



By Marshall J. Brown, Affiliate IDSA

mbrown@foley.com

Marshall J. Brown is an intellectual property attorney with the law firm of Foley & Lardner LLP.

Getting the Most Out of Your IP Budget in Today's Economy

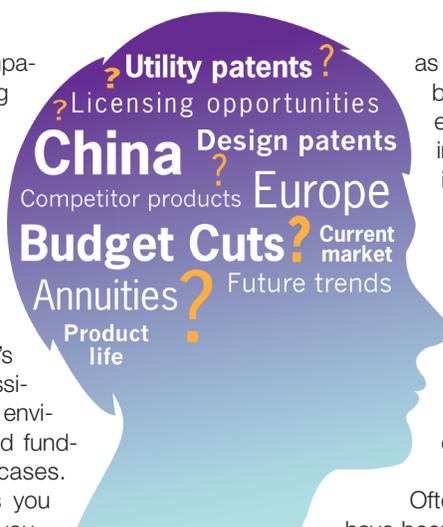
STRATEGICALLY LEAN

In economic downturns, a company's research and development budget is often placed under enormous strain. The current recession is no exception, and the impact of such budget-related decisions is already being felt. According to the US Patent and Trademark Office, utility patent application filings decreased in 2009 for the first time in over a decade. Although patent application filings do not perfectly correlate to research and development activity, the decrease in filings suggests companies are being more careful in allocating research and development funds in today's economy.

If you are involved in managing your company's intellectual property budget, deciding how to best protect your company's patent portfolio in an economic downturn can be daunting. Between new patent applications in the United States and abroad, responding to substantive actions from various patent offices and maintaining patents that are already in force, the idea of balancing these considerations to best protect your company's interests may feel like a difficult or impossible task. This is especially true in today's environment, with intellectual property-related funding being frozen or cut, in many cases. However, there are a number of things you can do to simplify this process, helping you to recognize potential cost savings without sacrificing your company's key intellectual property.

Find Out What You Have

Before making decisions that could adversely impact your company's intellectual property portfolio, you should make sure that the people involved in such decisions are in agreement, understanding what protections are currently in place



as well as the company's current goals and business objectives. It is therefore extremely helpful to sit down with your intellectual property counsel before deciding what to cut from your current budget.

In the patent area, conversations with counsel can help you learn which of the company's patents are still in force, the scope of the company's patent protection, in which countries you have patent protection and other types of information. Although you may think that you already have a firm grasp of this information, the results of these conversations may surprise you.

Oftentimes, you will learn that some patents have been allowed to expire, protection is weaker or stronger than you previously thought, or your patents no longer cover the current versions of your products. By knowing this information up front, it will be much easier to make informed decisions about protection going forward.

Such meetings will not only benefit you and your team when considering how to stretch your budget, but they can also be invaluable to your attorneys. Your intellectual prop-

erty counsel often has great knowledge about the design and operation of your various products but often do not know much about where the products are being manufactured, current or future consumer markets of interest, the long-term viability of the products and whether there have been important design changes since a patent application has been filed. By exchanging this information, your attorney can be in a position to provide you with advice as to whether certain filings are worthwhile, whether it is worth continuing to pursue individual patent applications or whether the company's patents or patent applications even cover the current version of the underlying product.

Review Your Maintenance Fees and Annuities

In the US, the owner of a utility patent must pay a maintenance fee, ranging from a few hundred to a few thousand dollars about every four years, just to keep the patent in force. The fees are even more onerous in many foreign countries, with escalating annuity fees due on an annual basis. These fees can quickly eat into a company's intellectual property budget, leaving little funding available for the protection of new products and inventions.

In view of the above, significant cost savings can often be achieved through the intelligent pruning of annuities and maintenance fees. Particularly in the area of foreign patents, companies will often find that it no longer makes sense to keep certain patents in force. For example, oftentimes the sole reason for filing a patent application in a particular country was because the underlying product was to be manufactured in that country. However, if your company and its competitors have all since moved manufacturing to another country, it may no longer make economic sense to continue paying the annuities in the original country. Similarly, if you and your competitors are no longer generating substantial sales revenue on patented products in certain countries, it may also make sense to discontinue the payment of annuities in those locations as well.

The efficient pruning of annuities and maintenance fees will also be beneficial when technology has moved beyond the patented inventions. When reviewing granted patents, you will occasionally find that, due to innovations that have occurred since an initial patent filing, your patents no longer even cover the products currently being sold in particular markets. If it would not make financial or technological sense for you or a competitor to manufacture or sell a prod-

uct using this old technology, then there may be no reason to keep those patents in force.

Review Your Pending Patent Applications

As is the case with annuities and maintenance fees, technological innovations, market developments and your company's business plans will often affect the value of your company's pending patent applications. In the US, it often takes three years or longer for an initial review of a utility patent application—meaning that it may take four years or more to receive a granted patent.

Obviously a lot can occur during the three-to-four-year pendency of a patent application—product designs can evolve, consumer tastes and needs can change and a company's business direction may make a product more or less important to long-term business goals. It is therefore wise to review your pending applications on a regular basis in order to determine whether they are even worth pursuing in the long term. In such a review, you are likely to find certain applications that are no longer worth pursuing, allowing you to stop work on them before new costs are incurred.

Reassess Your Filing Strategies

When it comes to new patent application filings, many companies make filing decisions based upon guidelines or presumptions that may no longer be accurate. For example, a company may have a policy that it should pursue utility patent protection for inventions contained in any new product of significance without regard for the likelihood of obtaining a broad patent in the long term, the product's expected life in the marketplace and the relevant importance of the invention in the product. These guidelines or policies will often stay in place for several years without being revisited. And even if these guidelines are not embedded in a formal policy, they often take on a *de facto* policy status as people become comfortable with their decision-making processes for patent-related items.

By reviewing and updating your company's strategies for patent filings to reflect current economic and technological realities, you may be able to more efficiently allocate funding for new patent applications. For example, as discussed previously, it can often take three or more years for a utility patent application to be reviewed by an examiner. If you expect that a new product may have a life of only a few years, it may not make sense to file a utility

application in the first place. Instead, a design patent application (which only covers the ornamental or aesthetic aspects of a product) may make more sense for many consumer products (particularly where aesthetic appeal is important), since design patents are typically less expensive, easier to obtain and can be granted more rapidly than utility patents. Likewise, if a new product includes innovations that are not that important to the consumer, do not result in significant cost savings or do not otherwise provide your company with any competitive advantage, a utility application may not make economic sense.

When it comes to foreign patent applications, a similar review of filing strategies can also be helpful. Foreign filing decisions are often based upon factors such as where a product is likely to be manufactured, current and/or future consumer markets, and countries that are considered to be important to a company's long-term strategic business plans. The countries that meet one or more of these criteria obviously change over time. However, companies often rely on standard lists of countries for patent filings, and these lists may not be revisited very often. By taking a fresh look at which countries currently align with your company's needs (or may do so in the future), you may be able to avoid spending resources on country-specific filings that do not align with your company's short- and long-term plans and objectives.

Form a Patent Committee

When it comes to evaluating new inventions for potential patenting, many companies have their own internal patent committees. These committees are often staffed with individuals from different parts of the company, including designers and engineers, marketing personnel, finance personnel and business program managers. **Although patent committees may operate in different ways, their principal purpose is generally the same: to independently evaluate new inventions in order to determine whether patent filings make sense from a technological, financial and legal perspective.**

Patent committees can be invaluable to a company since they allow employees with varying backgrounds to provide detailed input (before any filings occur) as to the

technological importance of a new invention, the potential importance of the invention in the marketplace, the financial viability of the underlying product and other factors that could provide guidance as to whether patent application filings are worthwhile. Patent committees can therefore serve as important gatekeepers by identifying inventions that may or may not be worth the investment associated with the patent process.

Get on the Licensing Bandwagon

It is always important to remember that you do not necessarily need to sue a patent infringer in order to generate revenue from your intellectual property. In fact, some of the largest companies in the world use their patents as a major source of licensing revenue. For example, many companies will license their patents in exchange for a per-product or periodic royalty payment, or they may include patents in a cross-licensing relationship with other companies as a means to obtain the right to use other patented inventions.

With patent licensing serving as a source of potential revenue for many companies, now may be a great time to take a look at the marketplace in order to determine whether there may be licensing opportunities for your company's own patent portfolio. If you believe that another company is using your patented technology or if you believe that a company may have an interest in doing so in the future, your company may want to consider approaching that company about a potential licensing relationship. Such an arrangement is viable even if your company no longer uses the patented technology.

The above are just a few ways in which you can help your company efficiently audit your intellectual property holdings in order to identify potential cost savings and revenue sources. Of course, there is not a one-size-fits-all strategy, and the benefits that can be achieved by any approach will vary from company to company. However, for companies that have not taken such steps in the past, they may be able to easily identify some potential cost savings that they can use to stretch their intellectual property budgets in today's difficult economic times. ■