

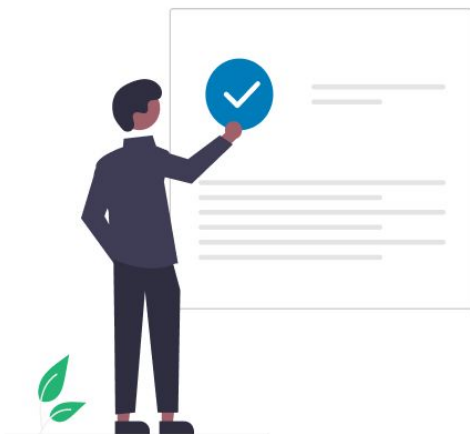


# Cognition IP

## Developing an In-House Patent Portfolio Strategy



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**Intellectual property** assets can become some of the most valuable for your company to own and patents are often chief in terms of value.

Patents allow your company to prevent competitors from using proprietary technology, which can offer a variety of unique benefits.

Patents can help with driving investment and acquisition interest, providing protection during partnerships and business deals, and helping with defensibility in patent lawsuits.

While the benefits of patenting may be great, some companies may have a hard time determining what to patent and when. Whether new to patenting or experienced with a robust portfolio, without a consistent strategy, companies may lose money, lose time and lose track of potentially valuable IP opportunities.

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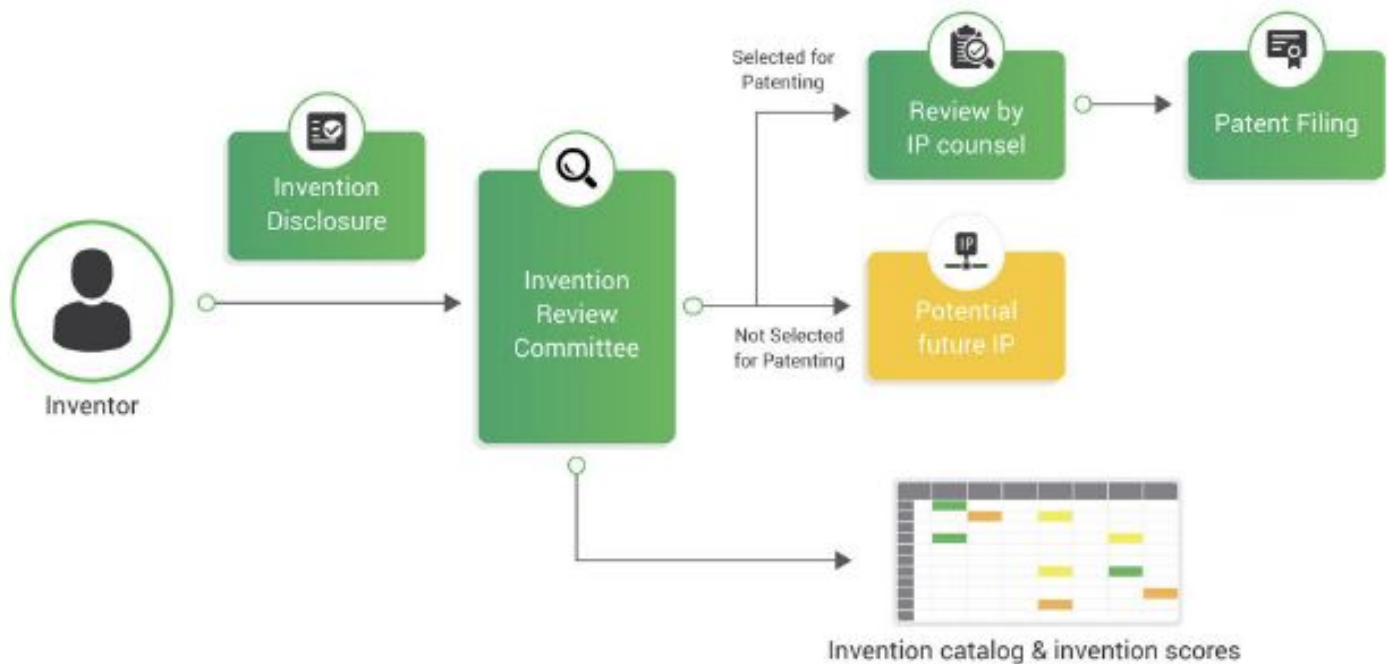
**This article is a guide for companies to decide what to patent and when, with a proven systematic approach to patent portfolio strategy.**

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## Creating an IP Harvesting Process



**In order to decide what to patent**, a company's first know what IP it has. For small teams, it may be possible to have a shared idea of what IP exists or what is in development. However, once teams grow, it becomes challenging to have complete visibility on what others are doing and what is being invented. For this reason, a regular IP harvesting process should be put in place to ensure cataloging and reporting of IP to an executive level.

A suggested IP harvesting process involves three steps: **Disclosure**, **Invention Review** and **Patent Filing**.

In the **Disclosure** stage, employees who are in IP creation roles should be trained to disclose ideas that are potentially protectable. The company benefits from employees disclosing as much as possible, so only a coarse filter should be used with two criteria: first, that the invention is new, and second, that the invention gives the company a competitive advantage. When an employee identifies an invention meeting the criteria, an invention disclosure form should be completed and entered into the catalog to describe the invention – a process that should only take 15–30 minutes.

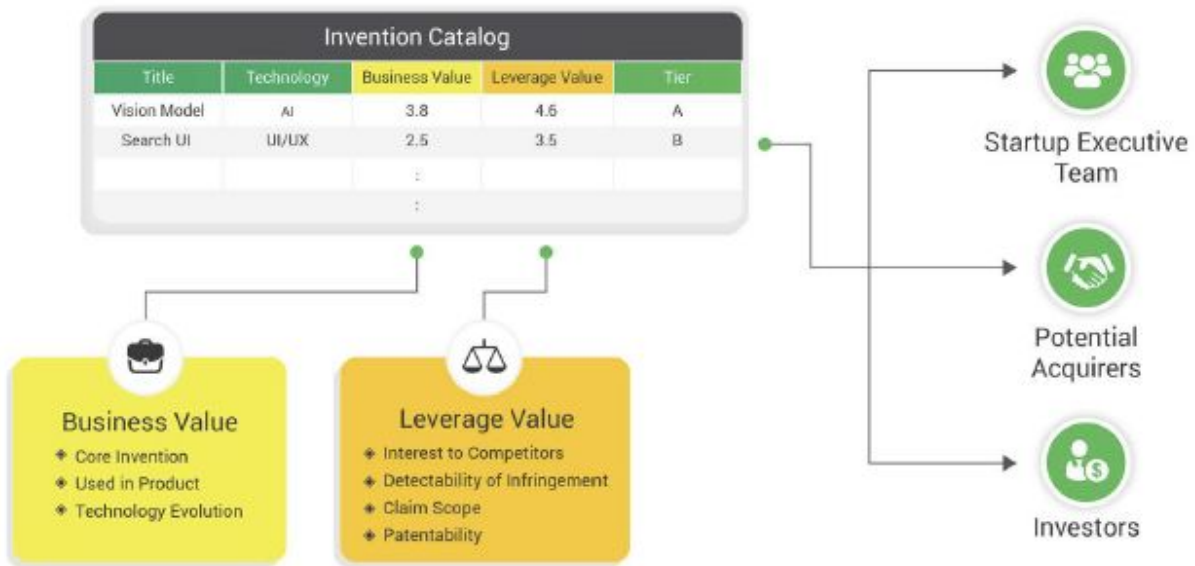
In the **Invention Review** stage, members of a pre-selected committee review the disclosures, entering them into the company **Invention Catalog**, with **Scoring** for different factors as discussed in following sections. The review committee should include the team members most relevant and connected to the success of IP.

The invention review committee selects the most promising inventions from the catalog and discusses them with IP counsel. IP counsel can give feedback on the invention and business goals, help determine which inventions to protect, how many patents are recommended to file, and discuss the expected timelines.

In the final stage, **Patent Filing**, IP counsel handles drafting and filing of the patent applications with the input of the inventors.



# The Invention Catalog & Scoring



The **Invention Catalog** serves as the centralized document of IP at the company with valuable purposes.

- It is a useful tool for companies to know what IP they have and what to prioritize for new IP protection.
- It documents inventions not pursued as patents, which may still qualify as IP trade secrets. The documentation of trade secrets may prove valuable for later litigation or acquisition.
- It serves as a visual tool for stakeholders to review the inventive activity of the company.
- Investors and acquirers can review valuable patent pending assets, ideas for future patenting, and documented trade secrets for a more complete picture of the company's portfolio and innovative advantages.

While **Invention Scoring** is common at large companies, the best practices are applicable to companies of all sizes. By assigning a formal value to the inventions, companies can objectively prioritize the most important inventions to patent first, with a defined order of subsequent inventions to pursue.

The invention scoring system allows team members with different perspectives on IP to formalize a consensus on aligned values and goals. The team can then focus on consistent application of the scoring system and progress along the inventive path, rather than being potentially sidetracked by subjective discussions. It also allows teams to track progress on IP with metrics which can be measured just like other business units.



# The Scoring System

## Overview

An invention should be considered for patenting based on two overall factors: **Business Value** and **Leverage Value**.

Both can be ranked on a 3-tier scale of A, B, and C, with the top tiers (A & B) being more of a priority for patenting.

Both are weighted scores of multiple subfactors rated on a scale of 1-5. Each subfactor is multiplied by one of a series of predetermined weights that add up to 1 and then summed to generate a score of 1-5 for the overall component.

The Business Value and Leverage Value scores are then combined to form a total Composite Score, which helps to rank into a tier of A, B or C. [Example here](#).

## Business Value

Business Value measures the subfactors related to importance to the business and is also referred to as internal value because it is inward-looking to the business. The subfactors are: **Core Invention**, **Used in Product** and **Technology Evolution**.

**Core Invention** measures inventions that are central to the success of the overall business. High scoring inventions are those that are the key secret or main competitive advantage of the business. Inventions that are more peripheral should be given lower scores.

**Used in Product** measures whether the invention is used in the company's product and how important it is to the product. If the invention is the main driver of marketing and sales of the product, then it would receive a high score. If the invention is not used in the product at all, or used in only a peripheral feature than it should receive a lower score.

**Technology Evolution** measures how big the evolutionary jump is when the invention is compared to prior versions of the technology. Bigger leaps in technology deserve higher scores, while more incremental improvements receive lower scores.



# The Scoring System

## Leverage Value

Leverage Value measures the importance to competitors and to the market. It is also referred to as external value because it looks externally to the business. While a company wants to be sure it has diverse coverage across key technology fields in the competitive market, the factors to focus on are: **Interest to Competitors**, **Detectability of Infringement**, **Claim Scope** and **Patentability**.

**Interest to Competitors** measures how interested competitors will be in the technology. Technology that is highly sought by others in the market will be more valuable than if no one else wants to use it, so a higher score is merited. If competitors will not be interested in the invention, a lower score should be given.

**Detectability of Infringement** is a measure of how easy it is to detect if others are using the invention, with a higher score assigned to easier examples. When an invention infringement is easier to detect, it is easier to pursue the competitor for licensing fees or in litigation because the case for showing patent infringement is more apparent. When infringement is harder to detect, it can be difficult to know if competitors are using the technology, which hinders licensing, and also makes it more challenging to bring a patent infringement lawsuit.

**Claim Scope** is a measure of the breadth and coverage of a patent's claims, which depict what was invented and what the monopoly covers. Patents have three main parts, the claims, specification, and drawings. The specification and drawings can be thought of as the supporting explanation of the claims and show that the company is entitled to ownership of the claims. Broad claims mean that the claim covers a wide range of technologies, while narrow claims cover a more specific set of technologies.

It is more valuable for companies to obtain broad claims, as long as the broad claims are not so broad as to be invalid. Therefore, broader claims should be given a higher score and narrower claims should be given a lower score. Companies are likely to benefit from having IP counsel involved in the process of rating claim scope.



# The Scoring System

**Patentability** measures how likely the invention is to be patentable. With the support of IP counsel, conduct an essential analysis of three different requirements:

1. The invention should be **patentable subject matter**
2. It should be **novel and non-obvious**
3. It should be **enabled** and **described by the patent**

## Patentable Subject Matter

The first criteria is meant to rule out inventions considered to be abstract ideas, such as mathematical concepts, certain methods of organizing human activity, mental processes, laws of nature, and natural phenomena.

## Novel and Non-Obvious

The second criteria is meant to rule out prior art, which are inventions and ideas that already exist and have been publicly disclosed. Critically, the invention should be new and non-obvious as compared to what already exists. The more different or ground-breaking the invention is, the more likely it will be to meet this criteria, meriting a higher score.

In some cases, a rating based on prior art may be partly conjecture since the company is probably not aware of all prior art that exists. A prior art search could be conducted. However, there are also potential disadvantages to performing such a search, including the requirement to submit any relevant prior art to the USPTO during the examination process and the potential for increased damages due to alleged willful infringement if the company finds an existing patent it is infringing upon.

## Enabled and Described by the Patent

The third criteria requires the applicant to describe the invention in sufficient detail such that a person having ordinary skill in the art is able to make and use the invention. For the life sciences and hard tech, this can frequently include a requirement for experimental data to show that the invention actually works, based on the details provided.



## Conclusion

Once a catalog of inventions and scoring system are established, the overall portfolio strategy should be treated as a living process with consistent updates, especially at critical junctures which may alter the Business Value, the Leverage Value or otherwise, the course of your priorities.

Critical junctures include events such as:

- A new invention being developed
- An invention becoming more or less central to the company's business
- An invention being added or dropped from future products
- Competitors starting to move toward or away from the technology
- Claims being amended during the patent examination process, affecting claim scope (if claims are narrowed, then the value may be decreased)
- Claims being amended to cover competitor products more closely, which should increase their value

With these considerations in mind, your company can develop and maintain a consistent commitment to your innovative advantage.

An in-house patent portfolio strategy is a valuable exercise, whether it guides the creation of new business assets, helps with business decision making, aids in fundraising or prepares the company for a successful exit. With the support of experienced counsel, your company can enjoy the benefits of intellectual property expertise where and when it matters most.

