

**ASSOCIATION OF CORPORATE COUNSEL**

**TITLE:** Using Monitors Beyond the Law: IP Asset Management

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**PRESENTED BY:** ACC's New to In-house Committee

**SPONSORED BY:** Thomson West

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**Operator:** Just a reminder, today's conference is being recorded.

Welcome to this ACC webcast.

Susanna, please go ahead.

**Susanna McDonald:** Thank you. My name is Susanna McDonald. I am the General Counsel and Director of Information for the Claimant Management System. I am also the Vice Chair for the New to In-house Committee. We are presenting this webcast along with our sponsor, Thomson West, a Thomson Reuters Company. And we will be presenting a webcast on the topic Monitors Beyond the Law – Managing Your IP Assets.

So, with us today, we have Dr. Cheryl Agris and Mark Medice. I will be introducing them further to you, but first I want to point out a few things on the webcast for you. On the left-hand side of the screen you have a box area for links. On this box area you can see that there is a link for the webcast's evaluation.

After the webcast please go to this evaluation area to let us know how this webcast fit your needs. It also gives you an opportunity to let us know what other types of webcasts you would like to see in the future. We also have links for Thomson West, our speaker bios, the resources and this actual webcast live. You will be able to access those as well for your future reference.

Underneath the links area is an area for you to place questions. You can type in your question and hit the send button in order for us to be able to see your questions and we can answer them. Most questions will be taken after the webcast is complete when we have a question and answer session. If something really important pops up, though, I will try to simply get the presenters to answer the questions right away.

So let's go ahead and get started. Cheryl Agris – Dr. Cheryl Agris, I should say, is actually with us today. She has considerable experience in intellectual property practice and previously worked as an attorney in the legal department of Novartis Pharmaceuticals. She also was a patent agent at Penney and Edmund. She is currently with – she's doing some work with Thomson Reuters. She is the principle author of the Practitioner's Manual of Patent Examination Procedures.

Also with us is Mark Medice. He is leading the effort with the peer and IP monitor at Thomson West and has considerable experience assisting law firms with IP intelligence and strategy. This is a great, great speaker today for us.

So without further ado, I'm going to go ahead and get this started. And we'll start with the very first call-in question. And I'm going to go ahead and turn it over to Cheryl.

**Cheryl Agris:** thank you very much, Susanna, and I'm happy to be speaking with all of you today. As Susanna mentioned, I actually have a variety of experience in both private practice and in-house. And actually I was originally in private practice and then went in-house and now I'm in private practice again.

So I do have a sense as to what you are encountering.

Now, so I have an idea as to who you all are, we'd very much like to see whether you're general counsel, IT attorney, general attorney licensing, executive or other, if you could take a moment to answer that before getting into the presentation.

**Male:** Yes. We see some results tabulating.

**Cheryl Agris:** Yes, we do. We do. OK. Well. I think this has given us a sense as to who you are and it seems to be a mix with a slightly more IP attorneys. So this has been very helpful.

Now patents are assets. I know it's hard to understand that since they certainly aren't tangible like your desk, like your computer, but they do have value. You can sell them, you can license them. They can be used as collateral. And we'll be talking about this a little later. They have offensive and defensive uses.

And this next slide, which Mark is going to talk about, provides quite an illustration of that.

**Mark Medice:** Yes. Thanks, Cheryl.

There's not a better way to reinforce the idea that patents are not only intellectual property rights but really, really are a part of what many people refer to as the intangible asset pull of the organization.

And not too long ago, just two or three decades ago, if you look at the breakdown or the composition of the valuation of the companies in the S&P 500, you saw that the asset base back in 1975 for physical assets represented over 80 percent of the relative value of those organizations. And over the next few decades you can see that in fact that proportion has inverted. And now a company's relative value is very much derived based upon this idea of intangible assets of which patent rights are one sub-class of that.

So I think what that really reinforces is that – and what's really interesting and intriguing about how we think about intellectual property rights specifically patent rights is how do we think about these rights in terms of not only giving us those exclusive privileges but also how do we think about managing that portfolio and getting the proper return on those – on the investment of that asset pull in the same way that we might manage other assets within the organization. OK?

**Cheryl Agris:** Well, thank you, Mark.

And one thing I just want to add is sometimes, especially with start-up companies, the patent portfolio can be pretty much the only asset that a company has.

But today we are going to cover, as I'll show you in the next slide – we're going to be covering a variety of topics. First of all, what patents can be used for managing your patent assets throughout its life cycle, various tools at your disposal and then end with some resources.

So patents, as I have mentioned and on these next couple of slides, have offensive and defensive uses. Offensive uses is certainly generating or enhancing revenue, for example, by licensing or securitization. You can actually use it as collateral. Another thing is you can establish a foot hold with respect to a product and-or technology. And then last but not least, an obvious offensive use is to present others from copying the product and to establish exclusivity.

Defense use, which I have in the next slide, is certainly freedom to operate. And we'll be talking a little bit more later on. And to use as a bargaining chip with a competitor. And a situation might be where your company has a particular technology but you're blocked from using it by another company – your technology. But on the other hand, you're blocking that company. So you can end up cross-licensing.

But another thing I wanted to mentioned and in the previous slide I had talked about a possible use of establishing foot hold with respect to a product or technology – that can also have a defensive use as well.

Anyway, which brings us to the next topic of managing IP. And before we get into that, just again to have a sense, we'd like to know what you do with respect to managing IP, whether you do have any programs or not. Perhaps you don't. Whether you out-source management to outside counsel, whether you have a program for managing and whether you actually do any licensing.

**Mark Medice:** You know and often times you'll see these types of programs be described in somewhat of a hierarchical fashion which is we look at the procurement of patent rights as a legal sort of right exclusively. Or we really are looking to monetize those rights and even at the top of the pyramid perhaps we – you know – having an active licensing program. This is a nice break-down.

And probably not surprising with the exception that there's a couple of responses here in category A where they're suggesting they have no program which is ...

**Cheryl Agris:** Yes.

**Mark Medice:** You know, might be suggestive of perhaps the size of the company, or what have you. But that's certainly something to be gained from, for sure.

**Cheryl Agris:** Yes. That's very true. And as you mentioned it is important to manage your IT. Now what is managing IT?

Well, the answer is it depends. It really depends on where you are in the IT life cycle. There are several stages. There's the securing the rights which includes disclosure and filings. There are also the enforcing rights, the grants. And then monetizing rights. And actually enforcing rights and monetizing can certainly occur concurrently.

But anyway we're going to talk first about what you have to do to manage IT in the first stage. That's disclosure as in the next slide.

So, essentially, before obtaining patent protection the following steps need to be taken. One needs to do freedom-to-operate studies, patentability determination. But you want to do the freedom-to-operate certainly first. Patentability determination and then determine the scope of patent protection that you might be able to obtain.

So what is freedom-to-operate? As you see in the next slide it involves, essentially, at the very, very least, searching currently issued U.S. pending applications to determine if the proposed process or products would potentially influence claims of U.S. patents or pending applications. And if there's potential markets in other countries, this investigation should be extended to non-U.S. patents.

And I think it's important to note that one should do freedom-to-operate studies even if you're not thinking about patenting a particular technology because you want to know whether you can actually operate in this arena or not.

So how exactly how do you go about doing a freedom-to-operate study? Well, you search competitors or other players in the technology area and-or you search the subject area. And Mark is actually going to take you through what you might do with respect to a particular subject area.

**Mark Medice:** Yes. Thank you, Cheryl.

I just wanted to make a comment at this stage of the discussion to interject how companies are incorporating other forces of intelligence into their analysis. You know the process of doing prior (art) searches and doing various kinds of searches is really, on a regular basis, a fairly established workflow.

What's becoming new to the discussion is incorporating more strategic types of analysis in the process. And the slide I have up in front of you is a simple example of that which is if you have access to many different data bases, if you have the ability to almost Google-like assemble those relevant activities about a particular topic area, an industry or a company, then you can start to get really complementary and strategic insights as to what's going on.

In this particular example what I've just simply done to assemble – as a simple example – is to try to illustrate how one might go about identifying those companies that are most prolific in the area of robotics. And essentially the way it would operate this is an example of a particular program is you would assemble by patent classification or keyword.

All of those events – if you want to call a patent creation an event – that would be relevant to that particular domain or that query. And essentially what you would get is a resulting list of companies which are listed here over the past ten years that have been most active in that particular realm.

So note that this is just one example. You could look at it from a company dimension. You could just as well look at it from an inventor perspective.

So imagine, if you will, that you are operating and competing against Apple Computer and you wanted to know some of those inventors that were most prolific in terms of creating those terrific iPods. Well, you could assemble these types of events together, get some of those types of insights, example where Apple is exactly establishing those rights. And you could even take it a step further and understand where the risks to litigation and so on and so forth are sort of operating.

So I guess what I'm kind of reinforcing here is that while there are some of those traditional search work streams that some of you may be familiar with or certainly Cheryl will walk us through in more detail, know that there are advanced sort of approaches to analyzing not only can I get a patent but which patents should I get. Because they're not an inexpensive thing to get. So it's just as important to get those types of insights as well. All right?

I'll move to the next slide for you for Cheryl's case study.

**Cheryl Agris:** Yes. Actually what Mark said is very true that you do have to think about that. And I will be talking a little bit more in a minute or so.

What I'd like to do is just sort of walk you through another case study in another technology area in the pharmaceutical field. And this is where it's a researcher. And also it shows the importance of doing a freedom-to-operate study before one spends a lot of resources in developing a product because if it turns out that you can't really market this product then there really isn't any point in proceeding.

So in this case a researcher proposes – in a pharmaceutical company – proposes a project for obtaining a new non-aspirin analgesic. And so proposes making some compounds, A, B and C, with a certain core structure. So what should they do in this case?

Well as shown in the next slide they can search patent portfolios for the pharmaceutical – for a couple of pharmaceutical companies who are makers of analgesics, potential competitors, to see what they're up to because maybe they've filed patent applications in this area although maybe they aren't marketing anything. Or conduct patent search for aspirin-free analgesic. Another thing that someone might want to do, especially in the chemical – pharmaceutical areas actually do a search for the core chemical structure.

Now another component of freedom-of-operation is once you have done this, I guess, global search, so to speak, with the subject area and the company, then you want to identify patents or published applications of particular interest. And when you've done that, if it's a patent application, you want to see what the status of the patent application is. And even what you can do is see if it is still pending. And if not – if it is still pending, then you want to see where it is in the prosecution and have the claims been narrowed. And essentially what is going on?

Now if the patent is issued you might want to see if the maintenance fees have been paid. Another thing is to review the chain of title. I notice there's a lot of IT people here. Certainly you know that on the front of a patent is often listed the assignee. Well that's only as of issuance. It's very likely – or it might be possible – that the assignee has changed, the ownership has changed hands. So that's important to determine and also determine whether the patent has been licensed or subject to a security interest.

Mark, did you want not speak to that?

**Mark Medice:** Yes. What I can tell you is that when we've been putting together our competitive intelligence workflows and offerings, one of the biggest challenges that we face is exploring this whole concept of chain of title and who is the bona fide owner at any given point in time because the record keeping in the area of patent records is not nearly as clean as other assets that people are used to sort of monitoring.

So I will tell you it's a huge challenge for us and in the folks we're working with. They certainly continue to reinforce that greater transparency, both in the ability to transact and deal with intellectual property, as well as the record keeping surrounding it, is one of the big areas of focus ahead. And so I guess my point in addition is sort of bring that, adding a little color to the discussion is recognizing and reinforcing that whenever you are sort of exploring those types of issues that that is a very important area to take a hard look at to make sure you get right, of course. And all good patent practitioners are sensitive to that idea.

**Cheryl Agris:** Yes. I think that's true. Another thing – just one more point in the previous slide is to determine if this patent, if it is an issued patent, has been subject to re-issue or post-grant procedure, for example. Re-issue or re-examination, interference or litigation. So you want to see where it's at.

If you're talking about non-U.S. patents then you want to see if it's been subject to opposition procedures which actually bring me to a couple more elements of freedom-to-operate. And that's to determine if foreign counterparts have been filed.

Another thing is to determine identify related filings, like for example, continuations. There's less of that now, certainly. But maybe there have been applications filed, for example, pharmaceutical area on related compounds or related structures, or perhaps similar uses, that sort of thing.

And then finally, but again not least, is to review these patents to determine the scope of protection because you want to see how easy it is to design around patents. That's important.

Now after doing freedom-to-operate then another – the next step is patentability. Now there's three steps that one needs – well, two steps that one needs to do and that's perhaps to review patent searches. So, essentially, you'd be reviewing the patent searches that you did for the freedom-to-operate, but you might even want to refine it because, certainly, what you're looking for in freedom-to-operate might be different from what you're looking for in patentability.

For example, there might be subject matter that's disclosed in the application in the patent specification itself that might not be claimed. So there might certainly be a different focus.

Another thing is to search the technical literature. And then, finally, in patentability one might want to weigh – in making a patentability determination – the pros and cons of maybe getting patent protection versus, say, a defense of publication. So it might be a situation where you have questions to whether you could get patent protection but you still might want to bar other people from getting patent protection. So that's something to think about.

Now how do you determine if something is patentable? Well, there's novel – is it novel? Is it non-obvious? Novelty is certainly very fast. It certainly is just looking, comparing, doing side-by-side comparison whether it's non-obvious and then patentable subject matter.

Now with respect to non-obvious, that's a bit more complicated and certainly I noticed from the polling question numbers you are IT attorneys so I think you all must be aware of the IT attorneys in the audience are aware of the KSR versus Teleflex decision where the bar has been raised with respect to showing that something is not obvious. And to show something's not-obvious, there's the quote-unquote reasonable person, ordinary skilled person in the art, whether it be obvious. And KSR versus Teleflex, which a Supreme Court decision certainly made it easier to make that finding of obviousness.

Now also there's another issue is whether your invention can constitute patentable subject area. And I think that's more of an issue in the business method software area. But even a little bit in the pharmaceutical area. But in the business software area, there have been some recent decisions and things are in a bit of a state of flux.

There's the ((inaudible)) decision about signals, per se, being unpatentable. And then there's ex parte ((inaudible)) which is the business method decision. And that's being appealed to the CAFC.

And then there's in re (Comiski) where they have found that a method for arbitrating disputes was unpatentable because it was not sufficiently automated. But even on the pharmaceutical area there's Classen versus Biogen, which is a method for vaccine administration, which, I believe, is being appealed to the CAFC. So that's – it's something to be aware of, certainly.

Now after doing patentability determination, another piece is the scope of patent protection. You need to determine what scope of protection can be obtained in view of the prior – all right. For example, if it's product claims could you cover related compounds? Could you also cover method of use claims, method of making claims?

And then there's the issue of ease of designing around the patent. So in this case, you actually have to put yourself in the shoes of a potential infringer, in the shoes of the third party, and think about, "Well, if I was going to infringe this patent, in view of the prior art and given the claims that I think I could get."

And you might want to come up with some best case – worst case scenarios. What – how could I get around it, and then make that determination in view of what, as a third party, you could do and whether you want to then go ahead and pursue patent protection.

Now, after you file the patent application, well, there are several things you need to do to manage your IT assets. And now a lot of this is similar to what was done in the pre-filing stages. But there's also some others.

Certainly you want to continue the freedom-to-operate studies, just as an aside, for – essentially patent applications publish just a year-and-a-half after the initial filing date, so your application won't publish a year-and-a-half before, but on the other hand – and this is something for you to think about when you're doing your search, there might be applications out there that have been filed but not published yet and won't be published until after your initial filing date.

So you want to continue to monitor that. You also want to continue to monitor non-patent literature to see what's out there and what other people are doing. And especially, this is important especially if you're maybe going – you have your initial filing and then you want to file after one year and you might be making additions to your initial filing. There might be intervening patent literature.

You also want to continue a dialog internally with respect to potential markets because you want to make determinations as to where else you might to file your application. For just a point of reference, you do have – and as probably a lot of you are aware you have potentially 30 months from the initial filing date to when you have to actually file nationally.

And then there's certainly setting up a competitive intelligence program. Now before getting into that, we want to ask you a third and final question. What you do with respect to monitoring IP activity, whether you do it by industry or technology or by company? All of the above? None of the above? So we'd be interested in hearing what you all do.

**Mark Medice:** Interesting responses for sure, Cheryl.

**Cheryl Agris:** Yes. I'll say.

**Mark Medice:** And while people are continuing to tabulate their results, just to provide a bit of background on how we look at competitive intelligence. And that's actually an area that we specialize in and I sort of help head up at Thomson in their West and North American legal group.

You know, competitive intelligence can mean a lot of things. Part of the challenge of this question, of course, is understanding and interpreting what competitive intelligence might mean to you. What it means to us – it's not some kind of mystic 007 secret spy kind of game but really just being very thorough and understanding and monitoring and systematically incorporating those types of insight into the marketplace because this is no longer – this industry has evolved very, very quickly beyond, "Hey, I know we can get a patent in this particular subject matter and we're going to be in good shape from that point forward."

But there are many issues out there.

Some companies in the commodities space will often have a strategy that really doesn't want to over-invest in intellectual property due to the overhead and expense associated with that portfolio

maintenance. Some industries in the electronics of computing devices areas in some cases have no choice but to invest very substantially in the area of IP.

And when that's all said and done, it's very important now to incorporate somewhat methodically in an understanding of what's going on in the industry because as we all know with the aggressive licensing companies and so forth that are out there sometimes you just don't know who you're going to run up to, or run up against, in terms of having those degrees of freedom to sort of operate ahead.

So the next couple of slides that I'm going to walk us through are really just a simple walk-through of that continuation of that robotics example that I profiled just a minute ago. So essentially what I'm doing is showing a quick query in a system that we offer. This really isn't about the system. I really want to advance the concepts more than anything else.

And if I can get my pointer to work here. Let me see if I can get my – there we go. We got our pointer to work here.

So in this little system, essentially what we're able to do is sort of type in the keyword robotics or robot and essentially what that's been able to do is hunt down all of those classes in the United States Patent Classification Scheme that will be associated with robotics. Then again, that's how we sort of ultimately generated this report that we already reviewed just a minute ago.

As I mentioned at that time, you could just as easily look at the views from the standpoint, "Hey, for robotics who are the most prolific inventors? What kind of litigation profile exists, and so forth?" But I just wanted to at least put that chart up there to kind of give you that flavor for how that breaks down.

You could just as well look at the dispersion of different kinds of trends and so forth, in terms of the types of patenting activity and so forth that one has. Note that you could just as easily break apart. If you refer back to the innovation or the intellectual property life cycle chart we listed or brought up a little while ago you might have recognized the different stages. So you could just as easily segment this data by patent filings or patent versus patent grants.

And as we all know, examining someone's intentions to some extent gives sort of a leading indicator of what other possible indications are coming down stream. And that's just as important.

And then if you wanted – up to this point we've sort of been looking at things in a very broad, broad industry kind of vacuum or technological perspective. But you could just as easily come into this from the standpoint of tell me what a particular company is doing.

And here we just brought up a simple chart for Medtronic, a leading medical device company. And essentially this chart over here is really giving you a breakdown of what their total patenting activity has been over the past 10 years. But let's say you had a keen interest in just seeing what they've been up to in the area of surgical devices. Essentially what you could do is come over here and continue to refine to ((inaudible)) it. I sometimes refer to this grouping to logical baskets of events to a narrower basket so you can get some really good insights about what they're doing in that regard.

So many companies, many law firms in terms of their practicing, or service to their clients, are incorporating these types of insights into that particular analysis.

OK?

**Cheryl Agris:** Yes.

**Mark Medice:** Cheryl, did you have a comment on that?

**Cheryl Agris:** Yes. I have a couple comments. And another thing when I was in-house, that companies will just set up certain – like an automated system where they just monitor activities of particular companies of interest.

And like for example, they just have an ongoing search for what Medtronic is doing. But they might – and especially it depends on – if it's a huge company obviously you're not just do it for the whole company. But if it's a small company then that might be an option. Or what a particular company is doing in a particular field. That's another thing.

And so they'll just have an ongoing search with respect to – let's see what Medtronic is doing in the field of surgery just so that they're aware of that. And it's usually several prongs, not only the patents, but also they want to see the business and the technical information that's released by the particular company so that you have an awareness of, essentially, what's going on in your field so that you can use that to make certain business decisions.

**Mark Medice:** Yes Smart Alerting is something that is pervasive now in terms of the use of these systems. So he's shown me when IBM has filed or just been granted a patent in the area of class whatever – 705 or what have you – is becoming something that's quite routine now.

**Cheryl Agris:** Yes. And I think it's something that's very helpful.

Now after issuance, certainly, there are several activities that can be undertaken. The most obvious is enforcement and then certainly raising revenue and by licensing and perhaps even selling the portfolio or securitization. For example, securitization is using as collateral or you can certainly use your patent portfolio to get an advance on royalties. There are companies that do that.

But anyway, Mark is going to speak a little bit to that in the next few slides.

**Mark Medice:** Sure. Thanks, Cheryl.

So what I have here is a couple of slides about the litigation phase of the life cycle. And you know again when we think about the litigation in the intellectual property context, especially with patents, it really begs the discussion about why people are litigating. In other words, are our folks using litigation today as a principal means by which to force or enforce, or force someone to the table to do a deal as opposed, perhaps, to some other forms of litigation in other practice areas.

And, unfortunately, I think that indeed is the case. And as a consequence it has driven the trajectory of litigation filings over recent years to go to great heights. Although interestingly, from the slide that I was able to find, you'll see that, in fact, what is happening is that the United States filings have dropped off just a bit.

I wouldn't say that it's particularly remarkable. They're still quite high in the United States. But what's even more fascinating, perhaps, is the increase in filings in China. Notwithstanding the fact those suits may or may not be worth, in terms of the overall value, as much, they may be; they may not.

It's really quite fascinating to see that this litigation is obviously occurring where the markets where those rights are going to matter the most. If you're going to be offering products and services in China, that's going to obviously represent a substantial type of dynamic.

One of the key points, however, which I think I already touched upon however, is if there is an opportunity for us to have a better way by which we can have more of a transparent marketplace for IP, then perhaps we won't be facing the same kind of financial challenges and hurdles that we

see here in the next slide which really sort of discusses a little bit about the cost associated with patent litigation.

And this is a bit of – a little bit of a messy chart, but let me see if I can walk you through it. Essentially, what it's intending to illustrate is from the time a case is filed to the various stages of the lawsuit, the Markman Hearing, which is really a scoping and there's plenty of practitioners here who understand what that is, but essentially it narrows the scope for the claims and so forth up to the trial. Then you have the stage up to summary judgment and then you have the different conference stages.

And as we all know, a very narrow set of those cases ultimately lead to a trial and a decision. But notwithstanding that even if your case is sort of concluded at the (Markman) Hearing or the summary judgment, or what have you, note that the cost associated with getting here are substantially high.

One point five million, on average, at the (Markman) Hearing, over two at the summary judgment stage. Two-and-a-half at pretrial conference and into three-and-a-half million at decision. And, again, the studies we have seen that, depending on what the discovery issues and so forth are, the variance for a substantially higher cost at this stage can even be more substantial.

And if you compare those costs over other practice areas, on average we're seeing patent litigation costs greater than other practice areas by as much as 25 percent.

So this truly is not the most effective means by which we can have a marketplace for intellectual property transaction. And anyone who has studied or heard about companies like Intellectual Ventures and so forth, certainly then, are appreciating how many companies are attempting to advance new models and new approaches to monetizing, doing deal-making, and so forth.

And what I did was just incorporate a slide from a presentation from IV to try to bring those forward.

So, again, this is not an exhaustible list by any stretch of the imagination but you can see that there might be companies that are very much focused on looking at the portfolio of companies and really helping them monetize those rights. Almost like consultants who are expert in certain domains or what have you and really helping companies manage their IP portfolios in getting the most out of them.

Of course, many decisions might simply be, "Hey, maybe we ought to just let it expire some significant percentage of those assets."

There are innovative companies. One example is Ocean Tomo that is really attempting to advance the idea of marketplaces for IP rights, to attempt to provide greater liquidity and transparency for purposes of transacting those IP rights.

I still think that we're still just at the very earliest of stages in that type of dynamic. And, frankly, options by themselves may not be the most effective way. But we've got to certainly make some strides in that area one way or another.

There are companies out there, and sometimes people refer to them affectionately as "patent trolls," although I certainly have no axe to grind one way or another with these companies. I think to some extent they create greater liquidity and transparency to the marketplace, which I happen to think is a good thing.

But essentially what they often will do is procure or create their own intellectual property rights and then proceed to assert those rights. And in many cases they are just wonderful examples – I

forget the name of the company, but there's one company famously out there that lays claim to a couple of their patents to JPEG images presented on Web sites.

And so theoretically anybody on the planet who has a picture on a Web site could be the object of their pursuit, if you will. And so again we find those models and those companies to be terribly fascinating.

And of course, if you are looking at this from a financial or an investment model perspective you certainly need capital to these marketplaces and there are a number of organizations out there that are attempting to provide injections of capital into the marketplace to go forward.

If you are interested in more dynamics and more views of this, I really do encourage you to take a peak at, perhaps, Intellectual Ventures' Web site and a host of others because there really are some pretty interesting ideas that are out in the marketplace today.

**Cheryl Agris:** Yes. One thing I just wanted to add in a related aspect is there are companies that use IP for securitization and essentially will do advances of royalties and provide financing based on that. Like, for example, ((inaudible)) Capital, Royalty Pharma. So that's another model.

But, anyway, finally there's some other post-issuance activities and that includes – well, certainly, you keep continuing competitive intelligence. But also it's very important to review your patent portfolio. And the reason is you want to determine, well, first of all whether you want to actually maintain or abandon the patent position.

And there it's important to talk with the R&D and business development people because even post-issuance there are maintenance fees in the U.S. Three-and-a-half, seven-and-a-half, 11-and-a-half post-issuance. And these actually increase each time. And there are annuities in non-U.S. patents. And so that's an extra cost which you may or may not want to keep paying.

Another is whether you want to actually acquire related technology.

Now just to summarize with respect to effective patent portfolio management, you want to keep track of your company's patent portfolio throughout its life cycle. It's very, very important. And competitive intelligence is very important throughout your patent's life – IP lifecycle. And then finally communicate. You want to communicate with your R&D people and even be part of that team, sit in on regular meetings to see what they're coming up with because certainly don't want them to put in a lot of resources if the IP's position is not feasible, if there's not freedom to operate.

Then another thing is it's important to talk to the business development teams because business develop people, I personally find, are excellent sources of information with respect to the marketplace, which potential competitors are there and what they're up to.

Another thing is to talk to the corporate communications people, especially when it comes to press releases of products because you certainly don't want to have any IP issues there.

If it's also pharmaceutical, then you want to talk to regulatory people and interface.

And my recommendation would be to actually have regular meetings with respect to these issues.

**Mark Medice:** Cheryl, if I might just jump in and add a comment.

**Cheryl Agris:** Yes.

**Mark Medice:** In what I have seen – you know I've had some good fortune of spending some time with IBM and Procter and Gamble, and when Procter established their licensing program – and to the

point that this is a multi-disciplinary kind of an activity – they established their licensing program with a brand executive as opposed to an attorney.

Now it's not to say they excluded the attorney. They were very much part and parcel of that process, but they really did look at it from the vantage point of a multi-disciplinary approach.

So how is this important to the business? Where are these investments making sense? What kind of needs do we have? And Procter is not only advancing very sort of first-class aspects of managing their IP portfolio, but if you even look at many of their processes and strategies around innovation and how they are incorporating ideas from the outside and so forth. I think A.G. Lafley, their CEO, has established a benchmark he wants somewhere in the neighborhood 30 to 40 percent by, I think it was something like 2015, of their innovations to come from outside organizations. So a very open innovation type of an idea.

And if those ideas are of interest to you, there's many books and so forth and concepts out there. Henry Chessborough is one of those guys who's been advancing that concept for some years so I'd certainly take a peek at that as well.

**Cheryl Agris:** Well, finally – and well said. Now how can you go about managing? Various tools are available. And there's publicly and commercially available scientific business, patent data bases that you can use. And I want to just say a couple words about public versus commercially available databases.

There're certainly uses for both of them. And also, as an aside, on the Web site I actually included an extra handout with respect to some other useful data bases for you with respect to searching and organizations and that sort of thing.

Now, certainly, the publicly available data bases are a good place – a good starting point. Now for example, like – just to do preliminary search. But if you want to really delve into something in detail and see what the – for example, of a particular technology, what's the patent to this and what sort of scientific literature is out there, information about a particular company and you want to get all that information then you might want to think about the cost versus the time involved.

Because certainly if you look at the publicly available data base you have to first search the patent data base, you've got to search the business data base and then the technical data base. Whereas, if you do a commercial service – and (Mark's) going to walk you through it in a minute – you can just – It's essentially one stop shopping.

So it's something that you need to think about.

Also another thing – so you want to be able to have various data bases that you can do your searches, that you can do your competitive intelligence.

Another thing is patent docketing systems. That's very important to keep track of deadlines and essentially your patent portfolio. And then there's this cost estimating system, especially if you want to file abroad. And then there's competitor assessment services.

So Mark is going to briefly talk a little bit about this and then we'll open it up to questions.

**Mark Medice:** Yes. And again, all I wanted to do is reinforce that some of the screen shots that we have shown today have come from an intelligence system from West called IP Monitor. Not really a promotion for the product, per se, but really the concept which is what we're doing.

We're aggregating different legal events and then allowing one to, at their pleasure, slice and dice that information by technology, by company and so on and so forth.

So that was just a little minor plug for that product and then some of the other insights that we've gotten have come from Westlaw's Patent Practitioner.

And if I might be so bold as to give a boost for my colleague here who is speaking. Cheryl is actually your lead and primary author for the Practitioner's Manual of Patent Examining Procedure, which, if I get my little arrow, maybe I can even point it out right there.

So I'm sure that's a stellar piece of literature, for sure, as it is associated with Cheryl.

So that's all I have to say about those items and then I push forward.

**Cheryl Agris:** Well, we thank you for joining us and we're certainly happy to take questions at this point.

And additionally, if you have any questions, feel free to contact either of us. Our contact information is on this – I think it's actually next to final slide – our telephone number and e-mail. So please feel free to contact us with any additional questions.

Susanna McDonald: Thank you so much, Cheryl and Mark.

That was really, really wonderful. And while we're waiting for questions to come in, I also wanted to point out if you found the concept of IP competitive intelligence compelling and you want to know more about it, please come check out the IP Competitive Intelligence CLE program that's going to be offered at the ACC annual meeting conference in Seattle. It'll be a program solely focused on setting up IP competitive intelligence systems in your offices.

And I believe Mark Medice will be assisting us with that program. So that'll be great.

**Mark Medice:** Yes. I hope so. Well, great.

**Susanna McDonald:** Yes. Now, again, to ask your questions please use the questions box on the lower left-hand side of your screen and hit the send button and we will get those questions. And we'll start answering them.

And if because of time limitations – if we're not able to get to your question, there are three ways that we can answer your question.

One, we will be answering all unanswered questions on the webcast site, the ACC webcast site for this particular webcast. Additionally, I will be submitting questions and answers through the New In-House Committee ListServ. Furthermore, again you have Cheryl's and (Mark's) e-mail address. You also have my e-mail address in the moderator bio. You can always send me your questions and I will get them to Cheryl and Mark.

But let's see for the questions we have coming through. What trends are there in issuing patents in the past year as compared to other past years?

**Cheryl Agris:** Well, it seems as if – at least I – it's a very timely question, Susanna.

And I was actually at a presentation a couple of days ago where there was a group director actually for one of the groups of biotechnology groups who was mentioning that. There seems to be a big emphasis on patent quality.

And so as a result, at one point a few years ago, there was more an emphasis on production in getting patents issued. But now there's more an emphasis on patent quality. So it looks as if there is a decrease in the number of patents being issued. It's not a sharp decrease, but a bit of a decrease. And I think the Patent Office is just taking – also in view of recent court decisions – just being a lot more careful as to what patents are issued

And so I think just from a practitioner's point of view you need to pay more attention during pendency as to what sort of arguments you set forth and so on. And also maybe it might play a role in making a decision as to what you try and obtain patent protection for.

**Susanna McDonald:** OK. Interesting.

Also for those participants with us, please under the links on the left-hand side of the screen is a webcast evaluation. Please, before you finish today, go to that section and fill out the evaluation of this webcast so that we can continue to bring you the kind of webcast that you need in your practice.

One more question it looks like. How often should there be meetings with respect to IP? I'm guessing that this is in reference that you should communicate regularly about your IP practice. How often should you conduct those meetings?

**Mark Medice:** I ...

**Cheryl Agris:** Yes. Why don't you and I'll weigh in.

**Mark Medice:** Yes. For sure. You know it's – I think the way I would approach it – and I've seen different levels of formalism, if you will. Some organizations have what they call the patent review committee or the intellectual property review committee that's really part of the natural stage of their product development life cycle.

So if you really think of the intellectual property lifecycle chart that we have presented, think of a number of additional parallel tracks, if you will, that are really directed towards the progress of new programs and services being introduced into the marketplace with integrated checkpoints.

Now, obviously, the larger an organization, the more formal that process might be included to be. And not only formalized but automated. I've worked with many Fortune 10 companies, Fortune 50 companies, and 100 companies that have very automated workflow systems and so forth. But, candidly, even if you're a 10-person company, you want to at least be sensitive to how IP is important to the over-arching strategy of your company and correspondingly incorporate those considerations into the decision-making that's appropriate for the company.

So in terms of a direct answer to the question how often, the frequency should really be based, to me, on the workings of the company in terms of introducing new programs and services. So I would think no less than weekly for a smaller company. No less than a periodic checkpoint by weekly, three, four, once a month for a large company.

**Cheryl Agris:** Yes. I would that it should be one of these things that should be a regular occurrence. Even for a small company it should be actually on the calendar because if it ends up being as-needed, then sometimes some things might – there's varying determinations as to what constitutes as needed.

So if at least you have it on the calendar, well we're going to have a patent committee meeting once a month, then it gives something for the players to think about. And there should be designated members of the patent committee. It shouldn't just be the patent attorney or the IP or even the legal people. It should be the IP attorney, it should be R&D, and it should be business development. And so that way if something is scheduled then it's something that people have to think about. And if it turns out there isn't much to talk about, and then it's a short meeting.

**Susanna McDonald:** Excellent. Well, Cheryl, Mark, I believe that does it for our questions. I really appreciate your time and effort in putting this together for us. It was very valuable. Thank you so much.

**Cheryl Agris:** Thank you. We enjoyed it.

**Mark Medice:** Yes. Thanks very much for having us. This is a wonderful topic.

**Susanna McDonald:** Thank you. That does it for us. And thank you for calling in and participating in this webcast. Signing off.

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