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INTELLECTUAL PROPERTY MANAGEMENT

A New Vision for Patent Prosecution  
as Asset Managers:

# Optimizing the Value of Intellectual Property

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## EXECUTIVE SUMMARY

Too often, the Patent Prosecution department in many companies is seen primarily as a quiet backroom function. Prosecution is necessary for filing and administering patents, but nonetheless it's a cost-center—with a budget that's a candidate for cutbacks in tough times.

At Conversant, we're in the business of intellectual property asset management, and we have a completely different view of Prosecution. We've transformed Patent Prosecution into a dynamic corporate team charged with implementing a Value Growth Strategy for our intellectual property assets. Our Patent Prosecution group successfully, substantially, and regularly increases the monetary value of our own patent portfolio, and the patents and applications we manage for our partners. We think of it as "Patent Prosecution for 21st century information economy."

*"Patent prosecution" describes the interaction between inventors and their representative—a patent agent or a patent attorney—with a government patent office, with regard to an application for a patent and the granting of a patent. Broadly, patent prosecution can be split into pre-grant prosecution, which involves negotiation with a patent office for the grant of a patent, and post-grant prosecution, which involves issues such as post-grant amendment and opposition from third-parties.*

## A NEW APPROACH TO PATENT PROSECUTION

Ask an engineer in a technology company what they think of filing patent applications. "Necessary, tedious, a chore, time-consuming, boring," are the polite words you'll likely hear. Engineers readily agree that patents are necessary to protect innovation, sure. But products are successful because they win in the marketplace, not the government patent office. Stated another way, in many companies, Prosecution's activities aren't seen as aligned with the business strategy.

We think Prosecution's activities must align with the company's business strategy. Conversant is a growth-oriented intellectual property asset management company. Patents are intangible capital assets, and we're in the business of maximizing the value of those assets. We view a patent portfolio as a capital asset portfolio, and we see Prosecution functioning as an intellectual capital asset management department whose strategic role is to optimize the value of those intellectual assets.

At Conversant, the mission of Prosecution is to "implement a value growth strategy for intellectual assets with efficient processes and effective utilization of human capital." That's our starting point—and it gives rise to a different way of prosecuting patents.

## OPTIMIZING THE VALUE OF INTELLECTUAL PROPERTY ASSETS

While any patent agent or patent attorney can prosecute a patent application and get a patent for a client, it takes a special approach to convert a patent into a valuable asset, and then grow the value of that asset.

Our strategic prosecution practice begins with determining the three values of a patent:

1. **Cost-based value**—the cost incurred in acquiring and maintaining a patent;
2. **Income-based value**—the current or potential income generated by a patent; and
3. **Market-based value**—the approximate value of the potential market covered by a patent.

The Prosecution department can add value to patents in two primary ways. First, Prosecution can improve the cost structure for getting a patent. Second, Prosecution can implement strategic prosecution practices to expand the scope of the claims, in order to maximize coverage beyond the immediate technology area, thus enhancing the potential market value.

## DEVELOPING A VALUE GROWTH STRATEGY

Traditionally prosecution departments routinely operate with a fairly narrow perspective on their role, focused on day-to-day operations. But the value of patents cannot be enhanced in a vacuum of understanding. To develop and execute on a value growth strategy, Prosecution needs to take the time to develop a clear understanding of each patent portfolio and the associated business strategy. Only then can a strategy and appropriate tactics be developed and applied for each patent application.

At Conversant, we identify portfolios based on relevant technology area and claim scope. With this information in hand, Prosecution is ready to engage in a two-way relationship with the Licensing teams and the Business Development group, for the purpose of developing prosecution strategy, and providing portfolio data for effective target identification, and business development. Our Prosecution and Licensing teams work together to get the best possible claims allowed for future licensing potential.

## DRIVING FOR EFFICIENT PROCESSES

A profit-oriented value growth strategy will also serve as a guiding principle as Prosecution drives to review and streamline its processes, with the goal of implementing uniform processes to reduce system complexity and improve transparencies. As Prosecution examines each function and process with a view to more effective management, the first question asked is: how does doing this help us enhance the value of our intellectual assets?

## EFFECTIVE USE OF HUMAN CAPITAL

Although Prosecution departments are typically staffed by highly skilled people, it's a sad truth that creative "people development" plans are lacking. An organizational strategy that embraces new ideas and seeks to unlock the value of Prosecution's human capital is an essential component of executing on a Value Growth Strategy. Implementing effective performance and productivity measures, and supporting individual needs for professional growth, are keys to developing a more effective Prosecution team. Our human capital development strategy include mentoring, opportunities for job rotation in various other groups and assignments in litigation, licensing, I acquisition and divestiture. This provides an opportunity to our team to get exposure to other functions in the organization and develop the critical complementary skills that are needed for effective prosecution.

## THE PGT PHOTONICS PORTFOLIO— SUCCESSFULLY ENHANCING VALUE



Conversant's success in increasing the worth of the PGT Photonics portfolio is a perfect example of our Value Growth Strategy in action. We apply this strategy to our own IP assets—and those of our partners.

In late 2009, Conversant (then MOSAID), learned that Italy's PGT Photonics S.p.A., a spinoff of tire manufacturer Pirelli & C. S.p.A., wanted to divest an international portfolio of more than 200 optical networking patents and patent applications.

The patent portfolio represented substantial R&D investment that had resulted in leading-edge innovation. PGT Photonics was at the forefront of developing an array of optical communications products, including tunable lasers, transceivers and transponders, as well as early 'silicon photonics' manufacturing processes. Silicon photonics is a method of manufacturing optical lasers and other components using CMOS (Complementary Metal Oxide Semiconductor) manufacturing techniques.

However, PGT Photonics was in financial distress. When a company makes a decision to divest patents or find a licensing partner, too often, Prosecution budgets have already been cut and the patents are not being properly maintained. That was true with PGT Photonics. In fact, many of its patents had already been abandoned for lack of funding. The situation was so serious that Conversant took the unusual step of assuming responsibility for strategically prosecuting the portfolio, even though due diligence was ongoing and the acquisition would not close until early 2011.

When Conversant took title to the patents, CEO John Lindgren stated that management was studying its strategic plans for the portfolio. Options included launching a new licensing program, dividing the portfolio, doing a hybrid deal, or reselling to another buyer. The Prosecution team knew that after performing emergency triage, boosting the value of the portfolio was central to the success of the business strategy.

For two years, Conversant's in-house team managed the portfolio of 200 patents and applications. Many patents were narrowly saved from abandonment, and one U.S. case that had already been abandoned was actually revived. Claims were amended as necessary, including significantly broadening the scope of key patents. Approximately 50 patent applications were granted worldwide, and strategic patent families were preserved by filing continuations and divisionals.

The result was a healthy, strong portfolio of optical networking patents. By exercising its skills and experience—and investing over US\$1 million—Conversant Prosecution team had not only preserved the R&D heritage of the former PGT Photonics portfolio, but significantly improved its quality and thus, its intrinsic value.

Conversant management subsequently decided that the former PGT Photonics patents would have the greatest value in the hands of another owner, and sold the portfolio in early 2012 for significantly more than the purchase price. "The buyer now owns a valuable portfolio of optical IP that will support their business expansion strategy," said Lindgren.

The buyer? None other than Google Inc.

## NOTES



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**"Conversant Intellectual Property Management Inc." is the new name of MOSAID Technologies Incorporated.  
The legal name change took effect on January 1, 2014.**

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