

Patent Kinetics, LLC

Portfolio Strategy, Development, and Enforcement

Creating Valuable Patents—Checklists

Patent Kinetics works with inventors, entrepreneurs, and investors to enhance the value of their patent portfolios and then works to monetize these portfolios through their sale, license or enforcement. Since Patent Kinetics works on a contingent fee basis, only a few cases of the many presented to us are accepted. The opportunities that we do accept are those where the prospective client has thought through—as best possible—relevant market, technology, and patent issues.

Many mistakenly believe that simply having pending applications and/or issued patents creates notable value. However, most patents are worthless. Research reports have found that only about 10% of issued patents ever return any value to their owners. Creating real value entails successfully overcoming significant challenges and a bit of luck. These challenges might be best understood by addressing most or all of the questions listed here. These questions can, of course, be used as a checklist for innovators or as a basis for preliminary due diligence by prospective stakeholders.

Market Anticipation Factors

Early on in the development of a patent portfolio it may be very difficult to discern where relevant markets will be in three to five years. Few stakeholders are sufficiently prescient to accurately foresee market evolutions over the several years it typically takes to get patents issued here in the United States. Thus, as is often said, “Luck favors the prepared.” Addressing at least some of the following questions may help improve your fortune:

Interested Parties

- Who has the problem addressed by the innovation?
- How much are they willing to pay to solve it?
- Who makes the buying decision?
- How much better than previous solutions (if any) is the new invention?
- Does the invention help a mature company re-invent itself?
- Does the invention help a young company “pivot” toward a new-found, market-validated opportunity?

Economics

- Will the market be large enough to generate a significant return?
- Will the patented technologies be adopted by the target markets, and if so, how quickly?
- Are there substitution threats: e.g., other ways of solving the same problem or of obtaining similar benefits?
- Are the benefits of the patented technologies so compelling that markets cannot ignore them?
- Does the target market segment generate margins sufficient to provide financial support for products that incorporate the patented technologies?

Technology Commercialization Factors

Closely related to market factors are aspects of the inventions themselves. Is the invention narrow or broad? Amazon’s “1-Click” patent notwithstanding, broad inventions tend to be more valuable than very narrow inventions. There are several reasons for this: in the aggregate, royalties and/or damages in infringement cases *may* be higher for broad compared with narrow inventions and portfolios. Broad patents may make it difficult for competitors to “patent around” the inventions or to find new ways of solving a given problem that are as effective and efficient as the patented technologies. In addition, depending on the evolution of relevant markets, more parties may infringe broad than narrow patents.

Business Implications

- Is the invention best thought of as a component of some larger product or service?
- Is the invention sufficient to be the basis of a new product or service offering?
- If component technology, who makes or would make the whole product?
- Do prospective customers have a history of incorporating technologies from other sources or are they a “not invented here” culture?
- Do prospective customers have a history of acquiring patents and if so, at what valuation?
- Are there competing technologies that solve the immediate problem and if so, are those solutions more or less costly, or easier to manufacture?
- How long does it typically take to get a “design win” in the relevant industry?

Funding / Investment

- If the invention is sufficient to support its own product or service, what kind of funding is required to get to market?
- Who might invest and why?
- What kind of ROI might investors reasonably expect?
- Is there an enthusiastic, well-motivated team ready to take the opportunity forward?

Competition and Freedom to Operate

- Would the new product or service be in direct competition with established players in the relevant industry?
- Would the new product or service eventually require licensing patents / technologies from other players?
- Do other patent and technology owners have a history of licensing their patents / technologies?

Markets

- Can the invention be eventually used in multiple vertical markets or industries or in just one?
- If the former, does the invention have to be augmented in some way for each vertical or would the same invention be useful across markets?

Patents and Patent Prosecution Factors

The “optics”—the visuals—of patent portfolios are often valued more than actual patent quality. Numbers of patents, patent claims, etc. may be prioritized over patent quality. Big companies are sometimes expert at playing this game. However, those wishing to create valuable patents need to address other factors, including:

Prior Art Searching

- Was the patent prior art searched and if so, how extensively?
- Was the non-patent prior art searched at all and if so, how extensively?
- Did the inventor / assignee leave the searching up to the patent office?

Claims and Specification

- Are the claims clearly stated?
- Are there both apparatus and method claims?
- Can there be a single infringer of method claims?
- Are some claims drafted as broadly as can be supported by the specification?
- Are some claims very narrow, giving only a “picture” or “snapshot” of the invention?
- Is the language of the specification unusual or at odds with the language commonly used by those skilled in the relevant arts?
- Is the invention explained somewhere in the specification or drawings in a way that could easily be understood by a judge or jury?

Patent Prosecution

- If the specification and claims were drafted by the inventor(s), did the inventors consult a registered patent attorney before filing the application at the Patent Office?
- Have potentially damaging statements or admissions been made to the Patent Office on the record?
- Have claims been unnecessarily or prematurely narrowed to increase the likelihood of issuance?

Inventors

- Have all the inventors been disclosed to the patent office?
- Conversely, are people listed as inventors who are not?
- Did all inventors assign the invention to the patent owner?

So What?

As can be seen from the above, creating valuable patent portfolios requires a good deal of foresight, patience, perseverance, investment, and a good deal of luck. It's great to own a patent but even better to own some of the few really valuable patents that provide a significant return to inventors and / or owners. Patent Kinetics can help your team maximize the value of your portfolio.

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