

Patent Strategy: the Manager's Guide to Profiting from Patent Portfolios

By Anthony Miele

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Introduction

Mr. Miele is a partner at Weingarden, Schurgin, Gagnebin & Lebovici, LLP (Boston), specializing in intellectual property matters for technology-driven businesses. *Patent Strategy* is a thoughtful and well-organized book that provides practical guidance on how a business could build up, maintain and profit from its patent portfolio. Unlike many other patent related publications that focus on patent law, Mr. Miele's book concerns the business management of patent and it serves as an invaluable reference for corporate managers who deal with various patent related issues. The goal of the book, as Mr. Miele says, is "to bridge the communication gap that may exist between the decision makers in a business and patent attorneys." (p.6)

U.S. Federal Reserve Chairman Greenspan, in February, 2004, commented (before the Stanford Institute for Economic Policy Research Economic Summit) that the modern economy has "shifted the emphasis in [business] asset valuation from physical property to intellectual property and to the legal rights inherent in intellectual property." "Patents are frequently worth millions or tens of millions of dollars (sometimes even hundreds of millions)." (p.2) As a result, a business can use its intellectual property, such as a patent portfolio, to increase its valuation and leverage in various business negotiations. A business can also use a well-managed patent portfolio, both offensively and defensively, to generate enormous competitive advantages. "Businesses are using patents as a weapon to hinder competitors from encroaching upon their developed technology, and as a shield to deter others from forcing them out of their own market." (p.1) Despite the benefits it can bring, patents, a patent portfolio, like other forms of

intellectual properties, is intangible and therefore, harder to guard and manage due to the lack of a physical presence. Mr. Miele's book provides useful and practical advice on how to manage a profitable patent portfolio in a business setting. The book's topics range from strategies for patent prosecution to advices on patent litigation, from how to implement a successful patent portfolio within one's own business entity to how to establish business partnership with others using the established patent portfolio.

The book comprises four major parts, with the first (Chapters 1-4) focusing on internal implementation of a patent program within a business. Mr. Miele starts his book by putting patents into the context of a business and explaining the positive and negative impact patent management could have on the internal business efforts when technology is crucial. Chapter 1 explains the importance of patent right awareness among business managers. A well-managed patent portfolio preserves a company's existing market, increases shareholder value and facilitates deal making, however, patent management need not hinder core business activities such as "sales, finance, product development, and marketing." (p.5) Mr. Miele stresses the importance for middle and upper-level managers to recognize the significance of patents and suggests that implementation of a good patent portfolio should be supported and mandated from the top. In general, patent offers stronger protection than other forms intellectual property rights, but a decision of whether or not to file a patent depends on the business's weighing of the benefit a patent may bring to the business against the cost of obtaining a patent, which could be expensive and time consuming.

Chapter 2 provides useful insights on protecting one's own technology. A U.S. patent holder obtains the right to exclude others from making, using, selling, or offering for sale the invention in the United States, or importing the invention into the United States. Therefore, a patent grants an invaluable competitive advantage to its owner. At the same time, if not timely filed, one can easily lose patent rights because a patentable invention must be useful, novel, and non-obvious at the time of filing. Mr. Miele suggests businesses monitor their technical developments, especially the development of key technologies, as early as possible to prevent losing patent rights. This can be done by putting in place an invention disclosure program for inventors to record their ideas and

disclose them to a patent coordinator. Managers should decide not only whether a patent protection will be pursued, but also what should be the scope of the protection, so that the invention can be of value to the business and at the same time satisfy the patentability requirements. Once a patent is granted, the owner may assign, or license its exclusive right to other parties, obtain damages for past infringement, collect royalties for future use, and/or stop other parties from infringing the patented invention within the remaining patent term.

Chapter 3 further emphasizes on how to minimize patent liability. Both a patent owner and an alleged patent infringer should take avoiding patent liability into serious consideration. A patent infringer often has to pay substantial monetary damages, but a patent owner also faces the risk that the alleged infringer might successfully challenge the validity or enforceability of the patent in court. In addition, the cost of litigation itself is high and such cost includes not only monetary expenses, but also the hindering of management and marketability for both parties. Therefore, it is important for a business depending on specific technology to evaluate its possibility to operate in the field of that technology to minimum its patent liability. This chapter provides certain practical steps a business can take to reduce liability when starting a new technology or entering a new market, such as monitoring the patent activities of its closest and biggest competitors and designing around competitors' patents. If a particularly relevant patent is identified, the business should obtain a legal opinion as to infringement and validity of the patent to avoid willful infringement and triple damages. Mr. Mile also points out that a business should try to obtain defensive patents covering technologies used by its competitors to foster cross-licensing and to deter the competitors from initiating infringement lawsuits. A patent counsel's opinion based on the specific factors and legal principles is essential in the above processes, and a business has an affirmative duty to obtain such opinion if it is aware of a relevant patent. The business should actively participate in the evaluation process by providing all relevant facts to its counsel and by updating its counsel with a change in the development plan. Based on careful patent evaluation, the business may decide to start the new technology, or enter the new market as planned, or with slight change in its plan, or with a completely changed plan.

Chapter 4 deals with how to implementing a patent program within a business. It details the steps a business can take for this purpose, such as evaluating the cost and benefit of obtaining a patent to the business as the first step. This includes figuring out what is worth patenting and what is not. For example, essential technologies that give the business a competitive edge in the market place should be patented. The second step, the author suggests, is to create an invention disclosure program by which the technical personnel of the business can disclose their ideas to its patent personnel. In addition, the author lists a number of events a business should pay attention to avoid the forfeiture of patentability of its technology, both in the United States and abroad.

The second part of the book concentrates on external relationship a business may have with other parties based on patent related issues (Chapters 5-8). Chapter 5 discusses issues involved in licensing and transferring of patent rights. Negotiations during these processes largely depend on the value of a patent, which may be hard to determine. Mr. Miele provides a list of well-thought and practical questions to ask when analyzing the value of a patent. He also illustrates different strategies for exploiting patents and how royalty or price of a patent relates to the technology market and its validity and enforceability. Obtaining damages through litigation against infringers, the author points out, is another way for the patent owner to obtain substantial income from its patents. Chapter 6 continues from the last chapter to further explain how a patent owner may use its patent as a bargaining chip and how parties should deal with technology development in forming business alliance, partnership or joint venture with another party. All parties involved in such negotiations need to pay particular attention to clarify ownership of technologies to be developed and patents involved. Contractual provisions should be carefully drafted to reflect the intent of parties with respect to related patents and risks of infringing a third party patent when carrying out a licensed or bought technology. The author also advises on how to conduct due diligence for intellectual property rights when a business goes public. Chapter 7 provides a detailed list of potential costs associated with patent prosecution in the United States, while chapter 8 walks the reader through the maze of patent litigation.

Part three of the book, Chapters 9-16, introduces the process of patent prosecution and related legal principles in the United States and abroad. These chapters demonstrate how one can turn a technical invention into a patent with exclusive right and business value. Chapter 9 elegantly simplifies the patent prosecution process and provides a “look inside patent prosecution.” Chapter 10 takes it further to advise technology-based businesses on patent prosecution strategies which may be determinative on whether a patent of value to the business can be obtained or not. Chapter 12 discusses the possibility of having the patent office to take a second look at an issued patent, both on the request of the patent owner and a third party. Reexamination is a tool which can be invoked either by the patent owner to strengthen its patent or by a third party seeking to limit or invalidate the patent claims. A patent owner may also request reissue of the patent, even to broaden the patent claims, if a mistake without deceptive intent is made during the prosecution process. Chapter 12 deals with interference proceeding, which decides who is entitled to the patent when two parties competes for a patent on the same invention. Chapter 13 briefly introduces particular issues involved in obtaining patent abroad. Patent law differs from country to country, therefore businesses who intend to protect their technologies abroad should consider their foreign patenting strategy early on so that their foreign rights are not lost or forfeited. Costs of foreign filing can be substantial, a business, therefore, needs to make an “accurate determination of which countries are important before pursuing patent protection.” (p.137) Chapter 14 connects with part one of the book and reminds the patent owner of the risks associated with licensing a patent, including the possibility of litigation and antitrust law violations. Chapter 15 stresses the importance of choosing a competent patent attorney. Chapter 16 provides important updates on newly passed law such as the American Invention Protection Act of 1999, which provides important amendments to U.S. patent law. Some of the most important changes in the Act include provisions relating to business method patents, inter partes reexamination proceedings, publication of patent applications, and patent term guarantees.

The last part of the book provides sample patents, useful statistics, as well as selected sections of the patent laws.

Analysis

Mr. Miele's book intends to serve as a practical guideline for middle and upper-level managers of a technology-based business. Having been a patent examiner at the U.S. Patent and Trademark Office and now as a patent attorney representing industrial applicants, Mr. Miele provides valuable insights regarding how to obtain a valuable patent in the United States and how to build and use a patent portfolio to its full potential. As a result, this book successfully places various patent issues in business contexts and it is full of practical advice, examples and easy-to-follow explanations. The book comprehensively explains patent issues a business may face in making strategic business decisions, from technology development, to marketing efforts, and to alliance formation. Mr. Miele skillfully sorts complex business-related patent issues into three major parts to adapt to the needs of business managers. Geared with both technical and legal trainings, Mr. Miele presents specific legal cases and simple flow charts for almost every important topic discussed so that the targeted readers can easily put them in practical business contexts. For example, when explaining how one can arrange the licensing of a patent differently according to one's particular business need, he gives four specific examples illustrating the different licensing scenarios. (p.48) Mr. Miele also makes clever analogies to allow the readers to understand the concepts of the book easier. For example, when trying to explain how a patent program, while important, should not take precedence over other major business activities such as revenue goals and marketing, he notes "[p]atent portfolio development and management is to a business like weightlifting is to the NFL lineman. The day before the game, the lineman should not be in the weight room." (p.39) Mr. Miele is also careful in correcting certain common misunderstanding on patent rights. For example, he particularly points out that licensing is only a promise that the licensee is not going to be sued by the patent owner, but not a promise of the right to practice the patented technology (Chapter 5). Chapter 14 of part three of the book goes back to talk about patent licensing and enforcement, it may better fit into the second part of the book.

Conclusion

Overall, the book is thoughtful, well-organized, and successful in achieving its goal of educating business managers with complex patent issues. Business managers at middle or high level would benefit from reading this well structured and thoroughly researched book. The book may also serve as a valuable reference to in-house and outside counsels who take their clients' business interest into account when solving patent issues for them.