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Five steps to being smarter with your IP

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In the past, companies have traditionally viewed patents as a defensive shield to minimise risk and to avoid involvement in patent litigation. Nowadays, however, companies are becoming increasingly more aggressive and view their patents more as an offensive sword to be used in licensing negotiations and infringement lawsuits.

It is now readily recognised that patents are essential assets that can increase market share for a company, protect R&D efforts, and generate additional income streams. Such recognition has led to a patent arms race among companies. For example, the U.S. Patent and Trademark Office issued 224,505 patents in 2011, which is an increase of 2 percent from 2010.

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Such statistics raises the question as to whether all patents are valuable to a company's business. Unfortunately, the answer to this question is a resounding 'No.' Research shows that only five to 10 percent of issued patents are actively enforced, which would imply that the vast majority of patents are of little to no value to a company. Moreover, inactive patents can be a major financial burden to a company due to the annuity fees.

Proper management of a company's patent portfolio is one way to maximise profits. However, managing a patent portfolio will require diligence and ongoing effort in order to carefully analyse the technical and commercial merits of each patent. While there is no single play book available, the five steps mentioned below are widely considered the cornerstones for properly managing a patent portfolio.

Step 1 – Know what you have

Knowing what you have, including the number of patents and technical areas of each patent, is the first step needed in managing a patent portfolio. While this process has been time consuming and costly in the past, many inexpensive but efficient databases make the process much easier nowadays. You can simply conduct a search of a database to obtain relevant information, including the number of patents you have in a specific area.

Step 2 – Know what you need

Once you know what you have, you can identify your competitors and the extent of patents that are owned by them. Based on such knowledge, you can then identify any deficiencies or holes that may exist in your patent portfolio. Use of a smart database can be an indispensable weapon to achieve this goal as the names of your major competitors and their patents can be accessed in a matter of seconds.

Step 3 – Acquire what you need

You now can consider how to best address any deficiencies in your patent portfolio. An R&D project may be initiated to obtain patent protection in a specific area of weakness. Alternatively, you may consider acquiring or licensing patents from third parties. With the information garnered from the previous steps, you can make an informed decision as to which path you should take to best address your weaknesses.

Step 4 – Divest what you don't need

In an effort to reduce maintenance fees, you can choose to sell or license non-essential patents of the company to a third party. You can easily identify companies that may be willing to license your patents by knowing your competitors' patent portfolios.

Step 5 – Ongoing management and enforcement

The steps above should ideally be repeated on an ongoing basis. Additionally, one should continuously monitor the activities of one's competitors to determine whether an opportunity will present itself to enforce your patent portfolio. After all, it is not a numbers game, but a quality game, wherein the ultimate goal is to realise maximum value from your patent portfolio, while also minimising your costs to the extent possible.

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