



## *Tighten Your Assets*

Patent Quality vs. Quantity

Steven J. Adam

2007 LES Annual Meeting

October 16, 2007

# Tighten Your Assets

## Why bother??

- ❑ “In the 1960s, a dollar of semiconductor R&D (research and development) spending would generate \$40 in revenue. Now it returns just \$6.”
  - ❑ Bernie Myerson, IBM Fellow
    - ❑ Keynote at Globalpress Electronics Summit, California, USA, March 2006.
  
- ❑ Companies are looking for alternatives to generate more revenue from their inventions.
  - ❑ Technology Transfer
  - ❑ Partnerships
  - ❑ Acquisitions
  - ❑ Assertive Licensing



# *USPTO View on Patent Quantity vs. Quality*



- ❑ “Beginning this year, the USPTO will no longer release an annual list of top 10 organizations receiving the most U.S. patents....”
  
- ❑ “...In ceasing publication of the top 10 list, the USPTO is emphasizing quality over quantity by discouraging any perception that we believe more is better.”
  - ❑ USPTO Statement on Ceasing Annual Top 10 Patents Holders List, January 22, 2007



# *USPTO View on Patent Quality*

---



- ❑ Criteria for obtaining a patent-
  - ❑ Invention must be:
    - ❑ Novel, non-obvious and useful.
  
- ❑ USPTO idea of quality is how well their examiners adhere to the statute that defines the above criteria.
  
- ❑ The problem is that the examiner has limited capacity to find relevant patent and non-patent prior art. The result is many low-quality patents being issued.

# *So- What is Patent Quality?*

---

- ❑ Bad News first-
  - ❑ There are almost as many definitions of patent quality as there are patent holders.
- ❑ Now the Good News-
  - ❑ It does not matter what your definition of patent quality is, as long as you:
    - ❑ Have a Strategic Patent Plan, and
    - ❑ Define what Patent Quality means to your organization.

# *So- What is Patent Quality?*

---

- ❑ Most proposed definitions of Patent Quality are focused in one of two camps:
  - ❑ Legal Definition
  - ❑ Business Definition

# *So- What is Patent Quality?*

- ❑ Legal Definition
  - ❑ Try to measure patent quality on how robust a patent is
    - ❑ ie how well it will stand up in court.
  - ❑ It is in the details:
    - ❑ How well is it prosecuted? How well constructed are the claims?
    - ❑ Does the patent cite reasonable amounts of prior art, including non-patent prior art? Are the claims broad enough? Is the invention sufficiently novel and non-obvious?
- ❑ The problem is that the issue of quality is left too late, often after licensing or litigation has begun.
- ❑ Also this is not a full working definition as it does not consider the business impact of patents.



# *So- What is Patent Quality?*

## □ Business Definition

- Most business-focused definitions of patent quality assume that the legal aspects of a patent are covered.
- But even with this assumption, business-focused definitions of patent quality can vary widely and are often imprecise.
- A high-quality patent may be defined as one whose value exceeds its cost, one that is cited by many other patents or one that can be measured by the revenue it generates.



# *So- What is Patent Quality?*

---

- ❑ A Working Definition
  - ❑ Bring together Legal and Business criteria for a 3-point definition:
    - (i) The patent is being infringed and the infringements are valuable; that is, the patent is used by the infringing party to generate substantial revenue, and
    - (ii) Infringement of the patent is relatively easy to prove, and
    - (iii) The patent stands up to the most rigorous challenges in court. It is difficult to invalidate. There is no prior art or use.



# *Patent Quality Metrics*

- ❑ If you can't measure it, you can't manage it.
- ❑ Measurements to consider include:
  - ❑ Number and value of infringements
  - ❑ Cost of defense against infringements
  - ❑ Number and value of technological transfer licenses
  - ❑ Number and value of product revenues protected
  - ❑ Value of markets protected
  - ❑ Revenues generated through new opportunities and partnerships
  - ❑ Patent areas requiring improvement
  - ❑ Patent areas for future development



# *Where does Value come in?*

---

- ❑ The determination of a patent's value is really a case of whether a patent supports the Company's strategic objectives.
  - ❑ ie- A good quality patent that is infringed has limited value to a company that has no will to enforce it.
- ❑ There is a difference between Quality and Value.

# Quality vs. Value

---

## Quality Definition

- ❑ Character with respect to fineness, or grade of excellence
- ❑ High grade; superiority; excellence
  - ❑ Source: Dictionary.com

## Value Definition

- ❑ Relative worth, merit, or importance.
- ❑ Monetary or material worth, as in commerce or trade.
  - ❑ Source: Dictionary.com



# *Where does Value come in?*

---

- ❑ The value attributed to patents should be determined by a Company's strategic objectives
  - ❑ The exact mix of revenue generation, business protection, and opportunities and partnerships will change according to those strategic objectives.
  - ❑ The value of a patent can be determined with how well it supports these objectives.
- ❑ You can easily create Metrics using these definitions.
  - ❑ No two businesses are alike, so no two businesses require the same definition.
  - ❑ The key is to have a strategic patent plan and definitions of patent quality and value that support this plan.

# *Patent Value*

---

- ❑ The following two truths do not change:
  - ❑ Patent portfolio valuation is a business responsibility
  - ❑ Valuation must support the company's strategic business objectives.

# Typical IP Organizational Structure

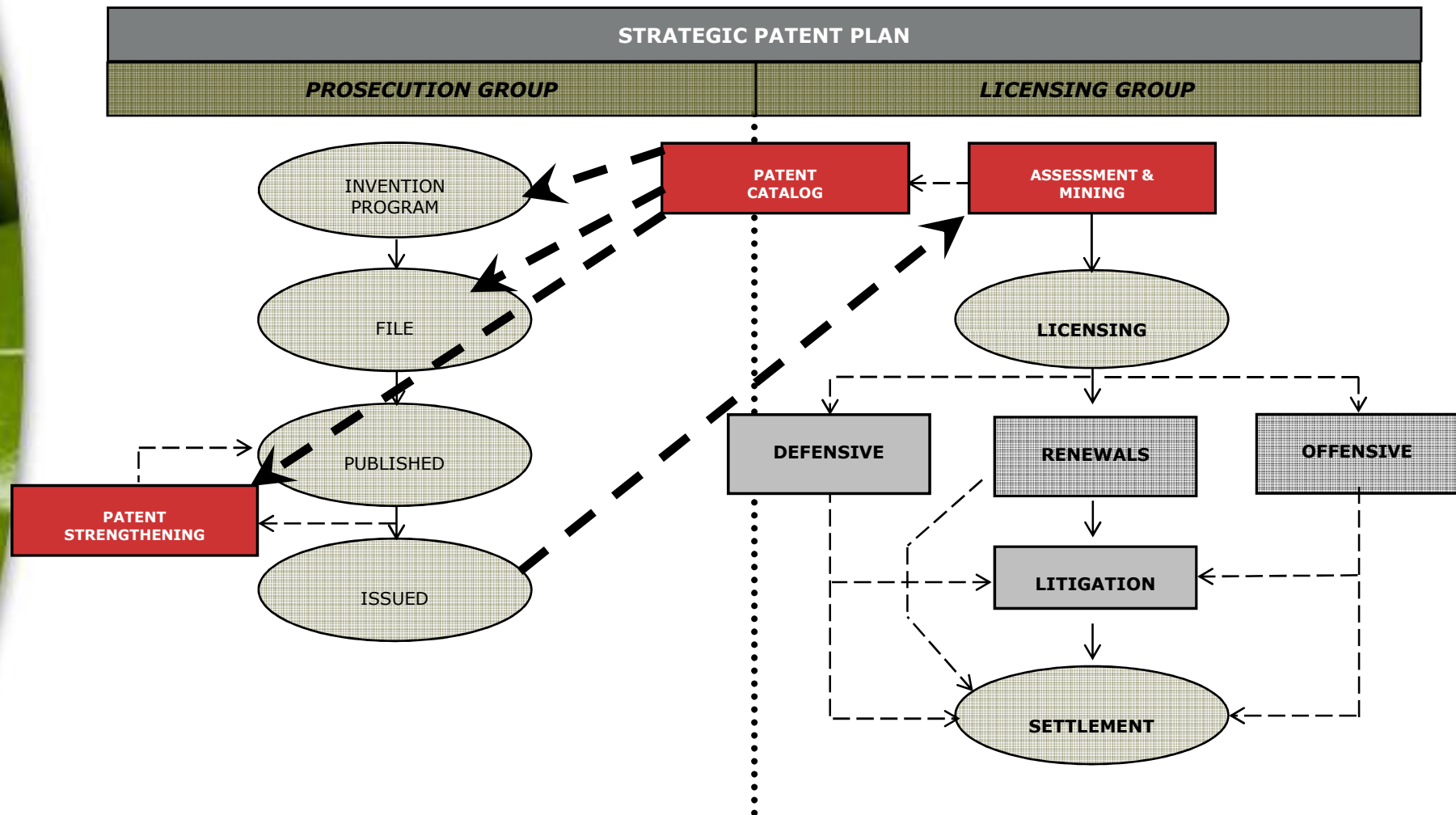


Often Measured on  
# Applications & #  
Patents Issued, NOT  
Quality.

Often  
Measured on  
\$\$In minus  
\$\$Out

Source: Chipworks

# The 'Ideal' Patent Program



Source: Chipworks

# *Conclusion*

---

- ❑ Patent Quality is more important to the Licensing groups.
- ❑ Patent Quantity is more important to Directors and Shareholders
- ❑ Patent Value is most important to the Organization
  - ❑ Ensure the Strategic Patent Plan aligns with the strategic objectives of the company.