk a patent application rejection for failing to do so, according to Fineman.

“I don’t think companies always pay enough attention to this issue, and they might want to consider improving in this area,” he said.

Pharmaceutical companies that are seeking to keep generic-drug makers at bay, should consider filing patents in foreign jurisdictions where generics makers remain active, such as China, India, Israel and Russia, according to Laccotripe Zacharakis.

“If you have a patent in the U.S., but a generics company manufactures a product infringing your patented method in India or Israel, you may be able to stop it from importing the product into the U.S., but you can’t file direct infringement claims in that jurisdiction,” she said. “If you file a patent in that jurisdiction, you also have a way to directly manage your claims.”

--Editing by John Quinn.

All Content © 2003-2012, Portfolio Media, Inc.