Clarivate™

Finding cost efficiencies in patent portfolio maintenance

Five strategies for corporate patent portfolio decision making.

85%

of portfolios tend to be renewed by corporate IP owners every year

Introduction

The financial commitment of maintaining a patent portfolio can be considerable. The official fees to sustain even a relatively modest portfolio over its lifetime has the potential to represent a multimillion-dollar investment. For example, maintaining a portfolio of 500 patents across the top ten filing jurisdictions could cost almost four million dollars.[1] Companies are naturally cautious about letting registrations lapse, but fees and annuities can add up, along with internal administrative costs of keeping on top of maintenance activities. With access to the right data to support decision making, pruning your portfolio can result in major savings without significant risk.

For example, corporate Intellectual Property (IP) owners tend to renew 85% of their portfolios each year.[2] That's an abandonment rate of 15%. A small increase – to 16.5% abandonment – results in a 1.5% overall portfolio saving. For larger portfolios, this can be a productive route with little risk. For those with a more tightly focused set of patents, however, an extra 1.5% abandonment rate could be a more problematic task. For such companies, a more limited increase in abandonment can be coupled with other methods for more efficient portfolio maintenance.

Economic headwinds may also impact patent maintenance strategy. As companies look to tighten the belt around costs, IP teams need to be prepared to shoulder their share of budget reductions. When a directive arrives to reduce operating budgets the IP team must be prepared to analyze a potentially expansive portfolio and decide what to prune while also limiting the impact on any single business unit or region.

Fortunately, a multi-dimensional review of your company's patent portfolio may lead to not only short-term cost savings but also strengthening the portfolio and highlight opportunities for monetization. In this whitepaper, we explore five strategies to help companies take a fresh look at patent portfolio maintenance decision-making and spending.

[1]Assuming a relatively balanced impact between new filings and abandonment, applying an average 85% renewal rate.

[2]Average renewal propensity of the top 250 portfolio owners utilizing Clarivate renewals solutions.

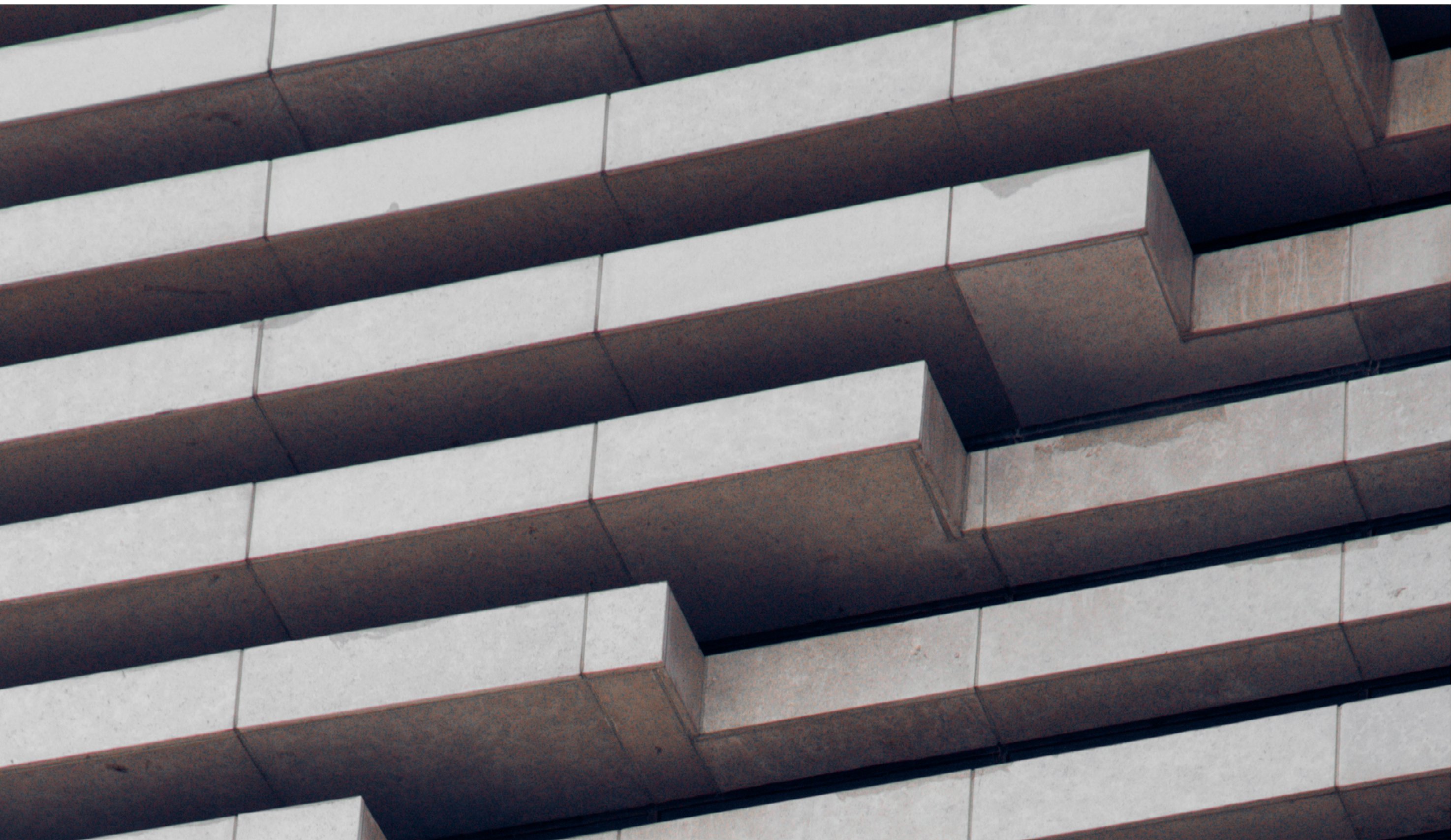
Strategy: Use data to inform decision making

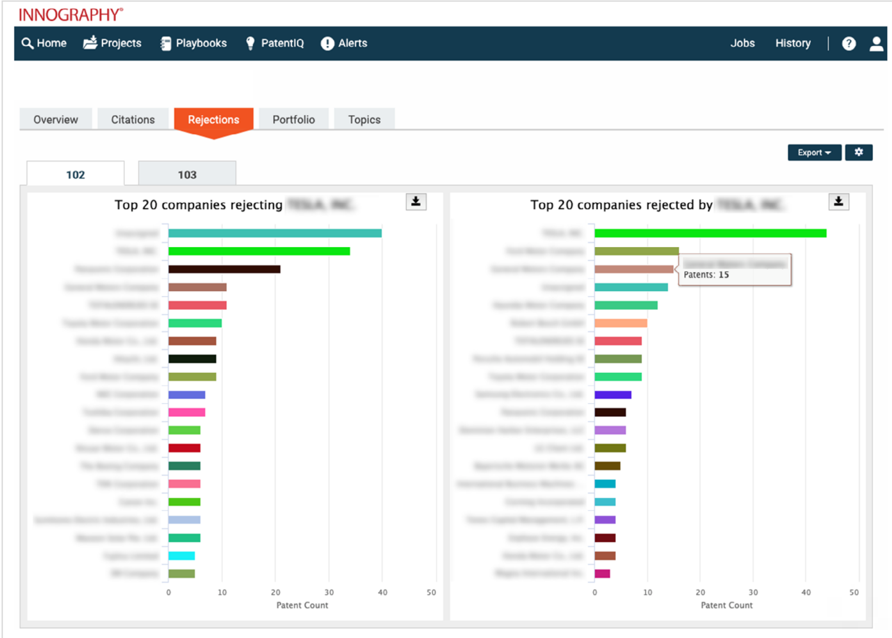
There is a reason "knowledge is power" is a tried-and-true adage. The right analytics tools can help inform patent maintenance decisions in everything from budget forecasting to evaluating your company's and competitors' patents. With an evidence-based approach to optimizing patent portfolios, what might otherwise be a shot in the dark can turn into a productive and informed process to cut costs and fortify the portfolio.

Introducing analytics-based patent scoring across your portfolio can provide indicators of patent strength and quality. Even if patents no longer support products, processes or technology internally, they may have value elsewhere. Having the right information ensures you can make the right decisions and avoid unnecessary costs.

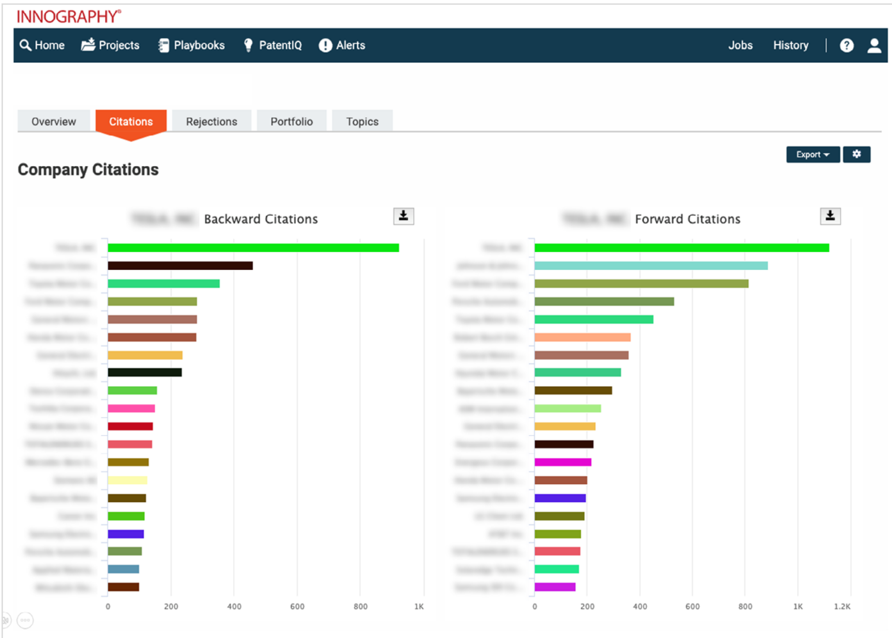
Patents can be scored across a portfolio based on a range of criteria including:

- Number of products supported
- Revenues attached to supported business units/products
- Competitor activity, threats and exclusions
- Future strategic importance of invention protected
- Licensing or potential for licensing
- Average patent life to abandonment
- Number of forward citations (internal and external) as well as whether they are cited by examiners in a final rejection and therefore blocking potential competitors' new patent applications
- Past, present and future anticipated litigation involving a product or technology within specific industries and jurisdictions





Example of a rejection analysis using a sample portfolio: Which companies' patents are most often blocking the organization's applications and which companies' patents does the organization most often block. Source: Innography™.



Example of a citation analysis using a sample portfolio: which companies does the organization most often cite and which companies are citing the organization's portfolio. Source: Innography.

IP teams can further use data to inform decision making by:

- Using citation mapping across the portfolio to evaluate which citations are self-citation, competitor citation and non-competitor citations.
- Carrying out cost/benefit analysis to prune patent families in peripheral jurisdictions. Even if a particular patent family is being maintained globally, consider whether it is necessary to maintain some or all of the family in lower-priority jurisdictions.
- Commissioning a terminal disclaimer analysis to avoid paying unnecessary renewal fees for unenforceable patents.
- Introducing budget forecasting procedures and regularly track performance against projected spend.
- Conducting a patent portfolio audit to compare how maintenance fee spend aligns with your company's strategy.
- Carrying out competitive benchmarking, comparing your portfolio to others in your space, to see where there are areas of relatively low or high competitive intensity.
- Engaging a third-party specialist to evaluate your portfolio. A neutral outside analyst can not only bring a different viewpoint, but also important analytical tools to which you wouldn't otherwise have access.

For example, Clarivate™ analyzed the patent portfolio of a customer, applying a patent scoring algorithm consistently across all patents in the portfolio to objectively classify the strengths of each asset. In a modelling exercise focused on costs within single jurisdictions, we were able to demonstrate how even a conservative approach of pruning 10%, 15% and 25% of low strength patents at first, second and third annuity respectively could achieve savings of $1.5m over their lifetime. In other words, strategic abandonment of just 138 patents would result in substantial cost savings.

At Clarivate, we have an established methodology to conduct terminal disclaimer analysis. Our team have helped customers to achieve significant savings, including one large technology company who save $5.3M through this process alone.

Remember when considering if or where to prune a portfolio that decisions window for renewals often opens 6 months prior to due date with 6 months grace period before lapse.

Strategy: Avoid inadvertent bad decisions

It goes without saying that corporate IP departments don't want to make bad decisions. However, without thorough analysis and understanding of the overarching value and goals of your portfolio, your team might inadvertently take action that isn't in the company's long term best interests. When weighing decisions, consider patent portfolios from multiple angles including not just costs but also value to multiple business units and in multiple jurisdictions.

Use these types of conversations to understand the portfolio in a more holistic way.

- The costs of ownership of an IP portfolio include much more than simply maintenance costs. Yet, when looking at cost savings, the focus is usually on annuity fees and other maintenance costs. When considering the costs of maintaining an IP portfolio, consider the total cost of ownership over time and seek savings that have a larger impact.

- Ensure each business unit has a say in whether IP rights are maintained. Various stakeholders across the business should be involved in deliberate and ongoing conversations about the value of the portfolio, not just when the time comes to make discrete renewal decisions.

- With the cost of patenting an invention starting around $15,000[3] and less than half of patents being renewed after their first maintenance payment[4] , it can be beneficial to include stakeholders in early patentability decisions prior to filing patent applications.

- Consider whether there may be an opportunity to license or sell IP rights that you plan to abandon. Those conversations among business units as well as analysis of the broader technology landscape can shed light on previously unrealized value.

- Remember when considering if or where to prune a portfolio that the decisions window for renewals often opens 6 months prior to due date with 6 months grace period before lapse. Understand the timing and requirements for grace periods in all jurisdictions where you contemplate non-renewal and the circumstances in which you may want to reconsider a prior decision. Bear in mind that the fees and costs associated with reconsidering will affect the immediate bottom line and should be outweighed by the future value of maintaining the patent.

- Use your patent scoring schemes when making abandonment decisions to ensure you aren't inadvertently discarding valuable assets.

- Review the jurisdiction coverage across each patent family. Are there specific reasons to maintain a portfolio within a particular market or jurisdiction even if the patents don't directly support products or activity there? For example, jurisdictions where counterfeiting is a more serious issue or plans to enter a market in the future may warrant maintenance.

[3] Bitlaw guidance. Patent Application Cost (Bitlaw Guidance). (n.d.). Retrieved March 6, 2023, from https://www.bitlaw.com/guidance/patent/what-does-a-patent-application-cost.html

[4] The elephant in the room. IAM. (n.d.). Retrieved March 6, 2023, from https://www.iam-media.com/article/the-elephant-in-the-room

Strategy: Save on renewal fees

Renewal fees are often seen as fixed and unavoidable costs. But even here, careful and strategic planning can potentially create room in an IP department's budget. Once you have made the decision to renew a patent, there are still possible savings available.

There are typically three components to the cost of renewal, each of which can include scope for saving:

- **Official PTO fees** - This normally represents approximately 85% of the renewal cost. Generally, the only way to avoid these fees is simply not to renew. However, renewal strategies can help save even on official filing fees. In South Korea for example, rights holders electing to pay three or more years of official fees upfront can realize a saving of 10%. Indeed, merely filing by the statutory deadline and not during a grace period can result in savings that add up over multiple years and jurisdictions.
- **Agent fees** - These can represent approximately 5-10% of the cost, but careful management of your agent network or direct payment where possible can help to reduce this element. For example, using a single regional firm can streamline the filing process. As with any decision relating to outside counsel, exercise caution here. Check that your provider is using a high quality, vetted agent network and do not rely on the price tag alone.
- **Service charges** - Fees levied by service providers for the services rendered in the execution of the renewal typically represent 5-10% of the overall cost of a renewal. Negotiating these effectively can still make a difference, particularly across larger or more complex portfolios. Engaging with your annuities service provider can also uncover cost efficiencies. As experts in their field, service providers can often identify procedural inefficiencies or opportunities to reduce costs.

Outside of PTO fees, agent fees and service charges, you can explore these three additional areas for uncovering hidden savings:

- Save with License of Rights – 20% of the average corporate IP department's maintenance spend is in jurisdictions where License of Right (LoR) applications are possible[5]. While a relatively limited number of jurisdictions provide for LoR applications, they may allow for a 50% saving on official fees in those countries if your company is willing to officially declare its willingness to grant licenses. Naturally LoR suits some patents – and businesses – more than others, but savings can add up quickly if you are open to this approach.
- Track terminal disclaimers – The effect of a terminal disclaimer can be difficult to evaluate and docket. However, where terminal disclaimers apply and are not tracked properly, a company may inadvertently continue to pay annuities on a registration that is unenforceable. Be sure to understand the specific parameters of any terminal disclaimer and the effect of a change of status of the earlier patent. Then docket the connections among the first patent and all subsequent patents containing terminal disclaimers.
- Give patents as charitable donations – In some jurisdictions, with the appropriate due diligence in place, patents that are proven to add value can be donated to charity, and then written off to reduce a company's tax obligations.

In a recent service review with a large pharmaceutical customer, we were able to realize annual savings of over $300k simply by optimizing how they made and instructed renewal decisions and advising on multi-year payment options in jurisdictions where official fees were scheduled to increase.

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[5] Average percentage of Clarivate customer portfolios maintained in jurisdictions offering LoR.

Patent maintenance fees typically increase with age, so merely iterating from past budgets can leave shortfalls that need to be made up.

Strategy: Make accurate budget forecasts and actively manage invoices and payments

Budget forecasting is complicated and unexpected costs can make this task even more complex. Using accurate budget forecasting tools may help you better understand the full cost of maintaining IP over the long term.

Patent maintenance fees typically increase with age, so merely iterating from past budgets can leave shortfalls that need to be made up, often at the expense of current filing programs. Accurate forecasts can also serve as important reminders of the true opportunity cost of maintaining a patent. By actively managing invoices, you may uncover additional unexpected charges that require investigation.

Some indirect costs, like bank transfer fees, cannot always be avoided. But with careful planning, you can make these costs more predictable:

- **Invoice processing** – Invoices quickly pile up and processing challenges, like matching line items with end clients or business units for recharging, take added time and effort. Timely processing of invoices can help avoid some of these inefficiencies.
- **International bank transfers** – International bank transfers incur additional bank charges. If possible, include estimates for international transfer fees in your budget projections.
- **Foreign exchange** – You will receive invoices in multiple currencies; the best exchange rate is not always guaranteed.
- **Payment terms** – Certain payment terms can put a strain your working capital. Consider whether it would be beneficial to negotiate payment terms with vendors, particularly those with whom you work frequently.

Additionally, you may avoid unexpected costs and better predict budget forecasts by:

- Carefully reviewing and understanding substantive correspondence from agents to ensure that you adhere to the rules for the jurisdiction and avoid later costs for correction. While not strictly an invoice-management technique, making sure to understand and communicate with your team about substantive requirements from an early stage can avoid any number of grace period and correction fees.
- Commissioning an audit of your invoice management process for legal and foreign agent fee handling.

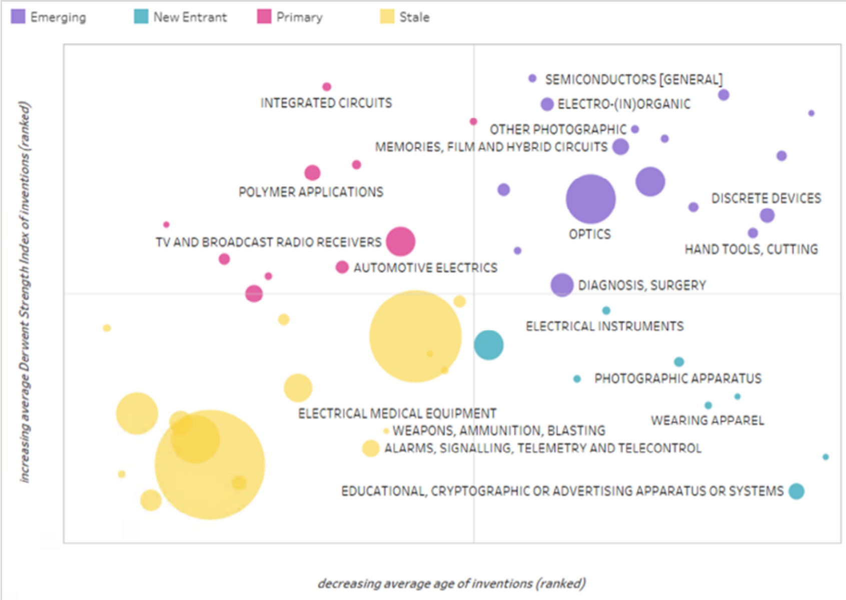
When engaged by a US customer with an average of 230 filings annually in 10 major jurisdictions, our analysis of their invoices revealed that the hidden costs represented 14% of the firm's total annual filing and prosecution costs. With these suggestions, you can begin to identify and ultimately reduce unexpected costs.

Strategy: Make it pay for itself

All of the available tools for analysis discussed so far provide value well beyond a simple yes-or-no maintenance decision. Careful and regular examination of your portfolio can result in opportunities to monetize your portfolio that you may not have previously seen.

Here are some of the many ways that strategic analysis can shed light on potential monetization opportunities:

- Search for potential licensees/infringers based on citation mapping and product searches.
- Score all assets within the portfolio for strength and potential value using multivariate analytics algorithms to find potentially licensable assets.
- Extend searches to include adjacent industries that use similar technologies and components to identify licensing targets.
- Include options for sale or retain/license as part of the annual renewals decision-making process. Instead of a binary renew/don't renew consideration, a creative look at the patent and industry can lead to additional value for your portfolio.



Example technology dynamic model for portfolio analysis using Derwent Strength Index and average age of inventions.

Strategic analysis of the competitive landscape may uncover potential infringers or licensee opportunities:

- Track competitor licensing activity to uncover similar opportunities in emerging markets that would suit assets within your own portfolio.
- Track potential infringers and licensees to identify their products and features against individual patent case records under a single database, enabling better informed renewal and prosecution decisions.
- Carry out regular competitive analysis of product announcements and marketing collateral to uncover potential infringers.
- For any potential infringers identified, conduct detailed evidence of use studies to understand likely levels of infringement.
- In preparation for assertion against infringers, stress test your assets with an in-depth validity search.
- Work with and train other parts of your organization who are more likely to come into contact with and uncover potential infringers. Research and development (R&D), product, marketing, sales and other departments should be included in initial training and regular check-ins. Customer facing employees who are out in the marketplace may help identify potential infringement. With proper training and follow-up, these employees can also help find possible licensing partners.

Takeaways

Strategic analysis of a company's patent portfolio can lead to unexpected and potentially significant opportunities for cost savings. As our portfolio analysis for one client showed, pruning a relatively small number of patent registrations – in that case, 10-25%, representing lower value patents within the portfolio – can lead to major savings – for that company, around $1.5 million.

Tools, like patent scoring and mapping, can help identify the real value of a patent in a particular jurisdiction, including consideration of opportunities for licensing and expansion into new technologies. Combined with fact-driven budget projections and a careful look at invoicing practices, these tools can provide a comprehensive cost-benefit analysis to empower companies to manage patent portfolios and make informed maintenance decisions.

Holistically understanding your company's portfolio isn't just helpful when it comes to maintenance decisions. Tools like reviews of commercial literature and tracking competitor activity can lead to opportunities to monetize patents in ways that might not previously have been apparent.

All of these conversations about patent value should not take place in a vacuum. Instead, regularly communicate with other business units within the company. Sharing the knowledge gained through analysis of IP assets with key teammates in other departments can spark other ideas about the value and potential for your company's technology.

Clarivate provides insight and support throughout the IP lifecycle. Our IP intelligence solutions, filing and prosecution support, and patent maintenance services can inform your decisions and maximize your IP assets. Contact us to learn more about how our tools can lead to efficiencies and savings in patent portfolio maintenance.

About Clarivate

Clarivate is a leading global information services provider. We connect people and organizations to intelligence they can trust to transform their perspective, their work and our world. Our subscription- and technology-based solutions are coupled with deep domain expertise and cover the areas of Academia & Government, Life Sciences & Healthcare and Intellectual Property. For more information, please visit clarivate.com.

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