

**CREATING BUSINESS VALUE THROUGH PATENT
KNOWLEDGE MANAGEMENT**

UBM TechInsights

THE RIGHT TOOL MAKES THE DIFFERENCE

See what you've been missing? PatentVista Enterprise, UBM TechInsights' patent management tool, enables IP intensive companies to manage their IP portfolios for better prosecution, licensing and divestiture activities. To get the most out of your IP you need to set a clear direction. Find out how. Sign up today for a 30 day trial demo at www.ubmtechinsights.com/patentvista

OVERVIEW

Most businesses understand the value of protecting their intellectual property, either by patents, trademarks or copyright. Patents offer excellent protection and can help a business either create a sustainable competitive advantage over its competitors by excluding them from practicing key technologies or generate incremental revenue through patent licensing and / or sale.

On an individual invention level, most businesses are relatively diligent about applying for and receiving the necessary patent protection. All too frequently however, the full potential of this protection is never realized. Often, patent assets lie fallow and underutilized with the following common situations:

- Continued maintenance payments on low value assets – patented technologies whose days have passed (or never were)
- Lost revenue opportunities from neglecting to divest high value but no longer strategic assets
- Sub optimal results from reliance on a set of “old favorites” to defend the market space or generate licensing revenue rather than continually refreshing with newly granted IP
- “Trophy” patents - Continued patent filings in areas of limited commercial significance or with more than sufficient existing protection

KNOWLEDGE FRAGMENTATION

A frequent root cause of ineffective IP utilization is the fragmentation of the necessary knowledge across the corporation. To properly maximize the value of a company’s IP it is essential to have a holistic view of the portfolio that combines all relevant business, technology and legal information about the IP. All too often, however, the necessary IP knowledge is the fragmented and siloed across the enterprise.

Technology and business application knowledge typically sits within the various business units, while knowledge of the actual IP holdings typically sits within a corporate IP group. Within corporate IP, information may be fragmented between

licensing, litigation, and prosecution departments and even across individual desktops. Key documentation such as past patent reviews, sorts, assertion documents, prior art studies are frequently scattered across multiple desktops and document repositories. Knowledge may be irretrievable lost owing to the departure of key individuals.

PORTFOLIO ORGANIZATION

Effective IP utilization not only requires a holistic view of portfolio information but also the right kind of information at both the micro and macro levels. A macro level understanding of how the portfolio is distributed across technology, product lines and business units is essential to guide patent prosecution, acquisition and divestiture strategies. A detailed, micro level understanding of the strengths and weaknesses of an individual patent is equally important for success in licensing campaigns and infringement disputes.

Portfolio organization however, even for portfolios of a few hundred patents is daunting. Typical challenges include:

- a broad range of technologies requiring cross-company or outside expertise to evaluate
- diverse and incompatible patent ranking and scoring methods used within the enterprise
- conflicting patent classification schemes used across the company
- incomplete patent inventory due to mergers, acquisitions, divestitures and new issues

MANAGEMENT AND ORGANIZATION SYSTEM REQUIREMENTS

A knowledge management system to properly organize and leverage a patent portfolio should have the following basic attributes:

- Centralized database and document repository to capture and keep all relevant patent information and documents

- Support for multiple, customizable taxonomies for patent organization across different dimensions such as technology, business unit or protected products
- A universal and enforceable patent scoring and reviewing methodology
- Threaded commentary support to capture the evolving understanding of an individual patent over its lifetime as it is tested through repeated assertions, rebuttals or prior art challenges
- Workflow support at the project level to support large, dispersed, collaborative teams and provide for task and role assignment as well as progress tracking
- Visualization tools for portfolio surveying at a high level
- Searching and filtering tools to mine the stored data and locate the most appropriate patent set for a given context
- Enterprise wide access to support internal IP teams, inventors and subject matter experts
- Access outside the enterprise to support outside experts, counsel or remote negotiating teams
- Document management and control
- Security and role based permissioning to protect sensitive information

Until recently, however, no single tool with these attributes existed.

PATENTVISTA ENTERPRISE

PatentVista Enterprise (PVE) was created to address the need for a holistic patent portfolio approach. PVE is a web based, patent knowledge management solution that enables Portfolio Managers and corporations to organize and understand the breadth and depth of their patent portfolio.

At its core is a patent-centric database capable of containing all public and private patent information as well as document repository for storage of all relevant patent documentation including expert review, prior art opinions and assertion documents.

To organize a portfolio, PVE provides a graphical patent sorting interface that allows patents to be sorted into multiple, customizable, hierarchical sorting trees. Standardizing how your

organization's patent portfolio is organized with a single, consistent and corporate wide taxonomy greatly simplifies subsequent reporting and searching. Public classification systems, such as USPC and IPC classification codes, provide neither the flexibility nor the granularity needed to effectively manage a patent portfolio.

PVE also provides a scoring and reviewing interface to capture detailed, expert level assessments of individual patents. Scoring, commenting, and document attachment are all supported. The available data fields and scoring methods are customizable to suit and enforce preferred business practices.

The evolving understanding of a patent over its lifetime as it is tested through repeated assertions, rebuttals or prior art challenges is captured through a commentary mechanism in which all comments are date and user stamped.

Multi-user project teams are supported with personalized project, task and patent lists; project roles and objectives and completeness reporting.

Information capture is only useful, however, if it can be leveraged when needed. PVE supports both free text and structured mining of all portfolio information including titles, abstracts, scores, attached documents and sort nodes. It's powerful and intuitive filtering functions also allow rapid surveying of the portfolio.

As a hosted, web based application it is accessible inside and outside the organization with a minimal IT footprint.

ROI

Proper portfolio organization and knowledge management can generate significant ROI through both revenue generation and cost avoidance.

Potential revenue sources include:

- **Sale of Patent Rights** – a properly organized portfolio will allow an IP Manager to easily identify strong but non-core patents to divest.
- **Improved Licensing Opportunities** - In both assertive and defensive campaigns it

is important to use the best patent set for the context. Experience shows companies often miss opportunities by too much reliance on their “old standbys” or “golden” list. Licensing revenue and opportunities can be improved by mining the entire portfolio

Cost avoidance opportunities include:

- **Increased Productivity** - Knowledge capture and reuse will reduce time spent on preparing defensive or assertive campaigns. With the patent related details at their fingertips, IP managers can easily locate from within their entire portfolio the most appropriate patent set for a given situation.
- **Prosecution Savings** – Understanding the strengths and weaknesses of a company’s existing portfolio enables the most effective use of their prosecution budget. With the appropriate organization managers can direct prosecution budgets to weak spots in the portfolio and avoid prosecuting “me too” patents
- **Maintenance Savings** – Portfolio organization facilitates the regular abandonment of weak IP and consequent maintenance fee savings

EXEMPLARY ROI CALCULATION

TANGIBLE PROSECUTION SAVINGS

Recent filing trends for medium to large-sized firms in the Information and Communication Technologies market file show that company will, on average, file over 150 patent per year. Using data from the AIPLA (American Intellectual Property Law Association) Report of the Economic Survey 2007, we may assume each filing has an average external cost of \$20,000. We may also assume average inventor spends 40 hrs on the application at a loaded cost of \$200 /hr the average external cost is \$8,000.

Using PVE, a bird’s eye view of the entire portfolio can be created, mapped along technology or product lines and highlighting redundant or misaligned invention disclosures. Assuming even

5% of disclosures are deemed redundant or misaligned, companies using PVE to help select invention disclosures for filing could therefore achieve external cost savings of \$210,000 annually.

MAINTENANCE SAVINGS

Without a detailed understanding of their portfolio, companies typically continue to pay maintenance on patents long after their value to the business has faded. PVE can be used to conduct a regular review of a patent portfolio, and to cull patents that are deemed to be of no value or non-core to the business.

Based on an average patent family size and current maintenance fees, each discontinued patent represents, on average, \$4,700 (net present value) in maintenance savings. In our experience, corporations with a large well-managed patent portfolio are able, using PVE, to identify on average at least 3 % of their patent holdings annually as candidates for dropping or divesting. Assuming a portfolio of 2000 patents worldwide, corporations using PVE to conduct a maintenance review could save approximately \$280,000 annually. On the first use of PVE on an unorganized portfolio savings are typically much higher.

REVENUE THROUGH SALES

In addition to savings from discontinued maintenance on culled patents, revenues can be generated from the sale of these assets. The market for patents has become increasingly liquid in the past few years. In 2008, sales of patents alone represented \$2B dollars in transactions. Assuming 50% of culled patents in the above example could be sold at average price of \$75K / patent, this represents an annual revenues stream of \$225K.

REVENUE GENERATION THROUGH LICENSING

By far, the greatest potential effect a properly structured portfolio can have on revenue is through licensing. In the high stakes world of patent licensing, the ability to locate the most appropriate set of patents to strengthen your negotiating position is invaluable. Whether in an

offensive or defensive situation, having this information at hand is key.

Finding the right patent in an unorganized portfolio, however, is like looking for a needle in a haystack. With a well organized portfolio and knowledge management system, however, a company's entire cumulative patent knowledge can be searched to locate the ideal set of patents.

CONCLUSION

A holistic patent portfolio view that combines all relevant business, technology and legal information is key to maximizing return on your IP. Historically, this has been difficult to achieve due to a lack of the appropriate supporting tools. With PVE however, a company's private and public patent portfolio information can now be aggregated and organized in a consistent and on-going manner across the enterprise. Benefits include reduced maintenance fees, better prosecutions, stronger patent assertions and increased revenue from sales of non-core assets. For a technology company of reasonable size the savings and additional revenues generated can easily run into the hundreds of thousands of dollars annually.