

INNOVATIVE FOUNDATIONS

5 KEYS TO DEVELOPING A STRONG PATENT PORTFOLIO

— by Matthew Wahrab

How to develop a patent portfolio to solve business needs?

Dear Company Leader:

Do you want to use your patent portfolio to serve the needs of your company, but are not sure what your options are or how to get started? Are you at wits end seeking new funding and new customers and are ready to try something new? Or have you recently attempted to extract value from your IP investment and came up short?

If so, I understand how you feel.



My name is Matthew Wahlrab, and during my 15+ years as a leading patent-value extraction expert, I have developed lucrative patent portfolios supporting over \$100 Million in ROI and value to patent holders. I leverage my frontline licensing and capital raising experience to help innovators achieve uncommon business results through patent-based business transactions.

Creating and Extracting Value From IP for your Business

Economists estimate that as much as 80% of a company's book value is attributed to Intellectual Property (IP). The large proportional value of IP brings with it tremendous scrutiny by potential customers, investors, competitors and acquirers in their pursuit of a better deal. Getting your IP right pays huge dividends, and proving your patent IP is strong during due diligence.

The due diligence process for patent IP in particular is brutal. A seasoned patent attorney can wipe out most if not all of your patent IP's value in the 30 days they will take to scrutinize your patents in the greatest detail.

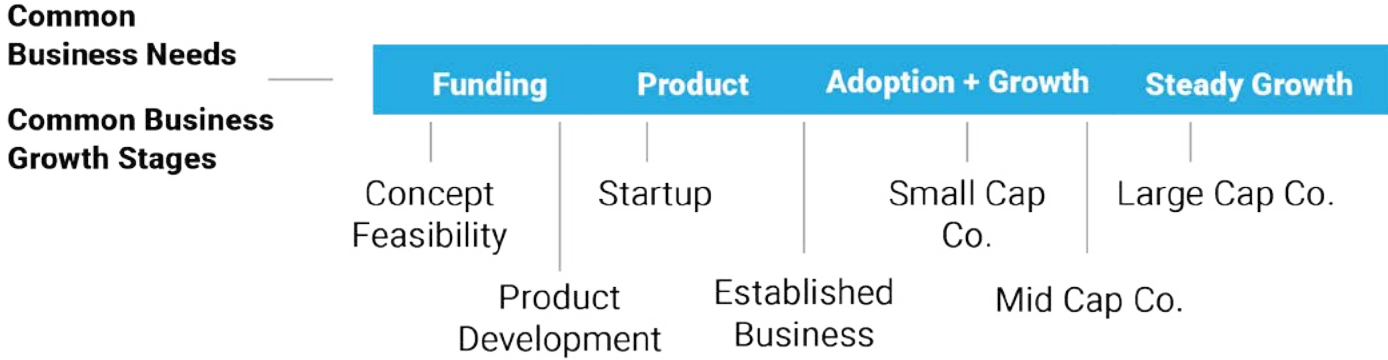
Thriving during due diligence means negotiating from a position of strength. In the most extreme instances, with nothing to protect your product, your potential acquirer recreates your product and becomes your newest competitor. It absolutely does not have to be this way!

There are several concrete steps any entrepreneur and business executive can implement to obtain a patent portfolio that is aligned and ready to serve your business needs when called upon. What follows are the five basic steps that can be followed to regularly produce patent IP that can serve your business needs. These steps include:

- 1. Identify the business need that you want to resolve**
- 2. Match your business need to a viable Patent Portfolio Business Use Case**
- 3. Determine the feasibility of your patent portfolio strategy**
- 4. Communicate your patent portfolio strategy**
- 5. Measure and Reevaluate your strategy within the greater context of your business**

Step 1: Identify Your Business Need

Patent IP when developed properly, (i.e., with an eye towards using the IP in the normal course of business) can play a role in resolving business needs throughout the business growth cycle. The key is identifying the business need, and developing a patent portfolio that will resolve the immediate as well as long-term needs of the business.



While every business is unique, there are common threads that most entrepreneurs who seek to operate a business will experience as they transition from an innovative concept to a well established business. Depicted in the figure above are Common Business Growth Stages a company will encounter as it moves from early concept (left side of the figure where funding is critical) towards a Large Cap Company (right side of the figure where continued growth is the main goal).

When developing a patent portfolio, it may also be useful for a business to be aware of how a business at a different growth stage may be able to use the patented technology you are

pursuing. Truly innovative companies that take advantage of the fact that patent IP can be sold and re-sold in the form of licenses have at their disposal a useful business tool to drive new revenues. Once armed with your intended business use case, it is time to now identify a Patent Portfolio Business Use Case in order to reap the financial rewards of owning patent IP.

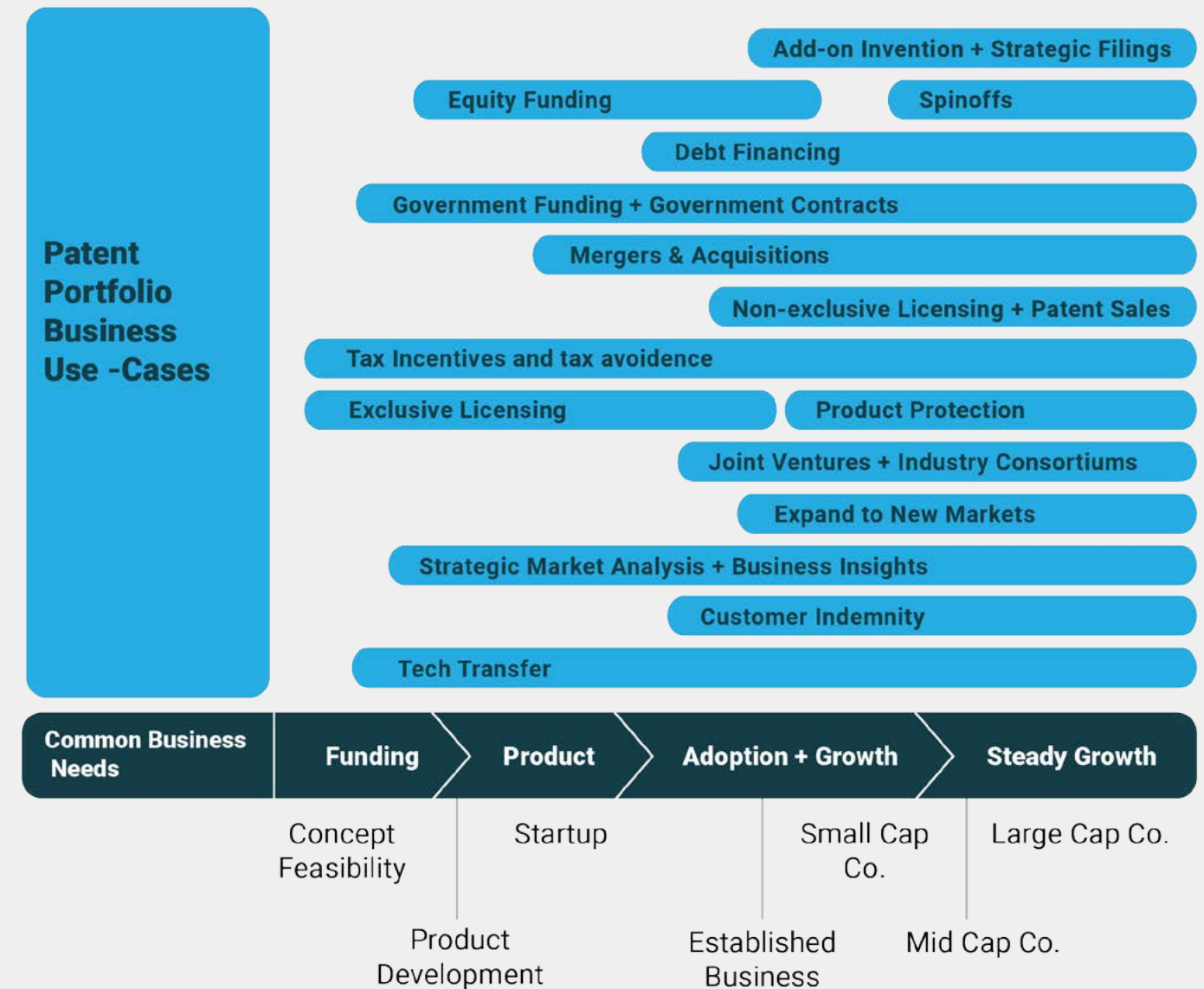
Step 2: Patent Portfolio Business Use-Case

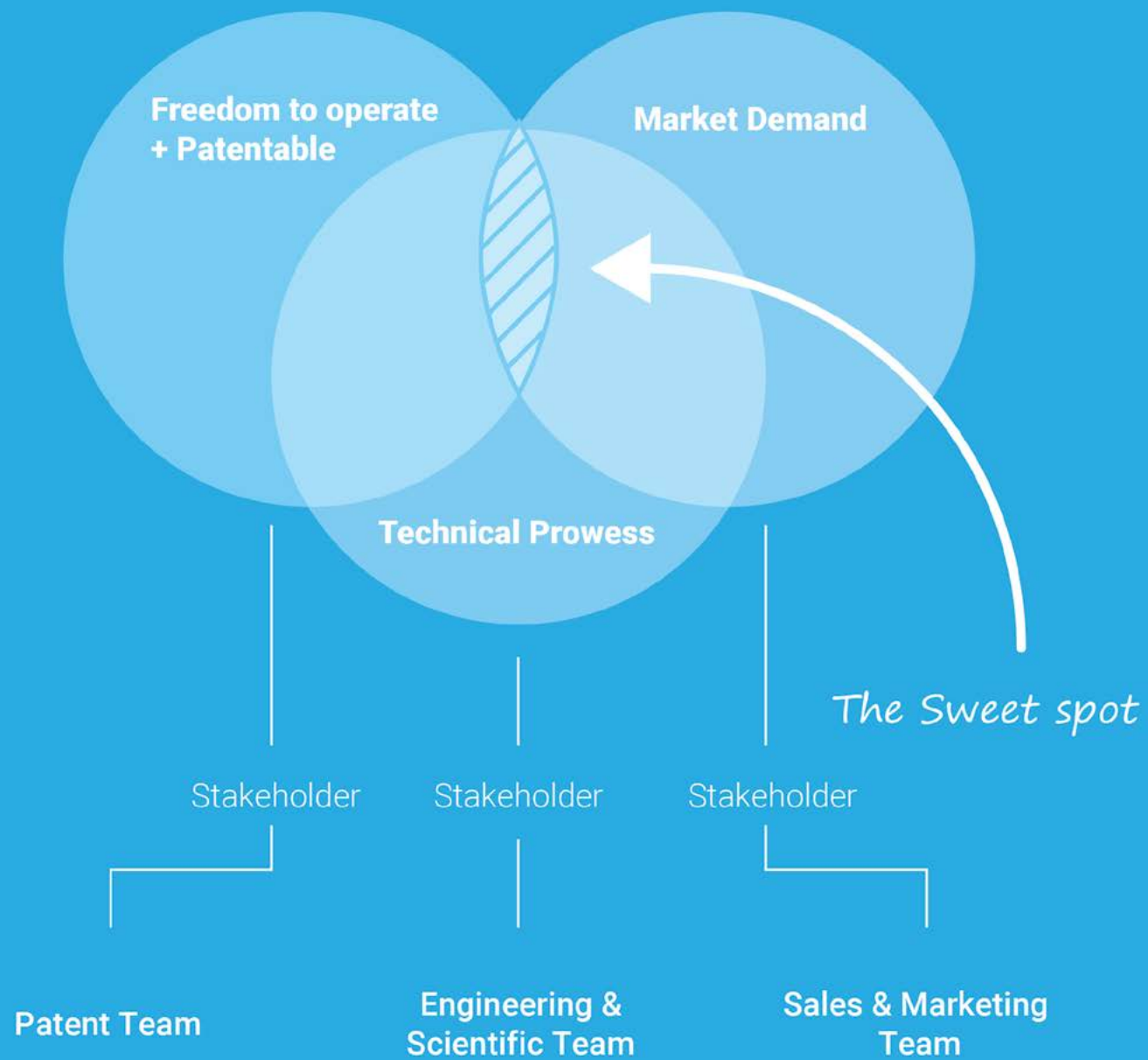
The figure 2.1 provides a series of common Patent Portfolio Business Use Cases aligned with the Common Business Needs for each Common.

Business Growth Stage. An effort has been made to vertically align each Business Use Case with the relevant Common Business Growth Stage for which Patent IP is commonly leveraged. Aligning the business need and growth stage with the use case will identify strategies for resolving a company's business needs, or can be used to identify how a company's current IP can be leveraged to resolve the needs of other companies in various patent-based business transactions.

Once an attractive Business Use Case has been identified, a feasibility study will be conducted to determine whether a patent position that will achieve the intended business use case can be attained.

Figure 2.1





Step 3: Patent Strategy Feasibility Study

A feasibility study engages appropriate stakeholders to identify risk, determine if the risk profile is manageable and acceptable, and capture the underlying assumptions that make pursuing patent IP protection valuable to the business. Capturing these underlying assumptions is critical to taking corrective action as the understanding of the underlying assumptions evolve over time.

Once a technical solution has been developed, it is imperative that the Engineering and Scientific Team collaborate with the Sales & Marketing Team. Their goal is to determine if the technical solution addresses a pain point in the market. If yes, all of the information that would be used to project manage the development of the product or service should be evaluated by the patent team. The Patent Team must determine whether the proposed technical solution infringes other patents, and whether the proposed solution itself may be patentable. For more on the patent process, please refer to this article. Armed with the facts, leadership must decide whether or not patent protection should be sought.

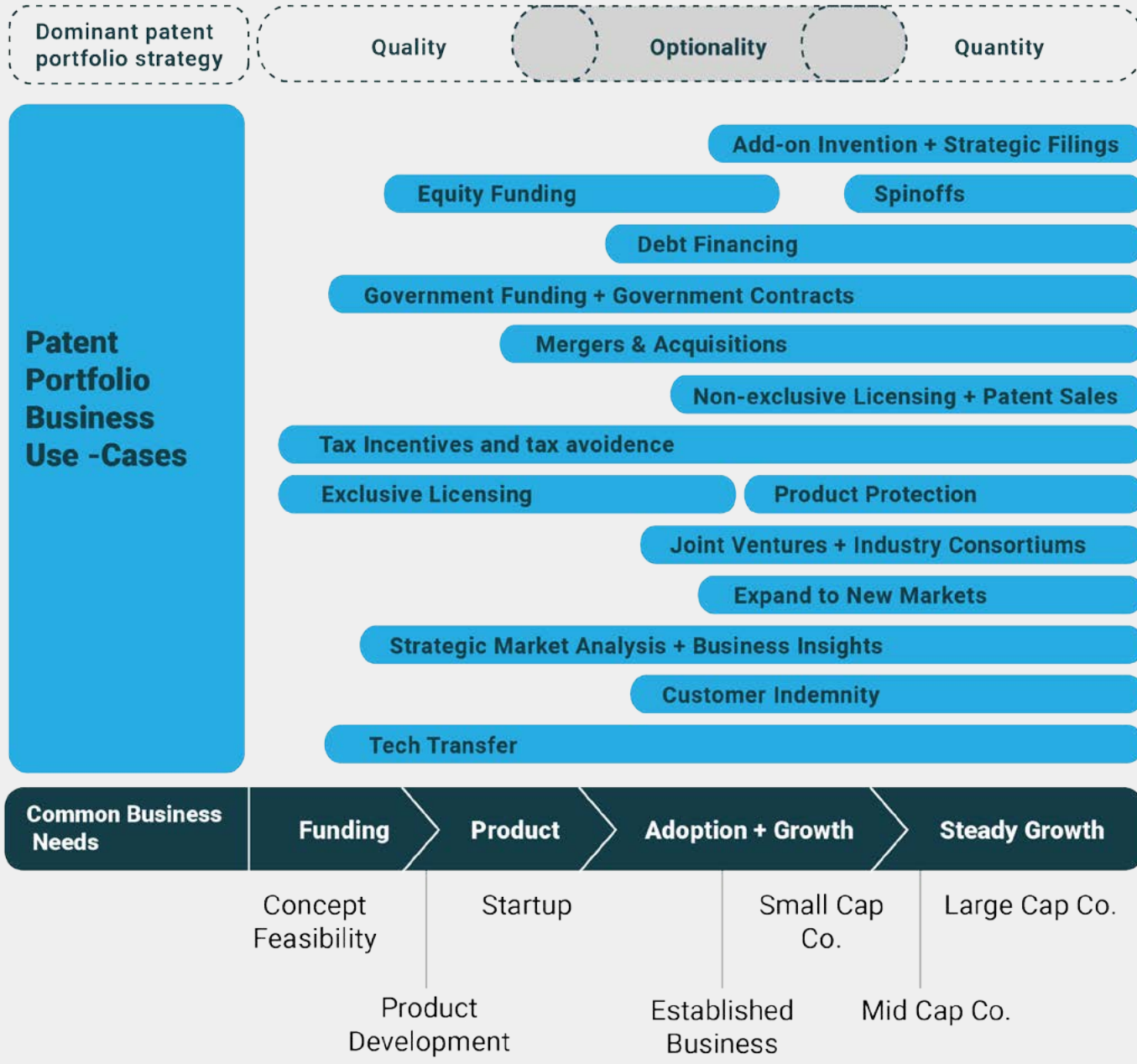
Step 4: Communicate your patent portfolio strategy

Armed with the underlying assumptions from the Patent Strategy Feasibility Study, the patent strategy itself must now be communicated to the business stakeholders. Business stakeholders include the technical staff, sales and marketing, legal, and business leaders who participate in the portfolio development process for purposes of quality assurance. The table below provides three high-arching patent portfolio strategy themes and patent portfolio characteristics that can be used to guide on-going patent portfolio development.

Success can be attained through clear communication of the objectives that must be met to the stakeholders. Topics to be communicated include:

Patent Portfolio Strategy	Portfolio Size Attribute	Detail of patents Specification	Goal(s)
Quality	Limited Filings	Ample detailed disclosure	Issued claims map to core product; Blocking IP
Optionality	Increased filings + variety in claim coverage	Detailed disclosure	Issued claims directed to Core & Future products
Quantity	Volume of new filings	Modest & targeted disclosure	Blocking IP Filings & Cross Licensing

- 1. A list of stakeholders who will support the patent portfolio development from a technical, legal, market, and business standpoint over time**
- 2. The desired Patent Portfolio Business Use Case(s)**
- 3. The desired patent claim coverage in each patent filing jurisdiction**
- 4. The underlying assumptions with respect to market size, technical feasibility, and patentability**
- 5. The Budget for the patent portfolio**



Step 5: Measure and Re-evaluate

The patent process from initial filing to patent issuance can take years. In this time, laws change, products succeed or fail, business needs change, technology becomes dated, and markets evolve. All of these factors will heavily influence your patent portfolio development strategy. For these reasons, it is imperative that the aforementioned variables are factored in at every touch point within the life of the patent (up to 20 years).

Patents, much like every other product or service in a business, must be developed and monitored with care until the patent no longer serves a business purpose. By measuring and re-evaluating the underlying assumptions that led you to file in the first place, you will be able to produce a high quality portfolio that is ready for the rigors of due diligence.

Next Steps

Developing patent IP with the notion of being prepared for due diligence produces strong patents and help communication across the organization. This communication often leads to more innovation, stronger products, and a greater awareness of the market.

Now that you are aware of the basic steps needed to produce a patent portfolio that is ready for diligence, please feel free to reach out to me to schedule a complementary consultation.

In the Complementary Consultation I will help you do the following:

- **Understand the market for your industry's patent IP**
- **Determine an ideal Patent Portfolio Business Use Cases for your particular business needs**
- **Help you get started leveraging your patent IP in business transactions.**

Look out for my next email ...

I'm going to be connecting with you over time with strategies on developing your patent portfolio, leveraging your patent IP to support your business, and tips on gleaning meaningful business insights from patent analytics.