GETTING THE MOST FROM YOUR IP BUDGET:
STRATEGIES FOR IP PORTFOLIO MANAGEMENT AND LITIGATION AVOIDANCE

Strategies for minimizing IP costs without compromising the company's IP position or the technology's value

- **General rule:** The more involved a company is with the preparation and prosecution of their patent applications, the better the quality of the end product and the cost-effectiveness of the process.
- **Strong recommendation:** Assign at least one employee the responsibility of managing the IP and responding to the requests of outside counsel (*e.g.,* getting documents signed promptly, getting comments on drafts). Facilitating and expediting IP prosecution leads to lower costs.
- Be responsive to your outside counsel. Lack of responsiveness leads to additional costs in the form of multiple reminders, extension fees, etc... Moreover, legal documents produced under last minute, rush conditions are usually more expensive.
- Standing instructions: Where possible, provide your outside counsel with standing instructions. For example, "unless instructed otherwise, pay maintenance fees; annuities; file a PCT application at the one-year conversion deadline; pay issue fees in allowed cases; etc..." This reduces the need for outside counsel to send reminders and chase for instructions.
- Get Declarations, Assignments signed by the inventors early, preferably at the time of priority filing. Once an inventor leaves the company, chasing missing or uncooperative inventor can be time-consuming, expensive, and waste internal resources.
- Pursuing the broadest scope of claims in a patent application usually leads to longer, more expensive prosecution. Narrowing the scope of the claims to focus more closely on the commercial embodiments will lead to quicker allowance/patents and reduce the cost associated with lengthy prosecution. Broader claims can be pursued in later Continuation applications.
- Keep the number of claims down to the number covered by the filing fees in order to avoid excess claim fees.
- When IP budgets are tightened, the tendency is to stop filing new applications. Problem: Except for the US, patent is awarded to the first to file. Recommended strategy: Use provisional applications for commercially important inventions to minimize and defer costs.

FOLEY
FOLEY & LARDNER LLP

Strategies for delaying and reducing costs for IP rights in foreign countries

- **Patent Treaties:** Use the Patent Cooperation Treaty (PCT) to delay costs for 30 months. Can extend many countries to 31 months and can extend Canada to 42 months for a nominal fee. Use other treaties, such as the EPC.
- **Claims:** (i) make sure that claims conform to the country's requirements; (ii) reduce the number of claims whenever possible; (iii) work with foreign associate to minimize costs.
- **Annuities:** Avoid going into the grace period, especially in Europe, as the extension fees can be very significant. If possible, take the responsibility of annuity payments internally. Outside counsel use third party service providers (*e.g.,* Dennemeyer) for annuity payments. By working directly with the third party service provider, a company can save the costs of the outside counsel fees.
- **Foreign countries selection:** A company does NOT need a patent in a specific country in order to be able to commercialize your technology in that country. A patent is only useful to exclude competitors from making, using, selling your technology in a given country. Given the high cost of foreign patent protection, it is imperative that a company make strategic decisions, balancing the cost of securing patent protection in a given foreign country against the risk of not doing so.
- **Recommended Strategy:** Use of a two-tier approach can permit broad coverage, while keeping the costs under control. File most patent applications in the top tier, most common countries: Canada, Europe, and Japan. For a few select corner-stone applications, file more broadly than the top tier, adding additional foreign countries that are of commercial interest for the technology being patented, such as China, South Korea, Brazil, Mexico, Australia.
- In Europe, once a patent is granted, the patentee must enter the validation phase in all the European countries the company wants to secure patent rights. Validating in all European countries in the EU is VERY expensive. The combined GDP of Germany, France, the United Kingdom, Italy, and Spain represents almost 2/3 of the total GDP in the EU. By validating in only these five countries, a company can save a significant amount of money while making it economically unfeasible for competitors to introduce products in only the smaller markets.
- Avoid extensions of time for foreign prosecution.
- Consolidate your entire patent portfolio to one foreign associate per foreign country.

Strategies for monetizing existing IP when the company needs funding but investors are scarce

- **Match IP to Commercial Activity and Prune any Excess:** If a particular R&D program is no longer active/important, the company may simply decide to abandon the IP covering the technology. In such cases, it may be preferable to dedicate any patents to the public and get a tax credit. However, an alternative that can be more lucrative, would be to license or sell the IP to an interested party. This latter approach takes more time and internal resources (to find an interested party and negotiate a deal), but it is likely to lead to a more significant revenue stream.
- **License Indications Outside of Commercial Activity:** A company can also review its technology and IP to determine if there are any indications/uses of their technologies that fall outside of their commercial activities and could be licensed out.
- **Generating $$ From Existing Licenses:** If a company already has licensed some of its technology, quick monetary influx can be generated by selling future revenues from royalty and/or milestone payments to the licensee at a discounted rate.

Strategies for delaying litigation costs

While litigation, almost by definition, is an expensive endeavor, strategically controlling the onset of litigation itself and the timing of events during a case can make notable impacts on litigation costs. Depending on the business objectives involved, potential options may include the following:

- **Race to the Courthouse:** Different U.S. District Courts, and even different judges within the same court, average significantly different time to trial and have different reputations for considering dispositive motions and other resolution techniques short of trial. Seeking so-called "rocket-docket" jurisdictions such as the Western District of Wisconsin, the Northern District of Virginia or even still the Eastern District of Texas will tend to incur costs earlier than bringing suit in more traditional jurisdictions such as the District of Delaware. The District of Massachusetts' new Local Rule in part seeks to move Massachusetts from this latter category closer to the former.
- **File But Wait to Serve:** Filing a complaint but not immediately serving it on the defendant controls the choice of venue, but permits up to four months to negotiate with the defendant without incurring litigation costs for that case.

- **PTO Re-Examination of a Patent:** Granted over 90% of the time by the PTO, a re-examination proceeding will often suspend or limit a filed patent case in a district court, depending on the judge and the timing of the re-exam. Such an approach, however, can have serious strategic consequences and should be carefully analyzed before being implemented.
- **Monitoring Related Activities:** Plaintiffs often proceed against, or at least "T-up" litigation against, multiple targets at once or in succession. Keeping track of a plaintiff's actions in multiple courts and against multiple parties increases the likelihood of creating "strength in numbers" through partnering, spreading out litigation costs, employing joint defense groups, sharing experts, and consolidating actions where strategically appropriate.