

Maximizing The Return On Your Patent Portfolio

Friday, Sep 21, 2007 --- A company that has put millions of dollars into developing a patent portfolio must eventually face the question: How much is my patent portfolio worth? Has the R&D expenses and the lawyers' fees been worth the investment?

Can I get some competitive advantage – or, even better, some cold, hard cash — for my patents? Or are they just going to decorate the walls of the company headquarters and be paraded out to impress the VCs for the next round of financing?

Any rational businessperson will ask these questions — and one more: How can I make the most money possible from my patent portfolio, whether through licensing or, if necessary, a lawsuit?

Federal law on damages in patent infringement cases provides useful tips on how to do so.

* Patent Features Your Competitors Need *

Contrary to what many think, a patent does not give the inventor “ownership” of an idea – just the right to exclude others from using the invention. The value of a patent, then, is what someone will pay to not be prevented from using the patent.

The damages a patent infringer will be required to pay are directly related to how much that infringer needs that patent to stay in business. Thus, if you choose to license your critical patent to your competitors, make sure they pay well for the privilege – and remind them that you could just as easily shut them down.

* Patent Features That Are Virtually Impossible To Design Around *

A corollary to the first rule is to make it difficult, if not impossible, for an infringer to “design around” your patent.

While inventing a feature that can be easily circumvented may be personally fulfilling, it does not pose much of a threat. If a competitor can easily and cheaply gain the same competitive advantage by tweaking your invention in a way that does not infringe, your patent is virtually worthless.

Make sure your engineers and patent attorneys anticipate these loopholes.

* Make Your Patent Part Of A Standard *

Making sure your patent is part of an industry standard is, obviously, easier said than done. However, the effect of the inclusion of your patent in such a standard can be a goldmine, as anyone who wants to practice the standard has to license your patent or else be barred from the market altogether.

If possible, establish your own standard (Blu-ray, for example). Be careful, however, about “pooling” your patents with others who may be part of the standard — the FTC has been known to cast a very dim eye on such practices

* Maximize The Multiplier Effect Of A Possible Injunction *

Many economists have decried the effect of “patent holdup” – where a patent is given a value far in excess of its intrinsic worth because of the threat of an injunction. If you can bar your competitors from selling their products because of your patent on one specific feature that cannot be removed or avoided, the amount you can demand for a license (or as damages in a lawsuit) can skyrocket.

Although the academics note that the patent’s disproportionate value represents a “deadweight” cost and an economic distortion, this is not your concern.

* Don’t Make Your Patent Too Broad *

Although the temptation when applying for a patent is to make the claims as broad as possible, so as to capture the maximum number of potentially infringing products, this strategy can sometimes backfire. Given recent changes in the law that make it easier to invalidate a patent as “obvious,” an extremely broad patent is often taken less seriously than one of more moderate scope.

* Don’t Make Your Patent Too Narrow *

A patent that is too narrow is not only unlikely to be infringed, it is easy to design around. Not a moneymaker.

* Act Like A Troll *

Although so-called “patent trolls” have gotten a lot of bad publicity, especially in the technology sector, you may notice that many of them are quite successful in exacting quite substantial monetary returns from their patents. They pursue a profit-maximizing strategy, which includes identification of vulnerable, profitable targets, relentless pursuit of those targets for possible licensing and a willingness to sue whenever necessary to exert maximum pressure.

Indeed, if you actually use your patent in your product, you are in an even more powerful position than a troll. After the recent Federal Circuit decision in

eBay v. MercExchange, injunctions have become much harder to come by for companies who do not practice the patents they assert. An infringer's competitor, on the other hand, has very little trouble obtaining this devastating relief from the court.

If you are serious about using your patents as a profit-making tool, make sure that management works with its engineers and patent attorneys to maximize the competitive impact of this intellectual property asset.