

IP Playbook Can Save Companies From 'World Of Hurt'

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Wednesday, Jun 04, 2008 --- Having a formal intellectual property strategy in place is critical to prevent a company from losing its competitive edge in costly and time-consuming lawsuits or, worse yet, from turning over the keys to its business.

Intellectual property experts say lawyers need to take a more proactive approach with how they handle their clients' inventions because companies without an IP playbook are not going to be able to survive in today's global economy.

Microsoft Corp.'s director of IP strategy, Mark Ramberg, said at a licensing conference last month in Chicago that about 70% of the legal departments at Fortune 500 companies follow a set of guidelines for their intellectual property and added that an IP playbook "can keep you from a world of hurt."

Such a playbook refers to a strategy for managing IP. It involves mapping out a client's business objectives, its innovations ranging from patents to trade secrets, its financial and human resources, as well as the competitive environment — and then piecing all of those areas together into an action plan.

Michael A. Gollin, a partner at Venable LLP's Washington, D.C., office, said the plan needs to be simple so that it can be understood and communicated by all of the business, technical and legal people responsible for carrying out the plan.

"Successful companies are those with better IP strategies and better ability to implement their plan. Those that are more reactive and more ad hoc tend to be less successful," he said.

Most companies use a playbook with a combination of IP strategies. Tactics include obtaining patents to protect a company's own products or acquiring another firm's products in order to exact royalty payments.

Jeremy C. Lowe, a partner at Axinn Veltrop & Harkrider LLP's Hartford, Conn., office, said lawyers should think of IP less as property and more as a business tool that can be aligned with a company's long-term objectives.

"A playbook can create or preserve market share by fostering cross-licensing agreements or opening up joint ventures, and can also provide litigation leverage," he said.

When a company is hit with a patent infringement suit, a litigator should ask whether the company has any patents to assert against the plaintiff or whether it has any patents covering future products that may steer the plaintiff into a cross-licensing deal.

By taking this approach, a company is getting on the offensive side rather than simply reacting to a suit.

“Both parties can benefit from a cross-licensing agreement instead of conducting litigation to trial that is often expensive and fairly unpredictable. A playbook can give a company the ability and leverage to turn litigation into a win-win versus a lose-lose,” Lowe said.

Companies can also avoid major liabilities and loss of rights by prioritizing their inventions and drawing a distinction between their core and noncore inventions.

Kate Shore, a consulting manager for ipCapital Group Inc., said some companies choose to license their noncore IP specifically to businesses that do not directly compete with them. She said Honeywell International Inc., which makes industrial supplies and consumer products, has licensed out certain noncore patents covering auto-focus cameras for \$400 million.

“This is a way to leverage your IP without affecting your core business or strengthening the business of your competitors,” Shore said.

The “pied piper” tactic is a more aggressive move used by established companies, like IBM Corp., against potential copycats, Shore said.

In this situation, a company files a patent and before its patent is made publicly available, it publishes information about the invention in order to entice others to further develop in this area and potentially infringe its patent. Once its patent is published, it can file suit or strike a licensing deal.

Lowe said IBM has a sophisticated playbook that has helped it gain millions, perhaps even billions, of dollars from patent licensing.

“A playbook can help a company maximize the bottom line and derive profits from patent assets,” he said.

How a company uses a playbook also depends on its industry and competitors.

In the pharmaceutical sector, a company like Pfizer Inc. might patent a molecule and method of using a drug formulation as well as less-preferred embodiments to secure a wider market and keep generics competitors at bay, Lowe said.

But software giant Microsoft is using a different approach. It is attempting to

create a patent ecosystem by acquiring patents and licensing them downstream in order to encourage technology products being brought to market, according to Lowe.

While most major companies have some kind of IP strategy in place, smaller companies are also starting to see more competition from international firms, making it imperative that they find new ways to hold on to their market share.

“A playbook is more critical than ever and to conduct business without one is conducting business at the peril and mercy of one’s competitors that likely do have a playbook,” Lowe said.

Patent-licensing companies, also known as patent trolls, are also using IP strategy by acquiring patents on the market and then aggressively seeking royalty payments. And some companies, like NTP Inc., have reaped the benefits from this plan of attack.

The patent-holding company brought an infringement suit against BlackBerry maker Research in Motion Ltd. RIM ended up agreeing in March 2006 to pay \$612.5 million to settle the suit that threatened to shut down its popular service with a potential injunction.

Strategies are not just focused on patents. Gollin said he is also seeing companies coming up with trade secrets strategies as patents become harder to obtain and enforce due to the U.S. Supreme Court’s obviousness ruling in KSR.

While companies are generally good about implementing some kind of a strategy, they are still not going far enough, according to Shore.

“I think the problem is companies are not taking their strategies to a high enough level. They need to put together business, legal, technology and marketing approaches and unify that into a long-term plan,” she said.

Gollin said big lawsuits are often the result of a lack of creativity and a good strategy.

“Much of my advice to clients is how to accomplish their mission with alternatives to litigation that might get them there better and litigating in only a decisive way when it’s the best alternative. This is a creative and proactive way to approach things,” he said.