



Patent Nation Seminar

Getting the Most From Your IP Budget: Strategies for IP Portfolio Management and Litigation Avoidance

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A Web conference hosted by Foley & Lardner LLP

Welcome



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- **Moderator**
 - **Andrew Rawlins**, Partner, Foley & Lardner
- **Speakers**
 - **Curtis Rose**, Director of Patents, Hewlett-Packard Company
 - **Debra Nye**, Partner, Foley & Lardner
 - **James Butler**, Senior Director Intellectual Property, Sapphire Energy

Discussion Agenda



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- Workflow Process: Achieve Cost Savings and Improve Quality
- Invention Disclosure Submission Process
- Determine Filing Strategy
- Prosecution
- Maintenance Costs
- IP Enforcement – Litigation Considerations

Introduction



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- Almost 75% of general counsel surveyed said their legal department's budget would be cut in 2009. *-IP Law 360, 12/9/08 survey of US general counsel*
- 79% of companies thought IP was more important than usual in the economic downturn. *-Price Waterhouse Study of 11/2008 of companies in UK, Germany, and France*
- IP – Possibly your most significant business assets

Workflow Process: Achieve Cost Savings and Improve Quality



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- IP goals should support business goals
 - Patent portfolio should be in alignment with current and projected future business strategy
 - Secure freedom of action
 - Cross Licensing
 - Picket fence/minefield around areas of interest

Workflow Process: Achieve Cost Savings and Improve Quality



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- Assert patents against competitors
 - Especially those who seek a free ride off of your R&D investments
- Abandon/Lapse/Sell IP assets no longer in alignment with business strategy
- Focus on quality instead of quantity

Workflow Process: Achieve Cost Savings and Improve Quality



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- Develop a patent quality program to increase patent quality and provide a more cost effective end product
 - Increased involvement provides cost savings during preparation and prosecution
 - A better quality patent is more cost effective in litigation

Invention Disclosure Submission Process



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- Train personnel to prepare good invention disclosures
 - Fully and concisely describe the invention
 - Describe the context of the invention, i.e., identify the most pertinent prior art
 - Explain alignment with business objectives
 - Explain detectability
 - Explain design-around options
 - Explain why this is an “extraordinary” invention with “surprising or unexpected results” (post-KSR standard)

Invention Disclosure Submission Process



- Poorly drafted invention disclosures increase costs
 - Counsel needs to spend an undue amount of time to ferret out the invention
 - Filing decisions are based on less than optimal data
- Use electronic invention disclosure submission tools
- Use your outside law firms to obtain cost-free training in this and other areas

Invention Disclosure Review Process



- Make informed and cost-effective filing decisions based on invention disclosure
 - Decision-making process should be run by an unbiased internal team with technical expertise in the subject area and familiarity with the business' objectives and product plans

Invention Disclosure Review Process



- Strategically allocate spend by creating IP budgets for each product or technology area based on importance
 - Focus spend where most strategically aligned with business objectives
 - Track spend carefully
 - Do not allow overruns without approval

Determine Filing Strategy



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- Provisional applications
 - Advantages
 - Delay cost of more expensive, non-provisional application
 - Filing multiple provisional applications allows for grouping related inventions into a single non-provisional application
 - Establish a date for the invention through the provisional application to allow time to search and evaluate the invention's significance before committing to a non-provisional application

Determine Filing Strategy



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- Provisional applications
 - Disadvantages
 - Can be more expensive overall if not managed carefully
 - Can reduce patent quality if not managed carefully

Determine Filing Strategy



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- Non-provisional applications
 - Advantages
 - Shorter time to issuance
 - More claim-centric drafting approach
 - Can be less costly overall
 - Disadvantages
 - More costly upfront
 - Waste of money/time if business objectives change frequently

Determine Filing Strategy



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- The Patent Cooperation Treaty (PCT)
 - Advantages
 - Defer costs and filing decisions
 - Obtain search results prior to expensive national phase entry decision
 - More time to change course if business objectives change
 - Preserves option for extensive worldwide filing
 - More objective decision making than at invention disclosure stage
 - Disadvantages
 - Can increase overall costs if not managed carefully
 - Requires multi-step decision process

Determine Filing Strategy



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- The Patent Cooperation Treaty (PCT)
 - Choose cost-effective International Searching Authority (US and EPO are over \$2K; KIPO is about \$600)
 - Immediately obtain declaration and assignment from all inventors—you may not be able to find the inventors in a year or so, and law firms will charge to find them

Determine Filing Strategy



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- Only file in countries aligned with your overall strategy (*and your strategy for the particular product*)
 - Major markets (Purchasing Power Parity GDP)
 - Your markets
 - Mature and viable legal systems (consider enforcement, time to grant, costs, etc.)
 - Manufacturing hubs
 - Distribution hubs
- Know the foreign law and procedures, and set cost-effective policies
- Avoid falling into the “country de jour” trap

Determine Filing Strategy



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- Selecting patent drafters
 - In house
 - Can be cost effective
 - Retains expertise and talent for future leveraging in prosecution, licensing, litigation support
 - Staff for valley, not peak
 - US-based outside counsel
 - Can be cost effective
 - Fixed fee arrangements
 - Reverse auctions
 - Avoid paying litigation hourly rates for patent prep/pros work

Determine Filing Strategy



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- Off shoring
 - Can be very cost effective
 - Manage export control issues carefully
 - Not appropriate for crown jewels
 - Can negatively impact patent quality
 - Can negatively impact client satisfaction

Prosecution



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- Sweat the small stuff and mandate procedures designed to reduce costs
 - Avoid missing parts—declaration and formal drawings should always be filed with US application
 - All pertinent documents, such as priority documents, must be sent to foreign associates with initial filing instructions
 - Prohibit unnecessary correspondence from your outside law firms, e.g., certain letters providing copies of documents requiring no action on your part

Prosecution



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- Establish standing instructions for appropriate matters
- Encourage telephone or personal interviews with the patent examiner
- Encourage the use of the pre-appeal procedure in appropriate contexts
- Avoid RCEs
- Do not incur unnecessary costs—exercise judgment to know when the claims are good enough for the particular invention
- In addition to broader claims, include a focused set of claims likely to be allowed

Prosecution



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- Consider procedural alternatives:
 - Patent Prosecution Highway (PPH)
 - Cooperative program between Australia, Canada, Denmark, the European Patent Office, Germany, Japan, Korea, Singapore, the United Kingdom, and the United States
 - Claims allowed in one jurisdiction will be examined more quickly in other jurisdictions

Prosecution



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- Patent Prosecution Highway (PPH) (continued)
 - Initial results of the program between the United States and Japan reveal that the average time it takes to have an application examined can be dramatically reduced and the percentage of cases where a patent is granted—upon application and after further prosecution—is significantly higher when compared to applications outside of the PPH program
- Peer to Patent Program
 - Applications automatically made special
 - Community-cited prior art can advance (or conclude) prosecution quickly

Maintenance Costs



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- Re-evaluate the cost of maintaining each IP asset, based on current alignment with business strategy
- Handle administrative tasks internally—outside law firms do not add value here
- Have your outside law firm provide a website that allows you access to your files
 - Reduce the cost of internal record keeping
 - Eliminate unnecessary correspondence
- Allow your outside law firm(s) to access and input data directly into your docketing system
 - Reduces in house administrative costs
 - Data entered more quickly

IP Enforcement – Litigation Considerations



- Delaying litigation costs
 - Race to the courthouse
 - “Rocket Docket” jurisdictions tend to incur costs earlier than bringing suit in more traditional jurisdictions such as the District of Delaware
 - Choice of forum can be an important consideration
 - File but wait to serve
 - Controls the choice of venue, but permits up to four months to negotiate with defendant without incurring litigation costs

IP Enforcement – Litigation Considerations



- Re-examination of patent
 - Granted 90% of the time by the PTO
 - Can suspend or limit a filed patent lawsuit in a district court, depending on the judge and timing of re-exam
 - Can have serious strategic consequences

IP Enforcement – Litigation Considerations



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- Monitoring related activities for cost savings
 - Plaintiff's actions in multiple courts or against multiple parties increases the likelihood of creating strength in numbers
 - Spread litigation costs between multiple defendants (employing joint defense groups)
 - Sharing experts
 - Consolidating actions where appropriate
 - Industry consortiums can be helpful

Follow-up Information



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http://www.foley.com/news/event_detail.aspx?eventid=2656

 - Foley will apply for CLE credit and email certificates to attendees in approximately 6-8 weeks.