

Financial Opportunities for Universities

Leveraging IP in a Tough Economic Environment

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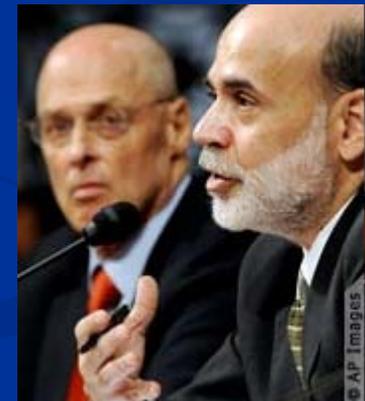
Tokyo

Change is Coming ...

Change is coming to America ...

Barack Obama, Super Tuesday - February 6, 2008

Change has already arrived in the financial sector swiftly, unexpectedly and with a debilitating effect that continues to ripple through the economy.



Changing Intellectual Property (IP) Environment in U.S.

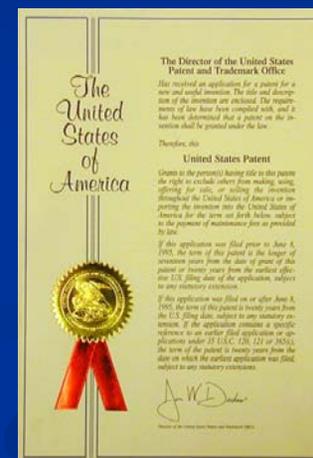
- More difficult to obtain patents
 - U.S. Supreme Court: raising the bar for patenting by making it easier to show obviousness.
 - Recast the legal standard making it easier to combine pieces of prior art to show an invention is obvious. *KSR Int'l Co. v. Teleflex Inc.*, 2007
 - Federal Circuit: scaling back business method and software patents.
 - “Gold rush” on business method and software patents sparked by *State Street Bank* decision (1998).
 - The “machine-or-transformation test” for determining patent eligibility, recently announced in *In re Bilski* (2008), likely will raise the bar to obtaining a patent.

Changing IP Environment in U.S.

- USPTO: dealing with a large backlog of applications
 - Increase in filings and actions

	2004	2008	% Change
Applications Filed	378,984	496,762	31% increase
First Actions (Utility, Plant & Reissue)	288,315	422,065	146% increase
Allowances	195,611	187,607	4% decrease

USPTO Patent Public Advisory Committee Annual Report Dec. 1, 2008



- Decrease in allowance rate: 44% in 2007 versus 70% eight years earlier
- Result: Decrease in issue rate of patents
- Congress: Patent reform legislation still under consideration

What can Universities do if Funding is Cut?

Develop IP strategy if you don't already have one; reevaluate it if you do

- Focus efforts and resources on strategic technologies
- Ruthlessly reduce costs in non-strategic areas
- Aggressively secure IP for strategic technologies
- Find alternative sources of funding/revenue

Coping with Change

It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change.

Charles Darwin

- Overcome institutional inertia
- Develop an IP strategy – identify technologies that are a good match for the university and likely to be commercialized

Coping with Change

Reducing IP Costs

- Prune the patent portfolio – provide for new growth in strategic areas
 - Eliminate maintenance fees for patents in non-strategic technologies
 - Abandon patent applications in non-strategic technologies
- Critically review invention disclosures to support strategy
 - Avoid business-as-usual approvals



Coping with Change

Secure IP for Strategic Technologies

- Aggressively prosecute patent applications in strategic technologies
 - Encourage researchers of strategic technologies to identify inventions
 - Work closely with examiner – interview early
 - Patent Prosecution Highway
 - “know when to hold ‘em, know when to fold ‘em” – abandon applications in non-strategic technologies



Coping with Change

Alternative Sources of Revenue

- Developing new technology with a startup becoming more difficult
- Challenging economic times
 - Credit markets are tight making it difficult to obtain funding
- Alternatives for development
 - License or sell IP to an industry partner to develop the technology
 - Use non-strategic IP as a bargaining chip to acquire IP rights in strategic technologies



Coping with Change

Alternative Sources of Revenue

- Sell off IP that is not key to your strategy
 - Patent auctions – e.g., Ocean Tomo
 - Patent markets – e.g., TAEUS Patent Exchange
 - Retain a non-exclusive license
- Donate patents
 - Industry: donate IP not key to strategy
 - Universities: receive donated IP in strategic technologies to build focused portfolio



Green Initiatives on the Horizon

- *To finally spark the creation of a clean energy economy, we will double the production of alternative energy in the next three years.* Barack Obama, January 8, 2009
- Reports of the green component of Obama's stimulus package could be \$50 billion, or 10% of the overall package. Wall Street Journal, December 6, 2008



What Does This Mean for Universities?

- Resist Inertia – Embrace Change
 - Re-focus IP strategy and consider government stimulus, infrastructure and green technology programs
 - Make the difficult choices in structuring IP portfolio
- Cut IP costs and dispose of non-strategic IP
 - Convert into revenue
 - Leverage to acquire strategic IP rights
- Look for creative ways to develop strategic IP
 - Partnerships with industry
 - Package strategic IP rights and license or sell



Thank you