
Developing An Intellectual Property Strategy

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September 2008

“I think of intellectual property as a business asset, in the same way a company’s capital, R&D investments, operations and sales and marketing functions are business assets.

The purpose of an intellectual property strategy is to leverage a company’s IP with its other business assets to create value for the company.”

Ultimately, IP creates value by providing a competitive advantage in the market for a company's products. It does this by creating a zone of exclusion for the company's technology and brands. Improved competitiveness leads to increased gross margin and expanded market share, which lead to increased profits.

In the nearer term, IP creates value by giving investors confidence to invest in the company and by discouraging others from trying to develop the same technology.

A company also can leverage IP into a strong brand that imparts value to other products of the company.

The ultimate form of IP is control of an industry standard with which all competitors must comply, or a bottleneck through which all competitors must pass.

The starting point in developing an intellectual property strategy is understanding the company's business

- Because a company can't effectively build and deploy IP assets without understanding what role they play in the company's business
 - Company markets
 - Company customers
 - Company products
 - Company competitors
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An intellectual property strategy has three goals:

- Secure freedom to operate
 - Establish control over intellectual property assets
 - Develop and assert an IP portfolio that provides meaningful exclusionary power for the company's products in its market
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The first priority of any company is to stay in business. Therefore, the first priority of an IP strategy is to secure the company's freedom to operate

- Before the company makes significant investments in developing and launching products, it should search for third party IP that may pose an obstacle to the company's commercialization plans.
 - A company can overcome obstacles to freedom-to-operate by:
 - Designing around third party patents
 - In-licensing third party patents
 - Developing arguments for non-infringement or invalidity of third party patents
 - Decision must balance legal risk with business risk
 - Suppliers sometimes put restrictions on the use of products they sell to customers (e.g., "research use only") – Beware of them
 - Avoid single-source supply situations
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Before a company can assert its IP assets,
it has to establish control over them

- A company can control IP through:
 - Ownership
 - License

Ownership of IP assets

- Confirm the chain of title of all IP purchased
 - Record ownership of all IP assigned to the company
 - Have all employees sign employment agreements that require them to assign all inventions to the company
 - Confirm new employees don't have an obligation to assign inventions to former employers
 - Include ownership provisions in collaborative research agreements
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License of IP assets

- The licensor and the exclusive licensee are bound by mutual reliance
 - The licensee never fully controls the IP, but the licensor's success depends on the licensee's success
 - Maintain a close relationship with the licensor
 - Negotiate a license that provides wide latitude to develop and commercialize the licensed technology
 - Field of use should be commensurate with company's commercialization plans
 - Consideration:
 - Proper mix of up-front, royalties, equity and milestones will reflect business considerations
 - License assignment provision should does not unnecessarily encumber sale of business
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Patents provide a zone of market exclusion.
Therefore, in developing the company's
patent portfolio, advance a set of patent
claims that provides meaningful
exclusionary power in the market in which
the company operates.

Patents have “meaningful exclusionary power” if they exclude competitors:

- From using features of the company’s products that customers value and for which they are willing to pay a premium
- From using processes that provide a significant efficiencies in manufacturing
- At bottlenecks necessary for making, formulating, packaging or using the product

Thus, in prosecuting patents, keep in mind the market for the products they cover.

One effective prosecution strategy is to identify the advantage that the invention provides to customers, and to claim the advantage, itself, or the feature that provides the advantage

- Affymetrix' probe density patents cover the feature that provides the advantage customers desire: The ability to perform many hybridization experiments with a small sample size
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Like a financial portfolio, a patent portfolio should be diversified to include elements with different risk levels:

- Inventions that control a technology around which a business or product line can be built
 - Inventions that cover key features that make the company's product effective or attractive to customers
 - Inventions that cover small improvements in existing products
 - Inventions that are interesting but speculative
 - Inventions that are obsolete (abandon these)
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- Determine how important each invention is to the business, and what level of patent investment it deserves.
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Extracting the value from a company's IP requires policing the market

- Evaluate the seriousness of the threat to the company's business posed by a competitor.
 - Determine whether greater value lies in:
 - Ignoring the competitor
 - Licensing the IP to the competitor
 - Maintaining market exclusivity through litigation
 - Before a company sues a competitor for patent infringement it should plan a strategy through to the end game.
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In sum, through proper management, a company can leverage its intellectual property assets to create greater value for the company.

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