

# Technology and Intellectual Property Bulletin

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## Mapping out a Patent Strategy in Today's Economy

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In the new economic landscape, belt tightening has encouraged many intellectual property (IP) owners to step back and get the big picture on their patent portfolios. Clearly, IP continues to be essential. If anything, it is more valuable now than ever – especially when other more traditionally “tangible” assets are experiencing a period of substantial re-valuation.

Inventors and patent owners should keep in mind how “bargain theory” applies to intellectual property. To encourage companies (and people) to improve and better society, the government rewards innovators and provides an incentive for them to publicly disclose their works. Patent laws have evolved so that innovators might profit, while society advances by their innovations.

Innovators must carefully consider whether to protect, or not to protect, their intellectual property. If the decision is made to protect an innovation, then the initial question becomes one of how best to go about doing so: by patent or by trade secret?

In assessing whether trade secret protection may be available, the first question to ask is whether the innovation is still a secret. If answered in the

affirmative, the innovator may move on to other considerations. What has been done, so far, to keep it secret? What more can be done? Will those measures continue to work? And, for how long?

An often cited, and perhaps the most infamous (insofar as it has still been maintained), example of trade secret protection is the Coca-Cola™ formulation. The Colonel's Eleven Secret Herbs and Spices™ of KFC is another example which may not have jumped to mind as readily.

Trade secret protection is valuable, perhaps first and foremost, as an initially low cost alternative to patent protection. Trade secrets will hold their value only as long as they are kept secret. The advantageous corollary, however, is that a trade secret may potentially keep its value forever – i.e., with continued effort expended to maintain its secrecy.

Any potential to protect an innovation by trade secret should be compared with the value which might instead be afforded by patent protection. A patent is a monopoly in the protected invention, limited in that it will typically last for 20 years after an application is filed. Innovators must apply to the government in order to be entitled to patent protection. Patent

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owners are granted substantial rights, and can control who manufactures, uses or sells their invention.

To obtain a patent, the innovation must qualify as an “invention”. Patents are available for any new, useful and inventive devices, methods and formulations, or improvements to any of these. You cannot “put the genie back in the bottle”: if an innovation or trade secret is already in the public domain, it will not be considered “new” and patent protection will not be available (unless one of the government-sanctioned grace periods applies).

Innovators can learn strategic lessons from the filing practices of successful patent holders. Protection should be sought, initially, on a core technology. In separate applications, innovative companies should apply to protect any proprietary designs or ornamental features that may be applied to the core technology. As the technology continues to develop, underlying methods of operation and related methods of use should also be protected. Patent protection may be sought on potential improvements (even including those not contemplated for immediate commercialization). In this manner, a patent owner may build layer upon layer of protection surrounding a core technology. Since patent applications are typically not published until 18 months after their original filing, innovators will have an opportunity to always stay one step ahead of their competitors.

A series of patent filings may also be viewed as creating a “web” of protection around the technology. The more applications filed and patents issued, the more nodes on the web. And, the more difficult it may be for a competitor to successfully navigate a clear path to market between the interconnected strands of the company’s patent web.

Patent visualization tools may also afford some perspective on patent portfolios, and can provide significant and immediate value for executives –

whether in helping to quickly assess their own patent portfolio or that of a competitor, or to co-map one against the other. The economic realities confronting many IP owners today may make it an ideal time to capitalize on these “intangible” assets by divestiture or acquisition. Patent analysis must necessarily feed into the due diligence underlying any such transaction, and can also help in the early identification of under, and over, valued technologies. These analytics may prove immensely valuable in competitive assessments, in negotiations (as a highly persuasive bargaining chip), and in ongoing IP management.

Some of the visualizations which are available include depictions of the patent landscape as a topographical map. Areas of high patent density (where the technology space is crowded) appear at a higher elevation on the patent landscape map. Conversely, areas where the technology is largely undeveloped appear submerged or at a low elevation. By plotting one’s own patent filings on the landscape, innovators can identify strategic areas for future technological development and R & D spending, and ones not meriting further investment at this time. As well, companies might identify a competitor’s patent portfolio as being a particularly good fit with their own, and worthwhile for license or acquisition. Of course, coming at it from the other direction, a patent owner might likewise conclude that its own patent portfolio would be particularly valuable to another entity, such that there may be an opportunity to better commercialize those patents.

In surveying the patent landscape, some innovators might be compared to groundhogs scanning the horizon for their own shadows (i.e., IP portfolios). The innovator may well consider venturing forth and expanding its footprint, or making a series of footprints, on the patent landscape. A patent holder may thus move beyond its own original technological developments. Patent visualization tools can also help keep an innovator from falling

under the shadow – i.e., infringing upon the patent portfolio – of a potential plaintiff. Immediate value may be afforded by these tools insofar as they may assist patent holders to quickly gain an understanding of the competitive environment and their own place therein.

There are other patent visualization tools which may enable executives to assess how best to build upon, and profit from, key innovations. Some visualization tools allow IP owners to see if any of their patents have been referenced by the subsequent patent applications of others. Significant licensing (and additional revenue) opportunities will exist when others have built upon the technologies disclosed in an original patent owned by your company. In this manner, IP owners may readily identify under-utilized patents for future capitalization.

Still further, patent tree structure visualizations may allow innovators to assess the nature of development in a particular area of technology, including various failed and thriving branches thereof. These tools can help patent owners identify where best to focus current and future development efforts – whether to continue with current growth areas, nurture dormant branches, or cultivate new ones.

The innovator's patent strategy must be customized to suit its needs, including those inherent in its technology, competition, and budget. Companies may consider offsetting some costs, until the next fiscal year, by filing one or more "priority-founding" patent applications, and then, taking advantage of the rights afforded under international treaties, to delay filing in various other countries for up to 12 months. Executives will be best advised to reflect, in a calculated manner, on the markets where patents are necessary. Depending on the jurisdictions where protection is to be sought, the innovator should consider filing either an international application, or a restricted set of national and regional patent applications.

International patent applications under the Patent Cooperation Treaty (PCT) may be based on a previously filed priority-founding application. Typically, PCT applications are searched and examined internationally, and an international report on patentability is issued. With international applications, an innovator is generally afforded 30 months from the original application before needing to spend money on any corresponding national or regional patent applications (e.g., in Canada, the United States, Europe, China, India, Australia, Africa). Favorably, as well, all of these national and regional applications will be accorded the same filing date as the PCT application.

Alternatively, at the outset, some innovative companies may determine it is only then feasible to seek patent protection in a restricted number of countries and regions. For example, if patent protection is only a concern in Canada and the U.S., a company may consider (a) filing in both jurisdictions at the same time, or (b) only initially filing a Canadian application. Unlike in the United States, requests for advanced examination are routinely granted in Canada, with office actions or notices of allowance typically being received within the first year. Armed with an initial indication concerning the potential patentability of the innovation, the company may then better consider whether to proceed with the filing of a U.S. application – all within one year of the initial filing such that the U.S. application may still be afforded the same filing date as in Canada. Also, if the Canadian application is allowed, the innovator may consider whether to then request entry onto the Patent Prosecution Highway, with a view to expediting the issuance of corresponding patent protection, in the United States.

In closing, innovators and companies alike should consider how best to partner with their IP service providers, so they might obtain the advice needed most. Patent filing and prosecution strategies should dovetail seamlessly with the business objectives, and

with any and all related enforcement and litigation work – whether ongoing or contemplated. The IP service provider must always bring to the table as much value as possible for the innovative company, so that these “intangible” assets might ultimately yield concrete results (profit).

At the end of the day, the goal is to economically position oneself as the well-protected patentee,

rather than a mere groundhog fearing to poke its head above the IP landscape.

For more information on the subject of this bulletin, please contact the author.

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