

Increase the ROI of your Patent Portfolio



In the current economic scenario, when companies are scrutinizing every investment, how can you maximize the returns obtained from your investment in patent portfolio?

Corporations have always been aware of the importance of intellectual property in protecting their revenues and maintaining technological exclusivity. Hence, inventors in many organizations have been incentivized to maximize the number of patents granted to the organization. While this has resulted in a significant increase in the number of patents granted over recent years, it has also resulted in an increased number of low-value patents, thus affecting the overall health of the portfolio.

One of the ways to assess the health of a patent portfolio is measuring its returns on investment (ROI). Measuring ROI has gained particular importance in the recent times marked by financial turmoil. Companies are looking at various ways to strengthen their patent portfolio while getting rid of the flab. In other words, intangible assets are also being scrutinized in ways similar to tangible assets.

The Investments

The primary investment in building a patent portfolio consists of the money spent on filing and maintenance of patents, which typically costs tens of thousands of dollars. The exact amount depends on various factors like the complexity of the patent and the age of the patent. The cost includes the attorney's fees for prosecution

and filing, the USPTO's fees for filing and maintenance etc. In 2008, a total of about USD 562 million were paid to the USPTO for maintenance alone^[1].

The Returns

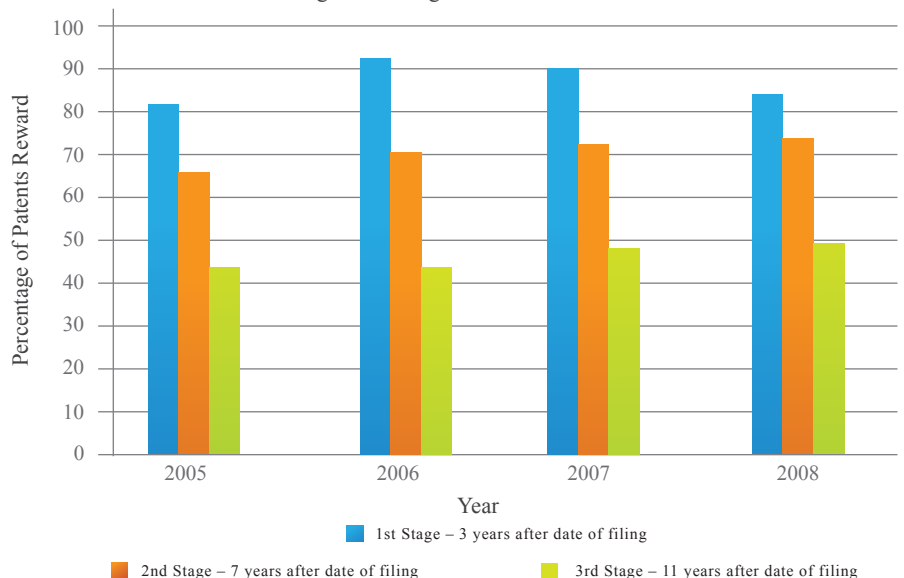
The returns obtained from the patent portfolio can be of the following nature:

- Protection of the company's products and by extension, its revenues
- Royalties obtained from licensing
- Revenues obtained from selling some of the patents
- Access to third party patents through cross-licensing deals

Most companies look for one or more of the returns mentioned above while building their portfolios. However, like any investment, different companies lay emphasis on different kinds of returns from their portfolios.

It has been observed that in a product-based company having a substantial patent portfolio, 1% of the patents generate about 90% of the total value generated by the patent portfolio. Overall, less than 10% of the patents contribute towards revenues. Besides, less than 1% of patents are involved in litigation. In such a scenario,

Fig 1. Percentage of Patents Reward ^[1]



companies may find it quite useful to identify the patents which are of value and those which can be disposed of.

Increasing ROI

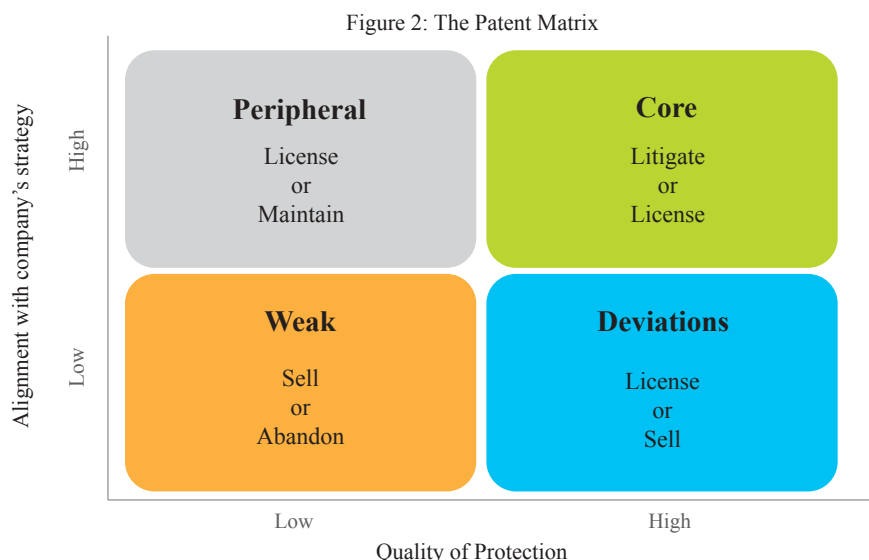
Despite the extremely skewed proportion of valuable patents, almost 75% of the patents are maintained for a period exceeding 7 years (Figure 1). A majority of this portion is believed to bolster the core patents in providing protection to the company's product lines. However, these result in substantial maintenance costs.

It can be inferred that there is an ample scope for increasing the ROI on patent portfolio. The first step in this process is the classification of patents based on the relevance of their technology or product domain to corporate strategy as well as based on the strength of their claims. This helps in categorizing the patents as in the Patent Matrix (Figure 2).

The categories in the Patent Matrix are:

1. **Core** – Patents in this category are of utmost importance for protecting the existing and planned product lines of the company. Hence, in order to maximize the returns, corporations can opt for identification of any potential infringement of these patents, followed by negotiating a license agreement or litigation. These patents account for nearly 10% of the total patent portfolio.

2. **Peripheral** – Patents in this category support the core patents in protecting the company's existing and future product ranges and can be used for cross-licensing deals. Corporations can choose to maintain these patents for the period till which they are relevant to corporate strategy.



These patents typically form the bulk of the portfolio.

3. **Deviations** – Patents in this category have strong claims but are not relevant to the current corporate strategy. Companies can obtain significant value from these patents by aligning their strategy based on these patents. In case that is not possible, companies can achieve monetary gains by either selling these patents or licensing them to other companies.

4. **Weak** – Patents in this category do not have any significant contribution - tangible or intangible. Companies can improve their overall returns by disposing of these patents – either by selling or abandoning. Early and frequent identification of such patents can help companies in achieving significant cost-cutting. These patents generally account for 10-20% of a portfolio not being actively managed.

As companies grow, the constituents of these categories keep changing. Thus, by

dynamically categorizing their patents in the manner described above, and dealing with them accordingly, companies can achieve higher ROI on their patent portfolio.

Conclusion

Like any other investment, companies should start thinking about tangible returns from investments in the patent portfolio. By going for patent portfolio management, companies can pave the path for achieving higher ROI.

However, as mentioned before, different companies build their patent portfolios with different visions for returns. These visions also change over time along with the corporate strategy. Thus a customizable and dynamic patent portfolio management solution will go a long way in maximizing the returns on corporate investment in patent portfolio.

Reference

[1] "Performance & Accountability Report Fiscal Year 2008" - USPTO

About iRunway

iRunway helps corporations and law firms unlock and protect the value of patents. We combine deep technology expertise with practical business insight to monetize patent portfolios and profoundly improve litigation outcomes. Our in-depth analysis has contributed to significant courtroom victories and favorable settlements for our clients.

- Fourth-largest patent jury verdict in the U.S. in 2009
- A strategic cross-licensing deal with a Fortune 200 technology company
- Favorable settlement with a medical systems company in a copyright case