



IP Strategies for Innovative Companies

A STRATFORD STRATEGIES PAPER

A GOOD STRATEGY IS IMPORTANT

Intellectual Property (IP) is one of the most important assets of an innovative or innovation based company. It is vital to develop efficient protection strategies from the very early stages to avoid missing opportunities and wasting significant money.

IP is More than Just Patents

IP protection comes in a variety of forms including utility patents, trade secrets, design patents, trademarks, copyrights, IC topographies and digital rights.

Know the pros and cons of building a patent portfolio versus using trade secrets, how to grow a valuable portfolio cost effectively, how to use patent databases for competitive intelligence, and how to monetize IP and handle threats.

Strategy Provides More than Just Protection

Solid IP protection not only prevents competitors from copying innovative features but also assists in increasing company value and makes the company more attractive to investors, as it clearly concretizes the innovation.

Generally, early stage and growing companies build an IP portfolio for defensive purposes, however, IP protection helps with marketing as well, as it highlights where innovation lies within the company. When large companies are looking for solutions to acquire or broaden their offerings, they often look at patent databases and find small targets to acquire.

Why Not

Cost is a key deterrent. If not planned properly, it can grow rapidly. For small companies, patents are expensive to enforce, which is why the initial strategy is often defensive and not offensive. Patent applications become public within 18 months of filing, which may affect time-to-market advantage, therefore it is critical to assess

whether an idea should be protected as a patent or can safely remain a trade secret.

Protecting IP may be time consuming if managed internally. The time to obtain an enforceable patent is, on average, 3-4 years.

PROMOTE CREATIVITY AND FOSTER AN INNOVATION-MINDED CULTURE

Success often arises from creativity and originality, especially in the world of intellectual property. A robust and well-rounded patent portfolio typically grows organically with inventions generated by employees so it is in a company's best interest to foster an innovation minded culture. This can be done in a variety of ways such as providing learning sessions on IP, performing regular idea mining sessions to log all the IP that is being created, and celebrating creativity by promoting patent filings and issuance. Becoming an inventor is often a source of motivation and pride for employees

Facilitate Learning

Learning sessions are critical for all employees to understand the importance of not disclosing IP prior to its adequate protection, more importantly now that the US has aligned with other countries in a first-to-file rule. Also the learning sessions help to understand how to protect information within the company (how many whiteboards are left overnight covered with unprotected brilliant ideas?) and what information to put in writing in a lab book. It is also important for all employees (and contractors) to sign proper employment contracts assigning all IP they create and future related filings to the company. Assignments should be filed to avoid having to reach out to disgruntled employees.

IP logged during idea mining sessions should be prioritized and a filing plan executed promptly for key ideas. It is a good idea to budget for a target

number of filings per quarter in order to focus efforts.

It also important to have a trade secret protection process in place and to evaluate each invention disclosure as to whether a patent application is needed or whether trade secret protection is more appropriate. There are different advantages and challenges to each strategy and knowing which one best suits your product or process is key.



BUILDING A STRONG STRATEGY

A pragmatic strategy needs to be devised and implemented from the inception of the company and regularly updated to follow its evolution. A good strategy involves not only reactive elements, but also several important proactive actions

Growing the IP Portfolio

It is possible to grow an IP portfolio by acquiring assets from struggling companies or banks that are left with IP as collateral. Single inventors and

universities are also a source of patents that can be acquired at a reasonable price. Collaborative research is also a way to generate IP that can be owned by the company. A less known way to grow a portfolio is to monitor patents that are just expiring and find IP of interest – then adapt it to today's technology. In many cases, new patent applications can be filed based on this combination.

Finding Good Partners and Advisors

As discussed, cost is the main deterrent to growing a good IP portfolio. A large part of the costs are generally legal fees including cost of drafting, docketing, prosecuting, reporting, writing and answering emails, annuity management etc. These fees are above and beyond the filing and maintenance fees of the patent offices. It is key to find a partner that agrees on fixed upfront fees for all the tasks involved and agrees to minimize administrative costs etc. Maintenance fees can be paid using third party services (e.g. CPA global) saving significant cost on the legal bill. It is important to find good advisors and partners from day one, who want to help the company grow a solid IP portfolio while providing fixed cost services. The advisors need to clearly understand and keep up-to-date with the company's business goals and help translate those into an appropriate and valuable IP portfolio.

Knowing the Landscape

Patent databases are a gold mine of competitive and industry intelligence. When searched properly, they can provide useful insights on what areas the competition is investing on research, and what other areas are not protected. Performing periodical searches also provides insight on third-party R&D directions, often before products are launched or marketed. Using these searches, it is possible to find whitespaces where little or no patent filings are done. The searches can also be used for risk mitigation. Where are the minefields? Who owns them? What are my work-around plans? are great questions to ask before starting a new product development, and more importantly so if industry standards are involved. Knowing who are the non-practicing entities (e.g. patent trolls)

in the industry and what their typical demands are is very useful to plan the product business case and allocate enough funds for potential licenses or royalties.

Marketing the IP Portfolio

A good IP portfolio can also be used for marketing to highlight the innovation. Appropriate marking as “patented” or “patent pending” with issued patent numbers, marking of common-law trademarks (™), registered trademarks (®) and copyrights (©) are excellent ways to promote the company’s leading edge, but also very important to help with maximizing possible damages in the future. When planning a round of funding, it is a great idea to package the IP portfolio such that its value can be appreciated by non-technical investors. Visual representation of the claims covered by the patents, possibly overlap with competitor’s landscapes are very effective. Showing possible products that might infringe one or more of the patent families is very powerful. For each family, it is also useful to provide a timeline when the patent family is going to be enforceable based on the evolution of the technologies and markets.

Maintaining the Strategy in Line with Company Goals

Regularly, during the company’s evolution, it is a good idea to perform a strategic review of the IP portfolio. Some patent families might no longer be core to the business and could be sold for revenue via contingency licensing programs. Other families can be used as collateral for financing, while some that are key to the product and long term directions need to remain in the portfolio. Depending on the status of the family, significant funds can be raised from a sale or licensing of one or more family.

If the patent family has at least one issued patent and at least one open application (a child of one of the issued application that is not yet allowed), the family’s value is increased.

Therefore, it is advisable, in general, to always file a continuation (at least in the USA) when an application is allowed and before it issues. The continuation shares the same description with

slightly different claims. Filing a continuation should not trigger expensive legal fees, as only new claims need to be drafted based on the same specification. The new claims can be tailored to known possible infringer’s products, which proves attractive to prospective buyers.



Handling IP Threats

When a company is approached by a third party for IP licensing purposes, the first reaction is

typically anger, even more so when the threat comes from a non-practicing entity (NPE). Taking time to get over the emotions is important because the outcome rarely ends in a win-win situation. An important piece of advice is to be careful about writing opinions or facts down. Depending on the country where the threat originates, it is also important to understand the protection from attorney-client privilege. The ultimate goal is to minimize the amount of money spent and the disruption to the operations of the company. This starts with finding partners. Then taking time to analyze all the different paths, the timing, the risk and cost involved with each path in comparison with the demand made by the offensive party. Typical early legal recourse (aside from aiming for a trial) is to ask for an injunction or file for re-exam of the patents asserted. Both options are extremely expensive.

In the case of practicing entities, cross-licensing is a possibility if the company's portfolio is of relatively equal size, breadth and depth as the one of the offensive party.

If a product comprises key components that are purchased from a third party, it is important to ensure that a solid IP indemnification clause is included in the purchase agreement, in which case defending the threat can be transferred to the third party or the defense may be shared. Proper planning at the time of product definition and business plan as discussed above can help reduce the stress involved in these situations.

CONTACT US

How Can We Help?

Stratford Managers understands that your IP portfolio is one of your company's most valuable assets. With several years of experience in IP, we develop strategies to foster an innovation minded culture in your organization and optimize the value of your IP portfolio. We can facilitate discussions to help build and execute an IP strategy and assist in identifying the areas that will create the most impact and financial return.

Our services are available under various engagement models, on project or retainer basis.

Virtual IP Management Service

We work closely with your management team from one to several days per month, as needed, to proactively manage your IP and resolve any issues that may arise. Acting as part of your team, we ensure that your IP strategy meshes with the overall corporate strategy. We take the burden of managing IP from your key resources by proactively executing the following roles:

- Strategically protecting, growing and strengthening IP assets at minimum cost
- Gathering competitive intelligence to assess and defuse IP threats
- Creating additional revenue and cost saving opportunities
- Managing IP litigation strategically

IP Valuation Services

Our VIPM Services provide the essential building blocks of the full patent life cycle which includes IP valuation services.

A thorough assessment and strategy demands a holistic understanding of legal, business and technical issues. Our Patent Valuation services can be leveraged towards several goals, including bolstering your company's marketing value by providing the following expertise:

- Monetizing underutilized assets
- Acquisition and divestiture based on strategic and non-strategic markets
- Providing insight and intelligence on the value of your and competitor/third party patents

Custom Reports

We offer a number of customized reports for companies looking to dig deeper into the strategy of their portfolio and can be used for portfolio valuation, discovering companies with valuable patents, or determining the likelihood that a portfolio can be successfully licensed or litigated.



WHO IS STRATFORD MANAGERS?

Stratford Managers is a leading management consulting firm that specializes in helping small and mid-sized businesses achieve their potential. Unlike traditional management consulting firms, Stratford consultants are operationally accomplished senior managers who proactively drive organizations to achieve higher performance – and sustain it. Stratford takes a thorough and pragmatic approach that goes beyond conducting research and providing recommendations; they lean in to deliver results. Stratford Managers brings the experience necessary to help execute plans and achieve desired outcomes.

GET IN TOUCH TODAY TO DISCUSS HOW WE CAN HELP YOU ACHIEVE YOUR AMBITIONS.

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