

# STRATEGY



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## Why Companies Should Still Build a Patent Portfolio

By James C. Yoon

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*The factors driving perception that patents have lost their value are certainly relevant and have had a substantial impact on patent litigation [but] none of these factors, alone or in combination, negate the value of building and maintaining a strong patent portfolio."*

As a patent trial lawyer and IP attorney, one question clients frequently ask is, "Why should we build a patent portfolio?" This question is often followed by concerns regarding the costs associated with obtaining patents, the lengthy process involved and news stories about how changes in the patent litigation standpoint have greatly reduced the value of patents or have limited the value of patent portfolios to large companies. While these concerns are understandable, they can distract a company and its management from the numerous benefits of patents and their role in enhancing business value.

### **The Strength of Patents & Concerns About the Value of Patent Cases**

There is a widespread perception that patents have lost their value in litigation. This perception is driven by a number of factors including:

- Widespread use of patent office procedures such as Inter Partes Reviews (IPRs) and ex parte reexaminations to attack the value of patents;

- Ability of defendants (especially in software cases) to attack the eligibility of patent protection by filing Alice or Section 101 patent eligibility motions (to dismiss or for summary judgment);
- Low-to-modest damages “reasonable royalty” damages recoveries in patent cases due to use of “apportionment” and smallest-saleable unit calculations; and
- Difficult for companies (especially those who have previously licensed a patent) to obtain injunctive relief under the Supreme Court decision in *eBay v. MercExchange*.

The above factors are certainly relevant and have had a substantial impact on patent litigation. None of these factors alone or in combination negate the value of building and maintaining a strong patent portfolio.

First, the above factors suffer from recency bias. A patent portfolio takes time to build. The average age of patent when it is asserted for the first time in litigation is 8-10 years from issuance (or 11-13 years filing). It is impossible to predict the legal and economic environment a decade in the future. It is short sighted to believe that the current news cycle reflects the future value of a patent. Patent prosecutors and attorneys are constantly looking for ways to strengthen patents and develop approaches that anticipate popular defenses. There are substantial efforts in Congress to modify or reform the patent laws and statutes.



Second, each patent is an individual asset. If a company has major innovation or differentiating technology, it would be incorrect and dangerous to assume that it should not seek patent protection on its invention because another company who asserted a patent that was over a decade earlier was unsuccessful in their assertion efforts.

Third, the concerns ignore objective data that shows that the success rates for Alice/101 motions, IPRs, ex parte applications have been falling. Patents issued today undergo substantial Alice/101 review during prosecution and patent plaintiffs have developed effective strategies to defeat attacks on eligibility. For example, the success rate for Alice/101 motions to dismiss in Delaware is only 35% and in the Eastern District of Texas is only 30%. Similarly, patent plaintiffs anticipate the possibility of IPRs or ex parte applications and, as a result, have enhanced quality control in the patent selection process and strategies in place to deal with expected patent office actions. The PTAB institution rate on IPRs from January 1, 2023 to December 31, 2024 was only 42% and all claims were found unpatentable only 10% of the time. Such statistics demonstrate that the reports regarding the “death of patents” are an exaggeration. (See Lex Machina (March 10, 2025 Search Results) (terminated PTAB trials between January 1, 2023 to December 31, 2024; District of Delaware Patent Cases Contested Motions to Dismiss between January 1, 2023 to December 31, 2024; ED Texas Patent Cases Contested Motion to Dismiss between January 1, 2023 and December 31, 2024)).

Fourth, the widespread commentary on damages overstates the problem for operating companies. The “low” damages are often driven by non-practicing entities asserting patents covering a non-central feature of a product and the patents have a long transaction history that suppresses the economic value of the patent. For operating companies who intend to assert patents developed within the company, the damages issue can be addressed by two steps: (1) marking their products that practice their patents so that they can get past damages up to 6 years prior the filing of the suit and (2) developing and asserting patents that go to key differentiating features of their products. The combination of steps (1) and (2) can greatly enhance the level of reasonable royalty damages.

And finally, the ability to get an injunction. While the likelihood of an injunction is generally low, it can be a real threat in situations where the defendant is a competitor, there is a strong case for willful infringement and there exist additional factors such as copying or disregard of prior court, administrative body or patent office proceedings. In such situations, the threat of an injunction can be a major bargaining tool, and the possibility of an injunction may be realized after trial.

## Strategic Importance of Filing

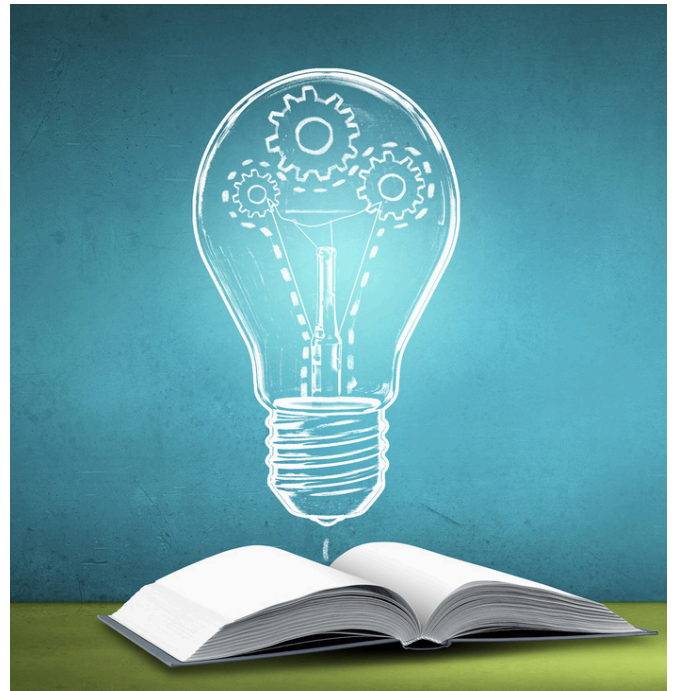
Given the continued viability and vitality of patents, companies, particularly those in the startup phase, should focus on developing a cohesive and strategic approach to building their patent portfolio. These companies must establish a clear, business-focused patent process to secure market position, attract investors and partners, and drive growth.

A business-focused patent process is not merely an administrative or legal formality or task list box to be checked and forgotten. It is one of the most effective tools for aligning a company's engineering, marketing and financial teams. It is a process that enables companies to identify the "new" ideas that aid the company in differentiating and positioning itself in the market. The process allows the marketing group to develop communication strategies around these key ideas. And finally, it makes sure that the finance group and management fund the aspects of the business most likely to lead to long-term success.

The critical and continuous assessment of an effective patent process compels organizations to evaluate their innovations carefully and makes sure that engineering efforts are aligned with long-term corporate goals. By focusing engineering resources on technologies that differentiate the company in the marketplace and contribute to strategic objectives, companies position themselves for long-term success.

## Fostering Cross Departmental Collaboration

A comprehensive patent filing and development strategy encourages collaboration among various departments within a company. Such collaboration can be vital. It helps the company identify and evaluate ideas essential for the future.



When multiple functions collaborate, the resulting patents and engineering decisions tend to be of higher quality. Conversely, confining the patent process to a small group of engineers can create a disconnect between patent filing and development strategy and broader business objectives.

## Generating Innovation and Quality Ideas

A structured, business-focused patent process can stimulate creativity within a company. When relevant departments convene to discuss potential patents, the collaborative environment often yields to more innovative and higher-quality ideas. I have seen it generate new products and services. The synergy between groups can significantly enhance the caliber of both the patents filed and the strategic engineering decisions that a company makes.

## Demonstrating Commitment to Investors

Small and private companies need investors. A professional patent filing and development process signals to investors that a company is well managed and is serious about protecting its investments in technology. A robust patent process demonstrates that a company's management team is actively cultivating valuable assets that can drive future growth. This assurance can be pivotal to the success of a company. It may be a key factor that attracts or discourages investment.



## The Benefits of Issued Patents

Once patents are issued, they provide a multitude of benefits and options for companies that extend far beyond mere legal protection.

### Preventing Commoditization

Patents offer opportunities for exclusivity, which is vital in today's competitive market landscape. The most detrimental term a business can face is "commodity," which indicates a lack of differentiation in the marketplace. By holding patents, companies can prevent key aspects of their operations from being commoditized, thereby maintaining their competitive edge. A robust patent portfolio reinforces a company's business model and strengthens its position within its industry. Moreover, a successful patent strategy can link trademarked features—those vital to customers—to a series of patents, enhancing brand loyalty and recognition.

### Exclusivity and Competitive Advantage

For companies that have yet to license their patents, these intellectual properties provide a strong tool for exclusivity. If a company has never licensed its patents, it possesses a strong advantage. Companies have the ability to file actions and seek injunctions that compel competitors to remove infringing technology or design around the patent. Even if a competitor can design around the patent, there is still substantial benefit to holding the patent. Design efforts take time and incur costs, which can slow or delay the entry of competing technology. This allows the company to maintain "exclusivity" for key features in the eyes of customers, enhancing its marketing and brand identity.

### Patents as Valuable Assets

Strong patent portfolios possess intrinsic value that is separate from the company's core business. These patents can serve various financial purposes: they can be used as collateral to secure loans, providing companies with the capital necessary for expansion or development.

### Generating Cash Flow & Profit Margins

Small and private companies need investors. A professional patent filing and development process signals to investors that a company is well managed and is serious about protecting its investments in technology. A robust patent process demonstrates that a company's management team is actively cultivating valuable assets that can drive future growth. This assurance can be pivotal to the success of a company. It may be a key factor that attracts or discourages investment.

### Global Protection & Strategic Negotiation

The ability to secure worldwide patent protection is crucial for companies aiming to attract investors. These investors know that products and competitors are not limited to any specific geographic region. An effective patent filing process and strategy should encompass key world markets and critical choke points within the international supply chain. This global approach not only safeguards the company's innovations but also enhances its negotiating power in dealings with investors, customers and foreign competitors.

## A Tool for Negotiation

For startups and smaller firms, patents can serve as powerful negotiation tools when entering agreements with larger corporations. These smaller entities often find themselves at a disadvantage; however, possessing patents can level the playing field. The existence of patents not only protects innovative ideas but also deters larger companies from copying these innovations. This counterbalance is crucial in ensuring that smaller companies receive equitable treatment in negotiations.

## Patents Help Defend the Company

Finally, patents serve as critical defensive tools. They can be utilized as counterclaims if the company is sued by a competitor. More importantly, patents demonstrate that the company is innovative and that its success is based on its own work rather than infringing on others' technologies. This perception can significantly reduce potential damages. In my experience with numerous jury trials, it is crucial for a patent defendant that the jury believes the client is an innovator, focused on creating better products rather than copying the hard work of others.

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## About the Author



James Yoon is a partner and leader of the patent trial and litigation practice at Wilson Sonsini Goodrich & Rosati. James has more than 25 years of experience as a trial lawyer, patent litigator, counselor, and IP strategist. He has litigated over 200 patent cases and has tried numerous cases in federal courts, in state courts, and at the International Trade Commission. He has also litigated major disputes in arbitration.

James has an active strategic patent counseling practice. He has advised over 100 companies on patent related issues in a wide variety of transactions, including patent license agreements, patent purchase agreements, private equity investments, initial public offerings, and corporate mergers. As part of these transactions, James is frequently involved in risk assessments, valuations, forecasts, and analytical modeling.

In both his patent litigation and strategic counseling practices, James has been a pioneer in the use of data analytics in legal decision making, strategy development, and risk assessment. James has worked with leading data analytic firms to improve their tools and provide greater value to clients and the practice of law.

James served as a member of the committee that developed the original and the revised versions of the Model Patent Jury Instructions for the Northern District of California. He has published numerous scholarly and professional articles and book chapters and is a columnist on patent law and litigation for the ABTL Report of the Northern California Chapter of the Association of Business Trial Lawyers (ABTL).

## The Benefits of Issued Patents

In today's competitive environment, a strong patent portfolio strategy and process can be a key building block for securing market position and for positioning a company for continued growth. The strategy can foster innovation and collaboration within the company. It can enhance investors in a company's management and prospects.

A strong patent portfolio is an important asset for the company that will provide value for the company and create a range for the opportunities for the company for many years after the patents resulting from the process are issued.

