"Competitive and cost effective IP management"

Stratagem IPM Limited

The present global economic downturn is putting pressure on companies to cut their costs and intellectual property (IP) departments may be facing the prospect of managing their company's IP portfolio with a decreased budget. This article summarises portfolio management strategies with a view to reducing costs and maximising the value of existing assets in the short term whilst continuing to innovate and seize opportunities for the longer term.

Prioritise the Intellectual Property Rights

A clearer understanding of where revenue and savings can be made within the IP portfolio can be gained by undertaking a full IP audit and preparing a forecast of predicted costs for managing the IP portfolio over the next 12-24 months. Each piece of IP should be clearly identified and its role within the context of the business should be fully understood. In short, align the IP strategy with the business strategy. In the case of patents, trade marks and designs, it may be possible to identify two tiers, the first most important tier covering business critical products/processes, and the second tier comprising peripheral, defensive, speculative or otherwise "nice-to-have" filings. Having prioritised your intellectual property rights (IPRs) it should be apparent which can be targeted for cutting costs or generating revenue. Generally speaking, companies should look to their second tier IP in any cost-cutting exercise rather than erode the competitive advantage conferred by the first tier of IP or new IP. The temptation to reduce costs by cutting back on new patent filings needs to be resisted.

Continue to innovate

Although companies may need to be more selective about what they file on, they should appreciate that IPRs surrounding their core technology need to be generated on an ongoing basis, otherwise they risk undermining the future growth and profitability of the company in the longer term. A policy of "no new filings" may be self defeating and companies should therefore continue to innovate and expediently file for IPRs around their core business products and processes. Now may be the time to align research and development with the business and IP strategy, thereby ensuring that a continual stream of IPRs relating to the core business is generated.

Reduce costs

There are several ways in which costs can be reduced for existing IPRs.

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For new filings, the PCT system can be utilised to file international patent applications, effectively deferring costs and delaying prosecution for up to two and half years after a first filing. The Madrid and Community trade mark and design systems can also be used in a similar way.

Prosecution costs can be delayed by fully utilising extensions to deadlines.

For patent applications, the filing of divisional and continuation applications can be used to keep subject matter “alive”, thereby preserving the option to pursue protection at a later stage.

Costs can be deferred in the short term by combining multiple inventions into one patent application, however this strategy may ultimately necessitate the filing of one or more divisional applications and the payment of fees.

Focus on core territories such as the USA, Europe and Japan and consider abandoning non-key countries. The single market of the European Union makes it desirable to obtain patents in all member states. Unfortunately, this is prohibitively expensive for the majority of undertakings and companies should look to obtain protection in core territories only, ideally making use of the recently adopted London Agreement which minimises patent translation costs in some major territories.

For granted patents, in some territories grace periods can be used to delay renewal payments, however obtaining local advice is advisable. Bear in mind that in most territories patent renewals fall due annually and that the costs for renewing a patent covering many territories can be significant. Where appropriate, let unused patents lapse or scale back filings on non-business critical ideas.

Consider deferring the filing of patent applications by treating potentially patentable information as know-how, ensuring that the information is not publicly disclosed. Patent applications can be filed at a later date, although a delay strategy runs the risk of a 3rd party filing an earlier application.

If appropriate, look to utility models, registered designs and trade marks for cheaper protection for products with a shorter market lifespan.

For patents, consider outsourcing routine aspects of prosecution such as regional/national phase entry and validation of European patents, however ensure that the quality of the work is maintained, ideally utilising mechanisms to assess the quality and consistency of outsourced work on an ongoing basis.

IP departments should aim to reduce their costs by improving their efficiency. Streamlining internal processes such as the capture and prioritisation of ideas can ensure that the IP budget is spent most appropriately.

Maximise revenue from existing IP

The IPRs must be made to work for their owners and companies should seek to establish additional sources of income where at all possible. For example, technology can be out-licensed or cross-licensed to create revenue streams, or directly sold.

Seize opportunities

Now may be the time to step up your competitor analysis to identify opportunities to expand the portfolio by acquisition or in-licensing of IPRs from struggling competitors, or utilise technologies which are being discarded by their owners. At a time when competitors may be sacrificing their long term competitive advantage to cut costs, smarter companies should opportunistically continue to expand their portfolio and improve their long term position.

Patentees will be policing and enforcing their patents more vigorously than ever and it is important to appreciate the necessity of due diligence and ongoing freedom to operate analysis.

Finally, if at all possible, stay out of court!