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Growing Pains: IP Strategies for Growth-Phase Companies

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As your company grows and expands, it is critical to evaluate your intellectual property strategy, because what may have worked during the early stages may need to change. Securing IP rights can be expensive, so IP strategy for a startup is frequently dictated by limited resources and confined to filing a handful of patent applications covering some early technology. Once your company has grown, a more finessed approach should emerge. As you are hiring great minds, developing new technology and launching new products—and as new competitors are emerging—your IP strategy needs to adapt.

A good place to start is to consider the following three questions: (1) How are you innovating? (2) How will you protect your innovations? (3) What are your competitors doing? The answers to these questions may change over time, but reviewing your answers regularly can reveal how your IP strategy should evolve along with your company and its business goals.

How Are You Innovating?

As your company grows, so does your number of inventions. There is new technology, new products, new features for existing products, and improvements of the technology developed during the early stages. But you can't protect any of these inventions if you don't know what they are.

A growing company should create an internal process for identifying innovations and evaluating them to determine whether protection is warranted. Identifying innovations may involve encouraging employees to report them, actively identifying innovations during technical meetings and reviews, and evaluating new products being developed to identify any new features or technology. Public recognition and financial awards can be used to incentivize disclosure and reporting.

An internal review committee can decide which of the identified inventions should be protected, for example, by filing for patent protection or taking steps to keep the invention a trade secret.

How Will You Protect Your Innovations?

What to Protect

When there are many innovations, how should you decide which of them to protect through patents? This decision should be made in the context of your business goals. For each invention, you should consider whether a patent covering the invention adds value to your company. For example, a patent on a technology that is part of a current or future product may provide value as a barrier to entry to competitors. If excluding others from incorporating the technology into their products makes it harder for them to compete with your products, then patents should be strongly considered. A patent on a core technology, even if not yet part of any product, may attract investment or even an acquisition.

What about innovations relating to a technology that's not currently the focus of your company, with

no immediate plans to include it in a product? Here, patenting may still add value, because the technology may become more important as your company grows; business goals and products change over time. Additional factors to consider include: (1) detectability of the invention (if it is difficult to detect whether someone else is using the invention, you wouldn't know to enforce your patent even if you had one); (2) the cost and likelihood of obtaining a patent; (3) the amount of time and capital invested in developing the invention; and (4) the likelihood that others may be trying to develop and/or use the same technology, even if they are not your direct competitors.

Where to Protect

After deciding to file a patent application, it is important to decide where to file it. Even for a growing company with a healthy IP budget, the cost of filing and, subsequently prosecuting every patent application in multiple jurisdictions worldwide is prohibitively expensive. Yet some technology should be protected both at home and abroad. Deciding where to file patent applications is critical to ensuring that the protection you ultimately receive provides value and aligns with your business goals so that the expenses are warranted.

Although the simplicity of a fixed rule may be attractive (e.g., always file in the United States, Europe, and Japan), deciding where to file on a case-by-case basis is a preferable approach because different jurisdictions may be relevant to different technologies, and different products have different markets. For each patent application covering a product, consider filing in countries where you are manufacturing that product, where you are selling the product, or where competitors may be doing so.

Also, an adaptive approach may reduce your costs. Spending less money on protection in countries where it is not as important to do so frees up resources to get the strongest protection possible for your most valuable IP in jurisdictions that matter.

When to Protect

Since March 16, 2013, when the "first-to-file" provisions of the America Invents Act (AIA) went into effect, the first inventor to file a patent application in the patent office is entitled to patent protection. Though limited exceptions exist, patent applications should be filed promptly, as the current system is really a race to the patent office. You want to get there before any of your competitors.

In any event, you should file your patent applications before otherwise disclosing the technology. For example, you should file a patent application on an

invention before telling anyone outside your company about the invention and before releasing a product that incorporates it. On the other hand, if a technology is not yet mature and there is much development yet to be done, it may be worth delaying filing until the technology is more fleshed out or filing a provisional application.

An additional consideration to keep in mind is whether to pay the patent office to expedite review of your patent application, which may be advisable for your most important technology and products. For a fee of about \$2,000 to \$4,000, the application will be examined within three to four months, on average. By contrast, without a request for expedited review, the application may not be examined for 18 months or longer.

What Are Your Competitors Doing?

When it comes to the IP rights of your competitors, what you don't know can hurt you. As your company brings new products to the marketplace, you should consider taking steps to ensure that doing so does not infringe on the patent rights of your competitors or other companies. Understanding what is in the patent portfolios of your competitors and the IP landscape in general is essential to avoiding surprises and reducing risk when commercializing products. To this end, many companies perform so-called freedom to operate (FTO) studies with the goal of identifying any potential IP barriers to market entry and the associated risks of future litigation.

An FTO study may be narrowly focused on clearing a particular product about to be launched, and may involve analyzing a patent portfolio of a competitor or doing a targeted search to identify patents having claims that may cover the product. FTO studies of a wider scope may involve searching for and analyzing a broader group of patents and patent applications to identify potential risks at early stages of development. The analysis may include considering whether a patent is valid and whether your product may infringe on any of its claims.

Consider the identification of any potentially problematic IP as an opportunity to manage risk. Options for doing so include designing your product around the identified IP, purchasing the IP or licensing the IP.

Intellectual property strategy should serve your business goals and adapt to changes in your company. Re-evaluating your IP strategy periodically as your business grows is critical to the health and continued success of your business.

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