Seven Ways to Control the Cost and Quality of Your Patent Docket

In order to be a credible competitor in today's marketplace, companies must develop and manage their intellectual property (IP) assets wisely. Management of such programs, however, can be quickly reduced to random project and cost cutting when there is an unexpected budget overrun or a revenue shortfall. The following information may help you better manage your patent portfolio and budget, with improved prospects for a greater return on investment.

There are two principal components to the IP management task: building a valuable IP asset portfolio, and second, exploiting these assets for maximum benefit. The former is a capital investment; the later provides the return on investment, whether directly or indirectly. Although trademarks, copyrights, and trade secrets can also be vital assets to a company, this discussion is directed to patents.

Many companies fail to strategize, organize and budget adequately for the development of a useful patent portfolio, tending instead to treat any "invention" that by happenstance becomes visible to management as a simple yes or no decision to commit to the cost of preparing and filing a patent application.

Like all capital investment, the choice to pursue patent protection is fundamentally a business decision, and must be made in light of the cost, risk, and expected benefit. The initial expenses associated with the filing of a U.S. patent application are not trivial. The costs for handling invention disclosures, screening searches, preparation and filing of the patent application varies widely with the subject matter and the circumstances, and may easily be in excess of $10,000 to $20,000 in complex cases. The most obvious risk, of course, is that the application will be rejected beyond repair by the patent office. Add in the cost of the examination process, the issue fee and the maintenance fees over the life of the U.S. patent, and it may be as much again as the initial cost to prepare and file the application.

When one adds the further cost of obtaining patent protection in non-U.S. markets, the total cost may be many times higher. Thus, even for a single invention, the total cost of obtaining patent protection in the markets of interest can be substantial. Note that this substantial cost does not even consider the cost of handling license agreements, due diligence efforts, infringement reviews, and other possible activities associated with exploiting the asset.

Now add to the cost of obtaining, maintaining and exploiting a single patent, the administrative burden of constantly comparing the relative value and contribution to the strategic plan of multiple inventions, pending applications, and issued patents, in order to insure a continuity of purpose, uniformity of patent coverage in the areas of interest, coordinated exploitation of the docket, and a culling of cases having no further commercial or defensive value. It is axiomatic that as number of cases increases, the burden and cost of portfolio management go up exponentially. However, in many cases, managing the IP docket is no less significant to meeting the company's performance goals than managing the ongoing business operation itself. Clearly, there is ample justification for putting in place an adequate administrative scheme, with sufficient staffing and budget, to identify, organize, cross-reference, evaluate and re-evaluate new inventions, pending applications and issued patents for maximum benefit.

To this end, here are seven tips to help manage a company's IP program. The order in which they are presented is not critical, the benefit being in the overall effect.

First, top management should articulate a clear, long term strategic plan and business objectives with regard to intellectual property assets and the company's technologies in the context of the overall business plan. A company may pursue the development of a patent portfolio in furtherance of a variety of strategic and tactical business objectives: a defensive tactic, an offensive tactic, a credibility factor, a salable asset portfolio, and a licensing and revenue generator. IP managers must be cognizant of the company objectives and how its intellectual property resources can be deployed to optimize results. It follows that the development and periodic refinement of the company's IP strategy and budget would benefit from some degree of review and input by the company's patent counsel, who is then in a position to provide cogent advice and conforming services to meet the company's objectives.

Second, the company's IP manager should be knowledgeable about the company's competitors, its field of technology and inventive potential, and the ways in which its IP assets can be leveraged to support the company's strategic objectives. This person needs the authority to authorize tasks routine to the invention evaluation, patent prosecution and licensing process without bureaucratic delays. This person should communicate readily with top management to convey on a continuing basis a timely and accurate presentation of the status of the patent assets, and to receive such instructions as will facilitate coordination with patent and corporate counsel for legal services. This role will likely include significant budget responsibility and extensive record keeping, and will require staff support for companies with larger patent dockets.

Third, the IP manager must be intimately and frequently involved with patent counsel in evaluations of new invention disclosures, pending applications, issued patents, and licenses, as well as in regular discussions of the company's changing objectives and what legal options are available for further exploiting its IP assets. This is a two-way conduit, attorney/client privileged, through which business information and legal advice are regularly exchanged. It ranges from case specific to whole technology areas, to the company's broadest IP-related objectives and issues. Top management should sit in, occasionally, to see, hear, brief and question its patent counsel on basic assumptions and specific issues. It may require tasking patent counsel to do additional research and preparation, in order to address management's full range of interest.

Fourth, the IP manager must conduct effective internal procedures to encourage and evaluate new invention disclosures. An incentive program for inventors may be appropriate. There should be an internal review process for evaluating technical merit, relevance to company objectives, relationship to the existing portfolio, and commercial viability, prior to submission of the disclosure to patent counsel for legal review and a final decision on filing.

A plan and budget for starting new patent applications with patent counsel should have some flexibility, as the timing of useful innovations is generally difficult to predict. The initial costing of each application should be undertaken with an understanding of the typical total cost and timeline for obtaining a patent, and a calculated assumption about the benefit of guarding the patent option with an initial filing and making a later decision about whether and how many such applications will be cancelled at some point early in the process. Invention disclosures not filed for patent protection and retained as trade secrets should also be documented.

Fifth, the company should conduct periodic management reviews of its IP program, quarterly or at least semi-annually, for meeting performance objectives. Patent counsel should be involved in the review with respect to its performance and insights. Effective execution of this simple, periodic event will insure that case and docket management, and the related information exchange is occurring regularly and efficiently, and that the company and the law firm are doing the right things in concert, at the right time, to advance the company's objectives.

As part of the review process, there needs to be a periodic case-by-case review between the IP manager and patent counsel as against a checklist of relevant criteria, to justify the continued support of each case. Consultation with and instructions to patent counsel can be updated at that time. This periodic evaluation and related attorney/client exchange is critical to the efficient development and management awareness of a valuable patent portfolio. The value of an invention or application can change significantly, up or down; over the course of the two to six years it takes to obtain patent protection in the markets of interest. If a recent evaluation makes it clear that an earlier application or issued patent no longer has sufficient value to the company, or has become untenable to advance through the examination process, it may be time to sell, license or abandon it.

These regular evaluations of the portfolio, and of specific applications, patents, and licenses at key milestone dates, provide a robust mechanism to contain expenditures to only those cases likely to contribute to the company's objectives. Furthermore, through these reviews, management will be more fully aware of its assets and IP priorities, and can with greater confidence make related decisions when appropriate.

Sixth, periodic reviews with patent counsel should include patent budget discussions, occasional invoice reviews, cost estimates and updates, and performance reviews of outside law firm work. Cost should never be the sole criteria for evaluating the performance of a law firm or attorney, but ultimately performance must be both legally adequate and cost effective. The company needs to understand the law firm or legal department's operational and professional limitations and business perspective in order to effectively manage it. This is critical to avoid being surprised or disappointed by the cost and/or result of the legal services. Time allocated for these discussions will likely provide an immense benefit, in terms of good relations with outside law firms, fewer surprises, better cost control, and better IP portfolio yield.

Seventh, the company should be discriminating in the selection of an outside patent law firm. It will likely be a long term relationship. The IP manager should research and interview both large and small patent firms. Ask about possible conflicts of interest with other clients the firm handles. Have your management participate at least in an introduction with a representative from each firm. Pick a firm that has capabilities consistent with your needs. Pick a style that is compatible with your company style. Preparing, filing and prosecuting patent applications are a specialty. Patent litigation is a different specialty. Licensing is a specialty. Some firms do one thing well, some do all of it. There are advantages and disadvantages both ways. Whether and why you need one or all of these capabilities in one firm is a good question to ask during the interview.

Don't stop there. Ask about the candidate law firm's usual mode of client interaction and approach to the work. Ask to see some issued patents. Ask about rates and typical costs for U.S. filings, and PCT filings. Ask for client references. Ask about billing practices. Ask about the credentials of the attorney that will work on your cases. Can you be assured of having the same lead attorney stay with your portfolio, so that you don't need to educate subsequent attorneys about the technology or your business? Will the attorney be available for interactive contact with the inventors and with management when requested? Ask about the firm's relationships with foreign associates to facilitate patent protection in foreign countries.

If your docket is large enough, you might consider using more than one patent law firm. This may work well if you can divide or bundle the technology in a logical way so that one firm handles one technology area. This also gives you a basis for comparison as between firms, but don't jump to conclusions prematurely. Each firm and each case is different; sometimes it takes a while to appreciate the benefit, wisdom or ultimate success of a particular act, recommendation, or style of practice. If you do decide to change firms downstream, expect an associated direct cost in time and expense for moving the files and re-establishing the docket in another office, and a larger indirect cost in having to develop a new relationship and educate a new firm on the specifics of your business objectives, technology and IP portfolio.

You will find something in these seven tips to stimulate discussion within your company. Intellectual property is the business of the future, but it takes a deliberate and dedicated management effort, expert legal help, and a realistic budget, to develop and exploit a valuable IP portfolio. Good luck!