

Counting on quality

Private practice attorneys provide significant value-added to their clients by helping them to secure quality patents. An exclusive *IAM/Ocean Tomo* collaboration reveals which US law firms are doing just that

By **Joff Wild**

For many years now, rankings have been regularly produced that show which companies obtain most US patents and which law firms obtain most US patents on behalf of their clients. We know, for example, that according to statistics produced by Thomson Reuters, IBM was once again top of the pile when it came to USPTO patent grants in 2009. On the law firm front, meanwhile, work published by

PatentBuddy.com in August 2009 showed that Oblon Spivak was the most successful in securing rights for the top 300 recipients of US patents.

But while quantity is an interesting measure, we believe it does not tell the full story. It is true that a huge portfolio of rights can impress investors, boardrooms, market observers and even rivals. It can also be important when seeking to beat back an infringement lawsuit — at least if you are up against an operating company as opposed to a non-practising entity (NPE); in the latter case, the number of patents you own is largely irrelevant because counter-assertion is not a viable tactic.

Beyond volume

In the 21st century economy, however, there is a lot more to patent rights than accumulation for defensive and brand-

building purposes. And it is here that quality comes into its own. “Quality patents give you the ability to develop all-encompassing IP strategies,” says Robert Sterne, a founding director and member of Washington DC-based Sterne Kessler Goldstein & Fox. “If you want to start a licensing programme or get involved in collaborations, you need to show that the patents you have mean something.”

A number of surveys have identified the Microsoft patent portfolio as being one of the most valuable around; and the company has invested heavily in the production of quality patents, says Chief Patent Counsel Bart Eppenauer. He is in no doubt about the benefits this brings. Like Sterne, Eppenauer cites the importance of quality in underpinning both collaborative and licensing deals; but there is more to it than that. “It allows us to put out new products and to know that we can meet the cost demands of doing so; while it also gives customers and partners an assurance that we are committed to strong protection,” he states. In other words, from a strategic IP perspective, quality patents mean freedom: not only freedom to operate, but freedom to plan, to develop and to execute.

So, just what is a quality patent? According to Lewis Lee, a partner in the Spokane, Washington State, offices of Lee & Hayes, it has to have “very well conceived and drafted claims that define the patent as part of a business-focused portfolio”. Eppenauer agrees. “We want our patents aligned to our business strategies,” he says.

Essentially, however, any quality judgement will always be a subjective one. Volume can be measured and that allows you to find who gets the most. Quality, on the other hand, is all about perception and, as such, is necessarily in the eyes of the beholder. That makes developing metrics to

Healthcare

Rank	Firm name	Avg IPQ
1	Vista IP Law Group LLP	136.9
2	Sheridan Ross PC	134.8
3	Hamilton, Brook, Smith & Reynolds PC	131.6
4	Crompton, Seager & Tufte LLC	130.6
5=	Squire, Sanders & Dempsey LLP	130.5
5=	Vidas, Arrett & Steinkraus PA	130.5
7	Lerner, David, Littenberg, Krumholz & Mentlik LLP	130.1
8	Knobbe Martens Olson & Bear LLP	128.4
9	Shumaker & Sieffert PA	127.9
10	Sterne, Kessler, Goldstein & Fox PLLC	127.0



Bart Eppenauer
Chief patent counsel, Microsoft
“Patent quality begins with making sure that the invention process is aligned with overall business strategy”

measure quality much more difficult. However, because quality is so vital, you cannot just leave it at that.

So, we decided to explore the whole subject in more detail. We then came to the conclusion that we should look at law firms, as they, rather than the patent applicants themselves, tend to do the drafting and the prosecution at patent offices. And in terms of where we should look, as things stand the US is the only option: as far as we know, it is the only country for which patent ratings are currently undertaken – at least in public.

In November 2009 we approached our patent ratings partner Ocean Tomo (OT) and asked them to compile a ranking of the law firms that, according to the metrics they employ, secure the highest-quality patents for their clients in four areas – healthcare, information technology (IT), consumer electronics and industrials. We also asked them to provide an overall ranking encompassing all technology areas.

It's the maintenance fees, stupid

OT's metrics are based on the notion that quality can be defined and measured by the actions of patent holders in their decisions to maintain patents which they believe have value and abandon those that they believe have little or no value.

Patent investment activities focusing on securing and maintaining patents on inventions and technologies core to an organisation's profitability are generally approached from an internal investment

perspective. Patent owners seek to use their rights to increase net operating revenues through: freedom to operate; premium pricing of patented products or services; royalty payments; or other valuable considerations (eg, royalty credits) paid by third parties for use of the patented technology. The initial investment hurdle is overcome when expected returns exceed the cost of the required investment(s) given the underlying risks and the investment objectives.

Once a patent is obtained, unique value is derived from the legal rights it secures to the patent holder: namely, the right to exclude competition in the patented technology. But not all patents have value. In fact, according to OT, most US patents (about 57%) are abandoned before they reach the end of their full statutory term. As in most countries, US patent owners are required to pay periodic fees in order to maintain a patent in force. The natural attrition effect of the maintenance fee system is to discourage renewal of less valuable, lower-quality patents by placing substantial recurring costs on all patents.

Maintenance fees create a recurring investment hurdle that not all patents can overcome based on the owner's own internally generated value and risk expectations. Patent owners are uniquely knowledgeable and well-qualified to make internal patent value and risk assessments of their own patent holdings, and they are economically and financially motivated to

Methodology

Ocean Tomo uses a regression model to calculate a raw probability score for a patent. Raw scores represent the simple probability that a patent will be maintained for the full statutory term. For convenience, these raw scores are mathematically adjusted to provide a normalised mean or nominal expected score of 100.

The adjusted score, dubbed IPQ, is akin to the familiar intelligence quotient or IQ used to score human intelligence. Thus, a score of 100 on the IPQ scale generally corresponds to an expected normal or median quality (average expected maintenance rate). An IPQ higher than 100 indicates above-average quality (higher expected maintenance rate), while an IPQ lower than 100 indicates below average quality (lower expected maintenance rate).

Of course, as with IQ, the IPQ score provides only part of the equation for determining patent quality/value. Thus, a high IPQ does not guarantee high quality/value and vice versa. It only establishes a statistical correlation based on the body of available data.

To create the rankings, Ocean Tomo first selected the top 50 law firms according to the number of US utility patents issued over the trailing three years within each chosen sector and selected the top 100 law firms overall. To segment the law firms by the four representative industry groups and overall, OT used patents that have both a prosecuting attorney on the issued patent, and an assignee. Patents that have no assignee on the record were excluded. The resulting sets were then sorted based on the average IPQ score of those patents, top down.

make accurate judgements and sound investment decisions.

By specifically examining the characteristics of patents that have previously been renewed as opposed to abandoned, it is possible to build informative models that can help to make predictive assessments about the quality and likely value of patents currently in force. OT uses computer models leveraging large data sets to produce a broad range of statistically informative ratings and correlated value metrics for patents based on identical input criteria and uniformly applied ratings algorithms.

The models essentially predict patent maintenance and abandonment by comparatively scoring individual patent assets based on various identified metrics (predictor variables) determined to have a statistically significant correlation to observed patent maintenance rates. Raw scores represent the simple probability that any given patent will be maintained for the full statutory term.

CROMPTON, SEAGER & TUFTE, LLC.



PHOTO BY BILLKELLEYPHOTO.COM

From left to right: Glenn Seager, Scot Wickhem, and Brian Tufte

When talking about his firm's strategy, named partner Brian Tufte explains "top companies today are looking for a good value proposition. They want top quality work, but at the same time, they need to manage their internal budgets. We have uniquely structured our firm to meet these company's needs."

Crompton, Seager & Tufte's quality and creativity is embodied in its legal professionals. "Most of our professionals had prior careers as engineers or scientists at top companies", says Tufte, "but now are leading IP attorneys. The ability to attract these professionals, along with our culture of promoting quality and creativity, provides our clients with a very unique value proposition". As a result, the firm enjoys long term relationships with many of the nation's top companies.

Crompton, Seager, & Tufte's reputation for providing creative high quality legal work has helped it become one of the top Intellectual Property law firms in the United States. Besides being named by Honeywell International as one of its Go-To Law Firms for Intellectual

Property as featured in Fortune® Magazine, PatentRatings® has ranked the firm in the top ten nationally for patent quality two years in a row, and now Ocean Tomo's Patent Rating Business has ranked the firm in the top 10 nationally for patent quality.

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The OT model comparatively scores individual patent assets based upon all of the identified patent metrics (predictor variables) determined to have a statistically significant correlation to observed patent maintenance rates. Some of the more pertinent of these are: technology classifications; the number of independent and dependent claims; the average claim length; the shortest independent claim; the number of different words per claim; the length of the written specification; the forward citation rate; the number and age of cited prior art references; the length of prosecution; the number and country of origin of related family members; and the presence or absence of specific limiting claim language.

Making a difference

It is unlikely that many law firms set out to secure a low-quality patent for their clients. But as our rankings show, some firms do manage to obtain high quality on a consistent basis. According to Lewis Lee, a crucial element in being able to do this is a client's attitude. "The people we work with

Information technology

Rank	Firm name	Avg IPQ
1	Lee & Hayes PLLC	138.8
2	Garlick, Harrison & Markison	132.9
3	Marger Johnson & McCollom PC	130.9
4	Blakely Sokoloff Taylor & Zafman LLP	127.6
5	McAndrews Held & Malloy Ltd	127.0
6	Turocy & Watson LLP	126.4
7	Knobbe Martens Olson & Bear LLP	125.1
8	Perkins Coie LLP	123.5
9	Myers Bigel Sibley & Sajovec PA	123.4
10=	Schwegman, Lundberg, Woessner PA	122.8
10=	Sterne, Kessler, Goldstein & Fox PLLC	122.8

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Industrials

Rank	Firm name	Avg IPQ
1	Nixon Peabody LLP	127.6
2	Fish & Richardson PC	127.0
3	Cook Alex Ltd	126.2
4	Knobbe Martens Olson & Bear LLP	118.9
5	Ziolkowski Patent Solutions Group SC	117.2
6	Townsend and Townsend and Crew LLP	113.0
7=	Klarquist Sparkman LLP	107.4
7=	Sterne, Kessler, Goldstein & Fox PLLC	107.4
9=	Merchant & Gould PC	105.3
9=	Oliff & Berridge PLC	105.3

tend to be committed to innovation and willing to pay to get the best possible patents they can," he says.

Investment is a word that Robert Sterne uses frequently when talking about how to make quality patent procurement a hallmark of a firm's services. "To produce something with value you have to invest in both drafting and prosecution. It's only by doing this that you end up with something which can stand up to attacks when these inevitably occur," he states. "Really savvy clients have figured out that if you spend additional money in preparing and prosecuting an application, you get paid back multiple times in the monetisation and enforcement stage of a patent's lifecycle." Lee echoes Sterne's words. "Good-quality patents have to be thought about ahead of time so that they are well drafted and you can have a clean exchange with the office – and that means investing upfront to understand the asset early on," he says.

Lee & Hayes has acted for Microsoft since the 1990s and Eppenauer confirms

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Rank	Firm name	Avg IPQ
1	Lee & Hayes PLLC	136.0
2	Trask Britt	133.7
3	Marger Johnson & McCollom PC	129.3
4=	Blakely Sokoloff Taylor & Zafman LLP	124.9
4=	Turocy & Watson LLP	124.9
6	Schwegman, Lundberg, Woessner PA	122.1
7	McAndrews Held & Malloy Ltd	121.8
8	Sterne, Kessler, Goldstein & Fox PLLC	121.1
9	Perkins Coie LLP	119.2
10	Volentine & Whitt PLLC	118.8
11	Dorsey & Whitney LLP	118.2
12	Townsend and Townsend and Crew LLP	117.6
13	Myers Bigel Sibley & Sajovec PA	117.2
14=	Fish & Richardson PC	116.9
14=	Workman Nydegger	116.9
16	Knobbe Martens Olson & Bear LLP	116.2
17	Meyertons, Hood, Kivlin, Kowert & Goetzel PC	115.5
18	Wolf, Greenfield & Sacks PC	115.1
19	Squire, Sanders & Dempsey LLP	114.9
20	Klarquist Sparkman LLP	114.5

that the company does put a lot into the drafting and prosecution process. “Patent quality begins with making sure that the invention process is aligned with overall business strategy,” he says. Over time, Eppenauer explains, internal processes have been developed at Microsoft to ensure that both engineers and developers understand the importance of patents and the need to devote time and effort to applications. In practical terms, he continues, that means inventors putting together detailed disclosure documents. Once that is done, outside counsel get involved. “The patent attorney has a meeting with the inventor at which the disclosure document is gone through in detail and any potential

problems are discussed.” For this to be effective, Eppenauer states, it is vital that the attorney knows both Microsoft and the relevant technology inside out.

Lee agrees that a high level of understanding of a client’s business aims and products is essential. At Lee & Hayes, that means individual attorneys work with clients – which, as well as Microsoft, include Intel, Boeing and Goldman Sachs – over a number of years so that prosecution is not just a step that associates take on the way to becoming litigators. “A good patent attorney not only has to be a fine technician, but also someone who has a strong business sense. A lot of our people have MBAs as well as technical degrees,

Consumer electronic/discretionary

Rank	Firm name	Avg IPQ
1	Fish & Richardson PC	112.0
2	Oliff & Berridge PLC	109.6
3	Wolf, Greenfield & Sacks PC	109.4
4	Greer, Burns & Crain Ltd	109.3
5	Ked & Associates LLP	108.9
6	Renner, Otto, Boisselle & Sklar LLP	106.9
7	Edwards Angell Palmer & Dodge LLP	106.8
8	Lerner, David, Littenberg, Krumholz & Mentlik LLP	106.5
9	Ratnerprestia	106.2
10	Dickinson Wright PLLC	106.1

and were product managers or engineers before going to law school,” says Lee. But it’s not just about the individual attorney’s relationship with the client; there is also a substantial amount of review at the firm to ensure that the work being done is up to standard. “We have multiple pairs of eyes look at an application before it goes to the patent office as we believe that is very important in order to minimise problems further down the line,” Hayes says.

And it is the same at Microsoft. Although the outside counsel drafts the application after the disclosure meeting with the inventor, not only does the inventor review the subsequent document to ensure that the technology is correctly described, but in-house attorneys will regularly look over what has been prepared to make sure that quality standards are being met. “We have outside counsel guidelines that set out what we like to see in an application and what will be necessary to get over what is a pretty high bar,” says Eppenauer.

According to Sterne, whose firm numbers Google, Apple, Medtronic and Biogen among its clients, you are not going to get quality patents unless you enjoy your job. “Not only do you have to be inquisitive, tenacious and technically able, you also have to be very into prosecution,” he says. “Being able to anticipate what may happen further down the line when drafting is a key skill, as is your ability to enthuse the inventor so that he can explain exactly why what he has invented has not been done before. This is

the way you overcome obviousness and lack of inventive step objections.” If an attorney does not possess these attributes, Sterne states, then the quality of the final patent – if it is granted at all – will be significantly diminished.

What is clear is that the quest for quality requires a commitment that costs both time and money. For applicants, it means key personnel taking time away from frontline R&D activities, as well as long-term strategic thinking and spending additional money upfront. For private practice advisers, it can mean eschewing high-volume work and litigation to make high-quality procurement a core business function, investing heavily in processes and systems, and focusing resources on recruiting the right people, training them up and making sure they stay.

A quality future

All of this may explain why, according to both Lee and Sterne, quality is not yet driving the patent procurement agenda in the US. Lee, though, is optimistic that a change is in the air. “In the mid-1990s there was a strategic shift to quantity as many applicants started to follow the IBM accumulation model. However, I am starting to see signs of a return to quality,” he claims. Lee puts it down to the growing number of tools that enable both applications and patents to be analysed to more readily ascertain their value. But it is going to take time for mindsets to change

Robert Sterne

Director, Sterne Kessler Goldstein & Fox
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Lewis Lee
Partner, Lee & Hayes
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dramatically. “There is a swing-back as owners realise you do not need thousands of patents if you can get hundreds of good ones. However, we are only at the front edge of this,” he states.

Sterne predicts that things are moving towards a three-tiered approach to procurement in the US. “At the bottom level a large amount of defensive filing will continue whose main point is to create prior art that will not be proactively enforced. In the mid-range, we will see companies not worrying too much about how long the process takes but pursuing applications to get a degree of positive protection,” he explains. And then, he continues, there is the top of the range. It is here that quality procurement processes really come into play. “At this level, all applications are deemed to be very important and applicants will do whatever it takes to get as much protection as they can in the shortest time possible,” Sterne says.

If Lee and Sterne are correct, what we will begin to see over the coming years is a much more strategic approach to the whole

patent procurement process, with applicants thinking in far greater detail about how they want to build and manage their portfolios. As a result, outside legal advisers who understand this and who, like the firms featured in our rankings, are able to provide services that add real value to the decision-making, drafting and application process are likely to see demand for their services grow.

However, at the bottom of everything lies one fundamental truth: you cannot magic a quality patent from nothing. The raw material has to exist in the first place. Only if you have something that is really worth protecting is it worth investing the time and resources to make sure you end up with a valuable asset. It will be down to applicants to make that decision. Perhaps what they need to do when they have is ask themselves whether it is actually worth bothering to spend any money at all on patenting anything else. **iam**

Joff Wild, editor, *IAM* magazine

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