

***New IP Strategies for  
Industry and Academia  
In Light of Significant  
Legislative, Administrative  
and Judicial Developments***

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**JUNBA 2008 Symposium  
Santa Clara CA**

# ***INTRODUCTION***

- ***SUCCESSFUL HISTORY OF COLLABORATION AMONG ACADEMIA, INDUSTRY AND GOVERNMENT***
- ***PATENTS ARE A RELEVANT MEASURE OF SUCCESS***
- ***CONSIDERATIONS FOR AN EFFECTIVE PATENT STRATEGY***
- ***CHANGES TO LAWS AND PROCEDURES AFFECTING PATENTS WILL IMPACT ON THE STRATEGIES FOR IAG COLLABORATION***

# *IAG COLLABORATIONS: THE INNOVATION TRIANGLE*



## ■ **ACADEMIA**

- *Resources: facilities; educators; researchers; academic freedom*
- *Goals: education, social benefits, income*
- *Deficiencies: LIMITED - commercialization, marketing, management, money*

## ■ **GOVERNMENT**

- *Resources: established programs, knowledgeable administrators, money*
- *Goals: social benefits, economic growth, innovation*
- *Deficiencies: LIMITED - commercialization, marketing, management; incentives*

## ■ **INDUSTRY**

- *Resources: product developers, marketers, entrepreneurs, producers*
- *Goals: corporate growth, new products, shareholder wealth*
- *Deficiencies: LIMITED – resources, research capability and freedom*

# ***THE INNOVATION TRIANGLE: UNDERLYING DRIVERS***

- **ACADEMIA – Grant Programs and TLO's**
  - External Funding – must be sought by Academics
  - Title to Inventions - Typically Obtained by the Organization
  - Licensing – Encouraged to Generate Income
  - Rights and Royalties - Possible Sharing with Inventor
- **GOVERNMENT – Bayh/Dole Act**
  - R&D Funded by Government
  - Title to Subject Inventions - To Organization not Government
  - Organization Duties - include filing for patent protection, active promotion and commercialization, non-exclusive license to government
- **INDUSTRY – Classic Capitalism**
  - Identify new ideas - from outside sources and procure rights
  - Provide adequate incentives for disclosure and development
  - Exploit Offensively and Defensively



# *MEASURING SUCCESS of the INNOVATION TRIANGLE*

## ■ *CURRENT LEVELS OF RESEARCH FUNDING BY GOVERNMENT, ACADEMIA AND INDUSTRY*

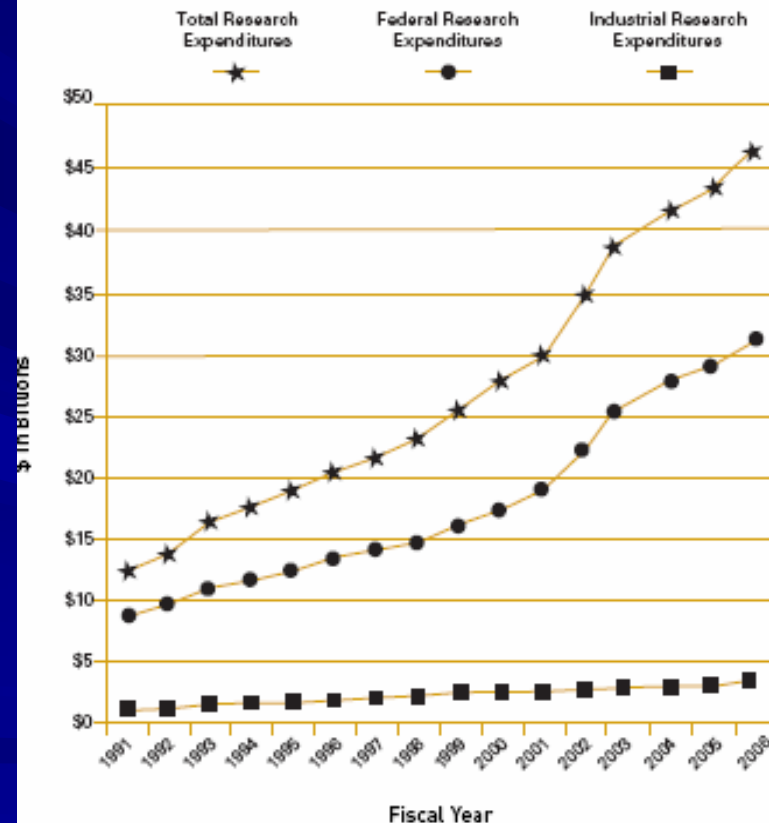
**Table US-3.** Total Research Support from Federal and Industrial Sources for U.S. Universities, Hospitals and Research Institutions, 1997–2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total Research Expenditures (\$ billions)	21.63	23.25	25.67	27.87	29.96	34.96	38.50	41.20	42.30	45.40
% Federal	65%	63%	63%	62%	64%	64%	66%	67%	67%	68%
% Industrial	9%	9%	10%	9%	8%	8%	7%	7%	7%	7%

# MEASURING SUCCESS of the INNOVATION TRIANGLE

■ **GROWTH IN RESEARCH FUNDING BY GOVERNMENT, INDUSTRY and ACADEMIA**

**Figure US-5.** Research Expenditures for U.S. Universities, Hospitals and Research Institutions, 1991–2006



# ***PATENTS ARE THE MOST RELEVANT METRIC FOR SUCCESS OF IAG COLLABORATION***

- ***PATENTS – Are Identifiable and Quantifiable***
  - *Available Only to the Inventor(s)*
  - *Ownership Rights Are Traceable to the Inventors as participants in Research Programs*
  - *Readily identified Asset – from disclosure, to filing, to issue*
  - *Continued investment in maintenance of the patent demonstrates value*



# MEASURING SUCCESS of the INNOVATION TRIANGLE

## ■ DISCLOSURE AND PATENT PROTECTION FOR IAG-GENERATED INVENTIONS

**Table US-4.** Invention Disclosures Received by U.S. Respondents, 1997–2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Number of Respondents	158	159	169	167	169	188	198	198	191	189
Invention Disclosures Received	10,613	10,987	11,607	11,974	12,624	14,398	15,510	16,811	17,382	18,874

**Table US-5.** Patent Applications Filed by U.S. Respondents Since 2001

	2001	2002	2003	2004	2005	2006
Number of Respondents	170	189	198	192	191	189
New Patent Applications Filed	6,397	7,319	7,921	10,517	10,270	11,622
Total U.S. Patent Applications Filed	10,687	12,222	13,280	13,803	14,757	15,908
U.S. Patents Issued	3,559	3,501	3,933	3,680	3,278	3,255



# ***PATENT EXPLOITATION AS MEASURE OF RESEARCH RELEVANCE AND SUCCESS***

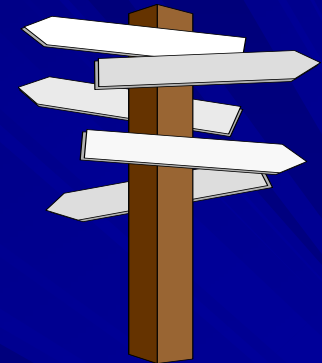
## **■ PATENTS Serve both Offensive and Defensive Goals:**

### **– OFFENSIVE**

- Litigation to obtain Damages or Enjoin Competition**
- Licensing for Royalty Income or Strategic Goals**

### **– DEFENSIVE**

- Cross licensing**
- Counterclaims**



# MEASURING SUCCESS of the INNOVATION TRIANGLE

## ■ LICENSES AS AN INDICATOR OF GOALS

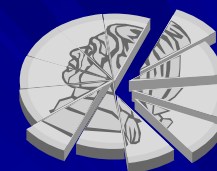
**Table US-8.** Exclusivity of Licenses and Options Executed by U.S. Respondents in 2006 by Type of Licensee Company

		Licenses and Options Executed						
			Startups		Small Companies		Large Companies	
FY 2006	Number of Respondents	Total	Exclusive	Non-exclusive	Exclusive	Non-exclusive	Exclusive	Non-exclusive
U.S. Universities	161	4,192	638	60	947	1,180	466	859
U.S. Hospitals & Research Institutions	28	755	57	9	108	181	95	226
Technology Investment Firms	1	16	N/A	N/A	N/A	N/A	N/A	N/A
All U.S. Respondents	190	4,963	695	69	1055	1,361	561	1,085

# ***AN EFFECTIVE PATENT STRATEGY IN AN AIG COLLABORATION REQUIRES A BALANCE OF SEVERAL FACTORS***

## **■ COST**

- Who pays for patent acquisition and maintenance?***
- Who pays for marketing and enforcement activities?***



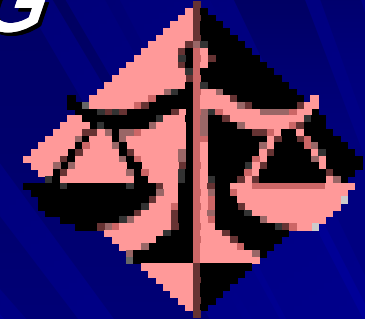
## **■ CONTROL**

- Who decides the desired scope of protection?***
- Who manages the patent portfolio?***
- Who decides the enforcement strategy?***

## **■ RISK-REWARD**

- Who evaluates the risks of enforcement (validity, enforceability, infringement)?***
- Who benefits from enforcement (royalties, damages, injunction)?***

# *HISTORICAL BALANCE IN IAG COLLABORATIONS*



## ■ **GOVERNMENT**

- *Pays for basic R&D*
- *Does not pay for patent acquisition, maintenance or enforcement*
- *Does not have an input into Patent Strategy (except government license and march-in rights)*
- *No risk and limited reward from IP rights*

## ■ **ACADEMIA**

- *Pays for acquisition and maintenance, and possibly enforcement of patents **BUT budgets are limited***
- *Controls Patent Strategy and determines scope of protection **BUT without a commercial perspective***
- *May share control, risk and reward with industry **BUT often without experience and with different goals***

## ■ **INDUSTRY**

- *May pay patent acquisition and maintenance costs if exclusive rights are granted*
- *Will evaluate and pay for enforcement **ONLY** if rights are exclusive*
- *Will pay royalties for non-exclusive licenses if product is successful*

# ***CURRENT DEVELOPMENTS ARE SHIFTING THE BALANCE***

## **■ *Recent U.S. Court Decisions***

- U.S. Supreme Court***
- Court of Appeals for the Federal Circuit***

## **■ *Proposed USPTO Rule Changes***

- Information Disclosure Statement Requirements***
- Appeal Requirements***
- Markush Claim Requirements***
- Continuation and Claim Restrictions***

## **■ *Legislative Changes – Patent Reform Act***

- Passed U.S. House of Representatives***
- Scheduled for Senate Consideration Soon***
- Possible passage in 2008***



# ***THE COSTS ARE INCREASING***

- **PROPOSED INFORMATION DISCLOSURE STATEMENT REQUIREMENTS**
  - *Greater analysis and disclosure of Prior Art information during prosecution*
- **PROPOSED APPEAL BRIEF REQUIREMENTS**
  - *Greater analysis and explanation required in briefs*
  - *Rigid application of formalities and procedures*
- **PROPOSED ALTERNATIVE-LANGUAGE CLAIM REQUIREMENTS**
  - *Adds further non-substantive examination*
  - *Narrows scope of claims in a single application*
  - *Requires filing additional applications*
- **PROPOSED CONTINUATION AND CLAIM RESTRICTIONS**
  - *Currently enjoined from implementation*
  - *Possible introduction in future*
  - *Greater costs for desired scope of protection*



# ***THE RISK IS INCREASING***

- ***HIGHER STANDARD OF NON-OBVIOUSNESS (KSR v. Teleflex – S.Ct.)***
  - *During Patent Prosecution (USPTO Guidelines; Board Decisions)*
  - *During Litigation*
- ***REDUCED SCOPE OF PATENTABLE SUBJECT MATTER***
  - *Signal Claims (In re Nuijten - CAFC)*
  - *Business Method Claims (In re Comiskey; In re Bilsky; In re Ferguson - CAFC)*
- ***GREATER RISK OF INEQUITABLE CONDUCT***
  - *Disclosure of Related Applications and Prosecution (McKesson v. Bridge Medical – CAFC)*
  - *Compliance with IDS Rules*
  - *Compliance with Continuation/Claim Limit Rules*
- ***Added Post Grant Challenges to Patentability***



# ***THE REWARD IS DECREASING***

- ***Reduced Availability of Injunctive Relief***
  - *eBay v. MercExchange (S. Ct.)*
- ***Reduced Availability of Damages***
  - *Patent Reform Act proposes a limit to value attributable to the point of invention*
- ***Reduced Availability of Enhanced Damages***
  - *Patent Reform Act narrows Willful Infringement and, thus, basis for multiple damages*
- ***Reduced Availability of Litigation Fora***
  - *Patent Reform Act narrows Venue*
- ***Possible Limitation on Licensing Strategies***
  - *Quanta v. LG Electronics (S. Ct.)*





# *RESULTS OF CURRENT DEVELOPMENTS*

- *Patents will cost more to acquire*
- *Patent Rights will be narrower*
- *Patent Rights will be subject to added attack*
- *Patent Rights may have less value in licensing and litigation*

# STRATEGY FOR THE FUTURE

- **Academia – assumes most of the burden**
  - *Even if budgets are increased, implement a more stringent analysis for selecting inventions for patenting*
  - *Improved policies for patent prosecution*
    - *Strategic decision making on claim scope vs appeal or abandonment*
  - *Improved record keeping and portfolio management to satisfy duty of disclosure*
  - *Improved policies for patent maintenance*
  - *Better training for TLO managers*
    - *Evaluating the quality of patent rights*
    - *Managing the portfolio – abandon low quality rights*
    - *Seeking licensees or purchasers*
- **Industry**
  - *Improved analysis of patent quality and viability before licensing*
  - *Increased sharing of costs for patent acquisition and maintenance*
- **Government – no anticipated change**



**THANK YOU**

# **AUTM & IPO Course**

## **IP Licensing Issues Between Universities and Corporations**

**February 27, 2008  
San Diego Marriott Hotel  
San Diego CA**

**[www.ipo.org](http://www.ipo.org)**