



The Needle in the Haystack: How to Quickly Evaluate Patent Portfolios for Acquisition or Licensing

A Fortune 100 technology company used an algorithmic tool to filter through a deep backlog of patents



The manual process of reviewing hundreds or thousands of patents is slow and requires extensive resources. For companies that purchase patent portfolios in order to mitigate corporate risk or drive specific business objectives, the snail's pace of portfolio reviews can open them up to potentially significant legal and competitive risks.

This case study addresses one such specific example, and presents an innovative solution.

PROBLEM

A Backlog of Patent Portfolios and a Slow Manual Review Process

A Fortune 100 Silicon Valley technology company had made some major purchases of patent portfolios, and as a result was receiving a steady stream of additional portfolio offers from brokers. With no defined process for analyzing which patents held value and which should be declined, the company quickly amassed a backlog of more than 450 portfolios to review ranging in size from a few patents to a thousand or more.

During this time, one of the backlogged portfolios was acquired by a competitor before the company was able to review it. The competitor then approached the tech company with assertions of infringement based on the patents in the missed portfolio.

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The tech company required a more efficient method to review all of the patent portfolios presented to them, and to help their legal team dig out of their deep backlog.



SOLUTION

An Expert System That Scores Large Quantities of Patents and Portfolios Quickly and Accurately

IPVision worked with the company and developed an algorithmic-based set of analytics to score individual patents and overall portfolios that is customizable and repeatable. Called iScore™, the technology enables companies to quickly and accurately evaluate patent quality and value “en masse” – in the context of their unique business strategy.

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IPVision also helped the company establish workflow processes to analyze and review incoming patent portfolios using iScore. Applying predetermined business parameters, the company's technical review team conducts a “first pass” review of the iScore results to quickly weed out unattractive portfolios and identify the potential risks of not acquiring a specific portfolio. **This allows the company’s legal and technical teams to focus their manual reviews on a much smaller percentage of portfolios that pass the minimum requirements for quality and value.**

RESULTS

Backlog Cleared Quickly, and Large Volumes of Patents Analyzed Regularly

The company processed its backlog of 450 patent portfolios in less than six weeks, and continues to process an average of two to three portfolios - containing more than 1,000 patents - each week. In comparison, the manual process to review the same number of patents would take months. Additionally, the company now has a consistent review process based on actual data v.s. independent, varying opinions.

By combining sophisticated patent analytics, a strategic review process, and predefined business strategy rules, this company significantly minimized its risk and established an efficient and successful business process for patent portfolio review.

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Meeting Today's Urgent Demand for Patent Evaluation

The Patent Market: The Need for Standard Valuation Metrics

In many ways, patents are similar to corporate stocks – both are intangible assets with values that are not always plainly evident. However, with its much longer history, the stock market has established generally accepted metrics for assessing a stock's value (e.g. earnings per share, price/earnings ratio, and the price/earnings to growth ratio).

The comparatively young patent market has not yet developed a similar series of metrics. **Yet the recent dramatic increase in buying and selling patent properties is driving an urgent demand for standard methods of valuing patents.**

iScore™ Patent Analysis Assigns Value Based on Business Strategy Filters

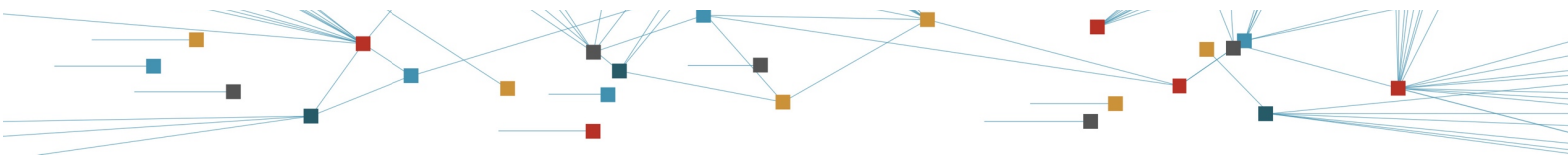
IPVision deploys more than 40 proprietary algorithms to analyze independent claims in U.S. patents based on rules provided by experienced third party patent litigators and licensing experts. The iScore™ platform scans through the text of patent claims to evaluate and rank individual patents for claims quality. The claims analysis looks at:

1. **The breadth and quality of claims**, including:
 - “Broadest Claims Rating”: Rates each independent claim within the patent from A (broad) to C (narrow) and identifies the broadest claim within that patent.
 - “Structure Rating”: Rates each independent claim within the patent for the quality of the claim construction from 1 (no obvious structural problems) to 5 (potential major problem).
2. **Noun phrases not supported**: Identifies noun phrases stated within the patent claims that are not stated within the specification or description of the patent.
3. **Antecedent Flag**: identifies claims in which there may be an antecedent basis problem and related indefiniteness problems.

These components identify potential language issues which may make the patent harder to enforce or license, and provide a measure of a patent's potential impact to the client's competitors.

iScore also provides patent family member identification and assesses competitor citations:

4. **Patent family member identification**: identifies other related patents that complete the portfolio.
5. **Competitor citations**: measure the relative importance of a patent in relations to the client's competitors (clients provide a list of their key competitors for this analysis) by addressing questions such as “what if my competitor were to acquire this patent or portfolio?”. Citation metrics are identified as:
 - “1FC (one level forward) Key Competitors”: The number of times the patent is cited competitor patents.



- “2FC (two levels forward) Key Competitors”: The number of times competitor patents from the 1FC analysis are cited by additional competitor patents.

Formula Weighting, Filtering and Rating

Using a weighted formula, patents that score above a client customized threshold will be highlighted and sorted for review. **The result is significant time and cost savings that would otherwise be spent on manually reviewing all patents** – including those that are less important and less valuable to the client. Entire portfolios are also rated relative to other portfolios the client has reviewed, providing management visibility of the overall patent acquisition decision-making process. All of the iScore™ results are delivered on secure client-specific online platform with additional self-service benefits such as patent search and basic analytics.

“iScore is the most comprehensive patent scoring system on the market. It gives companies a quick way to prioritize their patent and patent portfolio reviews, saving significant time and costs, and establishing a consistent baseline for assessment.”

ABOUT THE AUTHOR

Joseph Hadzima, Jr., Esq. is the president and co-founder of IPVision, as well as a senior lecturer at the MIT Sloan School of Management. A recognized leader in the field of technology startups, Joe has a keen eye for commercializing early-stage technology advancements.

Joe received his S.B and S.M degrees in Management from MIT, and a juris doctor cum laude from Harvard Law School. He practiced law for 17 years in Boston, was a founding judge for MIT’s \$100K Entrepreneurship Competition, and served as a senior lecturer at the Sloan School of Management. Joe has been instrumental in creating more than 100 new business ventures as a founder, investor, legal counsel or director.