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Patent Quality, Ranking and Valuation

[Kilpatrick Townsend](#) attorneys [Sujit Kotwal](#), [Paul Haughey](#) and [Tom Franklin](#) recently presented at the Kilpatrick Townsend Intellectual Property Seminars (KTIPS) on “Patent Quality, Ranking and Valuation.” KTIPS is an intensive, patent strategy and protection seminar designed to provide insightful and in-depth training related to current developments in patent law, and how those impact patent procurement and enforcement strategies.

Key takeaways from the presentation include:

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Ranking software uses objective factors that don't provide all the answers.

- Short claim length rates high, but long software claims are needed to avoid *Alice* challenges.
- Patent age can disproportionately impact valuations in some software.
- Long specification length may indicate boilerplate, not valuable inventive details.

No substitute for patent attorney review of key patents in large portfolios.

- In licensing, selling and litigating portfolios, key patents are identified. The same applies to valuation. Identifying key patents is a necessary challenge. Automated tools may identify where to start, but are no substitute for manual review.
- Subjective factors drive value – claim scope, validity, market size/potential, market alternatives.
- Determine if competitors are using claimed features, or have reason to, or are using alternatives with comparable value.

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The purpose of the quality review, ranking or valuation can dictate the process and results.

- Sale and acquisition of business – do patents map to profitable products the buyer is interested in?
- Licensing – Need to look at target portfolios for risk, and include negotiation costs.
- Litigation – In addition to licensing factors, evaluate design-arounds, validity defenses and litigation costs.

Need to check for encumbrances on patents.

- Are patents being acquired subject to LOT (License on Transfer)?
- Is the patent part of a standards effort subject to fair, reasonable and non-discriminatory (FRAND) licensing?
- Have licenses been granted? Is the seller of patent retaining a grant back license?

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For more information, please contact:

Sujit Kotwal skotwal@kilpatricktownsend.com

Paul Haughey phaughey@kilpatricktownsend.com

Tom Franklin tfranklin@kilpatricktownsend.com