

## Why Good Patents Go Bad

*Law360, New York (January 29, 2010)* -- Understanding the basis of value of a patent or patent application is different from quantifying the value of a given patent. Quantifying patent value is notoriously difficult. But understanding why patents have value, and why so many have little or no value, is not only possible, it is critical.

This article discusses various reasons that patents may fail and commends teaching and learning about patents in a way that integrates the perspective of value right from the start.

Such a perspective and adopting the pursuit of patent value as the key goal in patent procurement and management at all levels promotes business processes that ensure that patents, and the resources used in procuring them, are effectively used.

As noted, employing value as a lens through which to view patents is different from measuring the value of one or more patents. But one can pursue value without quantifying it. It's analogous to pinching pennies without creating a budget.

## The Large Percentage of Patents that are Failures

Although the statistic is common knowledge, it is worth pointing out here that the vast majority of patents have absolutely no value at all. Some estimate that 95 percent of patents have no value. Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. Rev. 1495 (2001). Thus, a good starting point for developing a value-based understanding of patents is to ask why only a small fraction of all patents actually serves a valid business function.

## Reasons for Low Patent Value

Nobody can minimize the risk that a patent will lack value as effectively as those intimately familiar with the markets, technology, industry trends and other expertise associated with the business. Companies that use patents effectively must own and drive the patent process with business goals in mind.

So the gap between the available expertise about how to use a patent and the way a patent is actually used (or not used) is a measure of failure. There are many ways in which a business can fail to take advantage of its patents. A few of them are as follows:

- 1) A Patent protects the technology but fails to protect the value proposition. The basic purpose of a patent is to protect a market. A company makes a product or service and uses its patents to prevent others from copying it.

This is Economics 101: The patent owner controls access to a technology and can therefore charge more for the technology by restricting output and raising the price, assuming the value proposition has advantages performance and/or cost advantages.

Thus, patents need to be written with an eye on the alternative ways the invention's function may be achieved. The patent needs to capture all the possible ways to deliver a given value proposition or it should not be pursued.

Too many patents are not organized around the actual competitive business situation, and focus instead on the one "sexy" technology. Patent applicants and holders should assess and use the most powerful selection drivers. These are often missed because those concerned with the patent are often focused on the technology, not the market.

The patent process should survey the features that drive product selection and the protectability of these features. Often the features that have the most clout from the standpoint of their ability to protect a market are those which are the least sexy from a technical standpoint.

If patents are viewed from the value perspective by inventors drafting invention disclosures, it means they will think about the business values to be delivered to a customer, not just the technology, and learn the discipline of scanning for all the technical variations that can deliver the same basic value proposition.

These can be enumerated in the invention disclosure to ensure this information is delivered to the management team and patent drafter, thereby maximizing the patent's business value.

Training personnel to take these factors into consideration early may also save on the cost of prosecution, because it may simplify invention interviews, help organize the drafting, and smooth the road for prosecution of the patent.

It's worth noting that the features valued by purchasers can change or be different from those predicted at the time patents are pursued, and competent patent practitioners use a variety of techniques to hedge this risk, the discussion of which go beyond the scope of this paper.

2) A patent is eviscerated by protected improvements. Even if a core technology is effectively protected, the value of the patents can be diminished or eviscerated by allowing third parties to protect improvements. This tactic is called bracketing.

The key tactic for defending against bracketing is defensive publications, where technical features are placed in the patent specification (or outside publications) to dedicate them to the public and thereby restrict competitor's ability to build patent claims upon them.

On a related note, patents can be used offensively to block competitors from improving their products. Competitive companies can use bracketing to restrict a competitor's opportunities to improve a product or service or to control a competitor's ability to use his technology in alternative applications.

With a competitor limited in what it can do and potentially distracted by the problem, a company can sometimes obtain a useful advantage. Consider the story of two campers who spot a bear. One says "why are you putting on your tennis shoes, you can't outrun a bear." The other replies, "I don't have to, I only need to outrun you."

3) A patent owner has limited or no freedom to operate. A patent does not give its owner a right to use the technology protected by it. Some companies who spend a great deal on patents spend little on the analysis of competitor and other third party patents needed to use their own.

This is unfortunate not only because such analysis can give a warning of a potential infringement and afford an opportunity to design around the claims of a dangerous patent, but also because reviewing competitors' patents can provide a powerful resource for innovation.

Patents can suggest novel approaches to existing problems and product shortcomings. Jack Hipple, a structured innovation consultant in Florida, calls the opportunity created by considering others' patents "parallel universes" because at any moment many different people are thinking up and solving the same fundamental problem with the only difference being the details concerning the particular solution.

Patent claims capture the essential elements of the state of art in a carefully distilled form. With effort, new and, potentially, even better product ideas can be derived by the process of inventing around them, which is, in a sense, the process of testing the conventional wisdom of a discipline or industry area.

4) Patents can be overtaken by disruptive technology. Disruptive technology is not a patent issue, but a business risk. But it is important to understand how patents can be used to mitigate or control that risk.

In fact, having a hands-on approach to a company's patent portfolio development can help it identify such risks early thereby allowing them to build a stake in the new technology, for example by exploiting the company's market expertise to create new innovations that build upon the new technology.

5) Missing licensing opportunities. Patents can be licensed to non-competitors for use in fields that are unrelated to those of the business that owns them. This allows technology originators to exploit their inventions in other markets.

Companies often allow their patents to have limited claims that are directed only to familiar technical applications, without considering parallel applications in other fields. This results in many missed opportunities for licensing.

6) Defensive Publications. Defensive publications are a staple tool of patent strategy, yet few companies use them. Patents often include lengthy discussions of prior art, which has little value and can even detract from the value of the patents.

Instead, patent analysis should often focus on topics, such as alternative applications of the claimed technology; related technologies in the "product ecosystem," such as technical incidents of packaging, disposal, supply chain, selling, customer education; and even speculative ideas related to future incarnations of the technology (the latter often called prophetic patents or technology).

By publishing information on such matters defensively, the patent applicant can clear for its use, all technologies required for the protected technology to be used in its business (or those of its licensees) to the extent these related technologies are not otherwise protected.

The concept and tactics of defensive publication are known and understood by patent agents and attorneys. But companies that want to maximize the business value of their patents should push to ensure that they are used in an overall strategy.

Most companies that patent their technologies simply do not take advantage and it is often up to the company to urge their representatives to educate them about how best to use this essential business tool in their overall strategy.

7) Involving the business in the patent process. A final and important and oft-missed opportunity to improve the business value of patents involves helping companies to become and remain more intimately involved with the details of the patent procurement process.

Companies typically ignore the rich “back channel flow” of information and knowledge that is generated when a business client is deeply involved in the patent process. For example, just the prior art and competitor patents that are routinely searched and reviewed during prosecution are a valuable source of strategic knowledge about competitor activity and industry trends, as well as a distillation of conventional approaches to common problems — an opportunity to look into the “parallel universes” mentioned above.

This back channel contains information that can help companies stay abreast of technical trends and disruptive technology and even help them innovate. Patents and prior art can also be a valuable source of market information and sometimes represent the voice of the customer.

Patents and prior art often help companies understand the merit of their value proposition against substitutes in addition to direct competition. This information can help company employees become broader knowledge brokers and increase their domain knowledge.

So in sum, the patent process can add value to a company’s business strategy above and beyond the fundamental value of patents themselves.

--By Mark Catan, Miles & Stockbridge PC

*Mark Catan is a principal with Miles & Stockbridge in the firm’s Tysons Corner, Va., office.*

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