



5 STEPS OF PORTFOLIO DEVELOPMENT

A Purpose-Driven Approach to IP Management

HOW CAN YOU DEVELOP A PATENT PORTFOLIO TO SOLVE BUSINESS NEEDS?



Matthew Wahrab
Chief Executive Officer

Dear Company Leader:

Do you want to use your patent portfolio to serve the needs of your company, but are not sure what your options are or how to get started? Are you overwhelmed by the need to secure funding and find new customers? Have you recently attempted to extract value from your IP investment, but didn't achieve the desired outcome?

If so, I understand how you feel.

My name is Matthew Wahrab, CEO and founder of rapid alpha. During my 15+ years as a leading patent-value extraction expert, I have developed patent portfolios supporting over \$100 Million in ROI and value to patent holders. At rapid alpha, we leverage our passion for innovation with our team's frontline licensing and capital raising experience to help organizations like yours meet and exceed their business goals through patent-based business transactions.

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CREATING AND EXTRACTING VALUE FROM IP FOR YOUR BUSINESS

Economists estimate that as much as 80% of a company's book value is attributed to Intellectual Property (IP). The large proportional value of IP brings with it tremendous scrutiny by potential customers, investors, competitors and acquirers in their pursuit of a better deal. Getting your IP right pays huge dividends and proves that your patent IP is strong during due diligence.

The due diligence process for patent IP is particularly brutal. A seasoned patent attorney can wipe out most, if not all, of your patent IP's value in the 30 days they will take to scrutinize your patents in the greatest detail. Thriving during due diligence means negotiating from a position of strength. In the most extreme instances, with nothing to protect your product, your potential acquirer recreates your product and becomes your newest competitor. But it doesn't have to be this way!

There are several concrete steps that any business executive can implement to obtain a patent portfolio that is aligned and ready to serve your business needs when called upon. What follows are the five basic steps that can be followed to regularly produce optimal results. These steps include:



**Identify the business need
that you want to resolve**



**Match your business need to
a viable Patent Portfolio
Business Use Case**



**Determine the feasibility
of your patent portfolio
strategy**



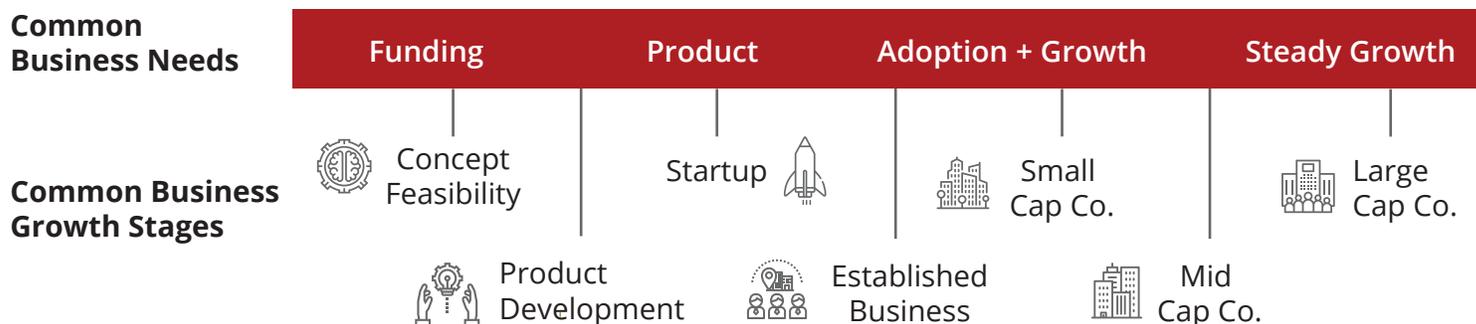
**Communicate your patent
portfolio strategy**



**Measure and Reevaluate
your strategy within the
greater context of your
business**

STEP 1: IDENTIFY YOUR BUSINESS NEED

When developed properly, patent IP can play a role in resolving business needs throughout the business growth cycle. The key is to identify the business requirement(s) and to develop a patent portfolio that will resolve the immediate as well as long-term needs of the business.



While every organization is unique, there are common threads that most business leaders will experience as they transition from an innovative concept to a well-established operation. Depicted in the figure above are Common Business Growth Stages a company or initiative will encounter as it moves from early concept (left side of the figure where funding is critical) towards a Large Cap Company (right side of the figure where continued growth is the main goal).

When developing a patent portfolio, it's also important to be aware of how businesses at a different growth stages may be able to use the patented technology you are pursuing. Truly innovative companies capitalize on the fact that patent IP can be sold and re-sold in the form of licenses, and therefore have a useful business tool to drive new revenues at their disposal.

Once armed with your intended business use case, it's now time to identify a Patent Portfolio Business Use Case in order to reap the financial rewards of owning patent IP.



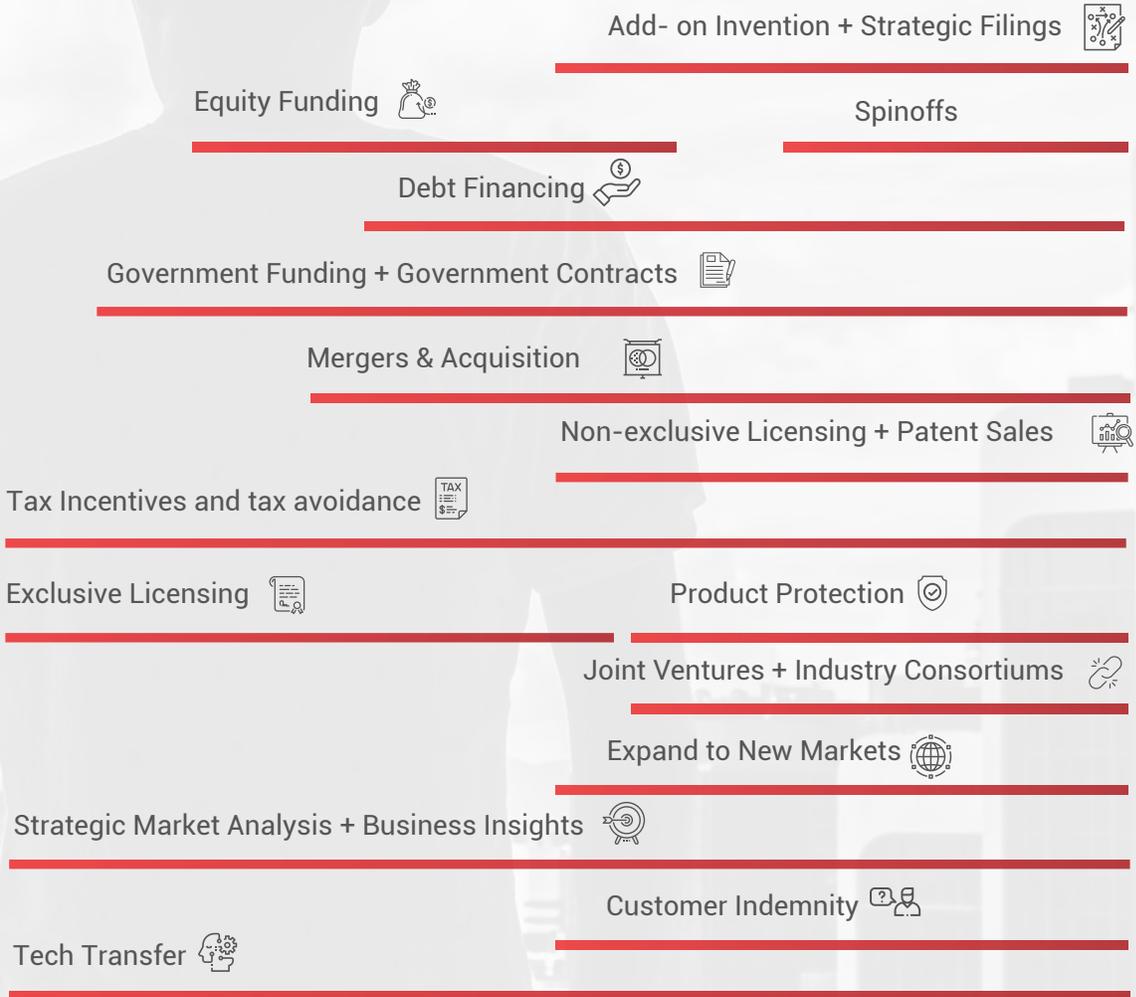
A Strategic Partnership for Active Portfolio Management and IP Commercialization Development

STEP 2: PATENT PORTFOLIO BUSINESS USE-CASE

Figure 2.1 provides a series of common Patent Portfolio Business Use Cases aligned with the Common Business Needs for each Common Business Growth Stage.

Each Business Use Case is vertically aligned with the relevant Common Business Growth Stage for which Patent IP is commonly leveraged. Aligning the business need and growth stage with the use case will help to identify strategies for resolving business needs and can be used to identify how a company's current IP can be leveraged to resolve the needs of other companies in various patent-based business transactions. Once an attractive Business Use Case has been identified, a feasibility study will be conducted to determine whether a patent position that will achieve the intended business use case can be attained.

Patent Portfolio Business Use -Cases



Common Business Needs

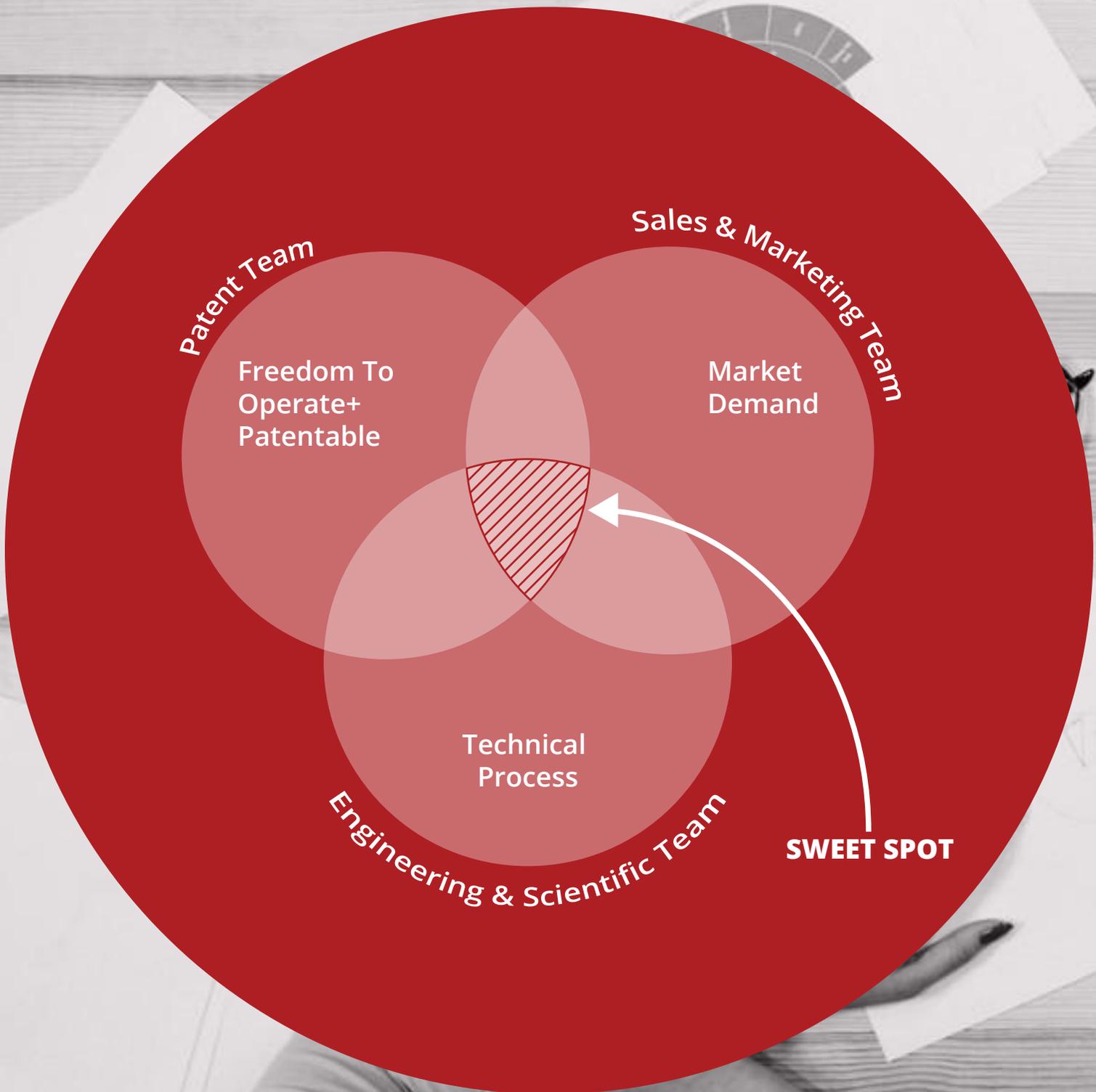
Common Business Growth Stages



STEP 3: PATENT STRATEGY FEASIBILITY STUDY

A feasibility study engages appropriate stakeholders to identify risk, determine if the risk profile is manageable and acceptable, and capture the underlying assumptions that make pursuing patent IP protection valuable to the business. Capturing these underlying assumptions is critical to taking corrective action as the understanding of the underlying assumptions evolve over time.

Once a technical solution has been developed, it is imperative that technical teams (engineering, science, research) collaborate with sales and marketing teams. The goal is to determine if the technical solution addresses a pain point in the market. If it does, all of the information that would be used to project manage the development of the product or service should be evaluated by the patent team. The patent team must determine whether the proposed technical solution infringes other patents, and whether the proposed solution itself may be patentable. Armed with the facts, leadership must decide whether or not patent protection should be sought.



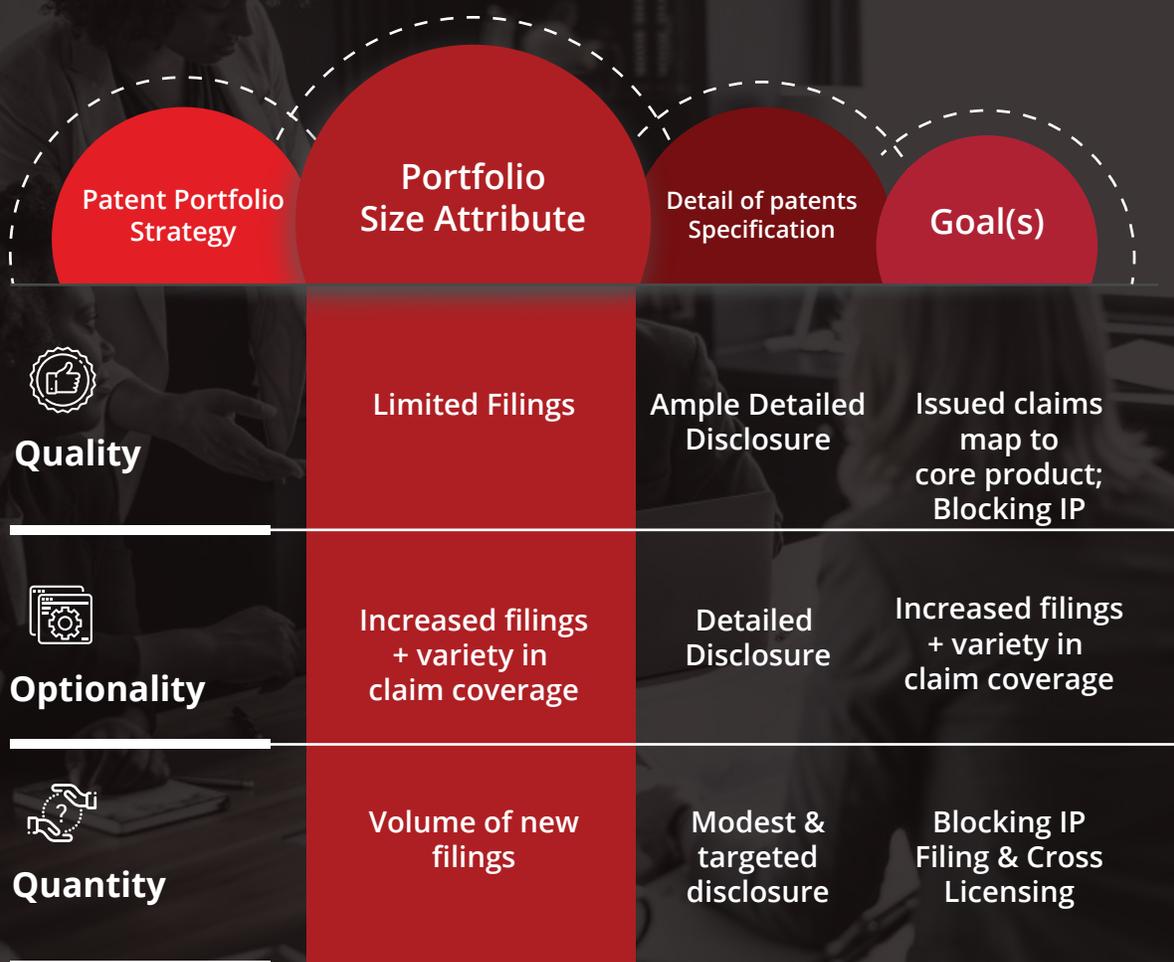
STEP 4: COMMUNICATE YOUR PATENT PORTFOLIO STRATEGY

There are a number of portfolio strategies that align business needs, financial means, and long-term goals. A handful of common portfolio strategies and corresponding attributes are provided in the table to the left.

Armed with the underlying assumptions from the Patent Strategy Feasibility Study, the patent strategy itself must now be communicated to the business stakeholders. Business stakeholders include technical staff, sales and marketing, legal, and business leaders who participate in the portfolio development process for purposes of quality assurance. The table below provides three high-arching patent portfolio strategy themes and patent portfolio characteristics that can be used to guide on-going patent portfolio development.

Success can be attained by clearly communicating the objectives that must be met to the stakeholders. Stakeholders should include the R&D team, marketing, legal, and business leaders whenever possible. While every business is different, some exemplary topics to be communicated have been provided in the checklist to the right.

Common Portfolio Strategies



A Check List for Communicating Your Portfolio Strategy

- 1 A list of stakeholders who will support the patent portfolio development from a technical, legal, market, and business standpoint overtime
- 2 The desired Patent Portfolio Business Use Case(s)
- 3 The desired patent claim coverage in each patent filing jurisdiction
- 4 The underlying assumptions with respect to market size, technical feasibility, and patentability
- 5 The budget for the patent portfolio

STEP 5: MEASURE AND RE-EVALUATE

The patent process - from the initial patent filing to an actual issuance and subsequent prosecution of continuation applications – can span years. During this time, laws change, products succeed and fall out of favor, business needs change, technology becomes dated, and markets evolve. All of these factors will heavily influence and shape your patent portfolio development strategy.

For these reasons, it is imperative that these variables are factored in at every touch point within the life of the patent (up to 20 years).

Patents, much like every other product or service in a business, must be developed and monitored with care until the patent no longer serves a business purpose. By measuring and reevaluating the underlying assumptions that led you to file in the first place, you will be able to produce a high-quality portfolio that is ready to rise to the challenge of serving your changing business needs.

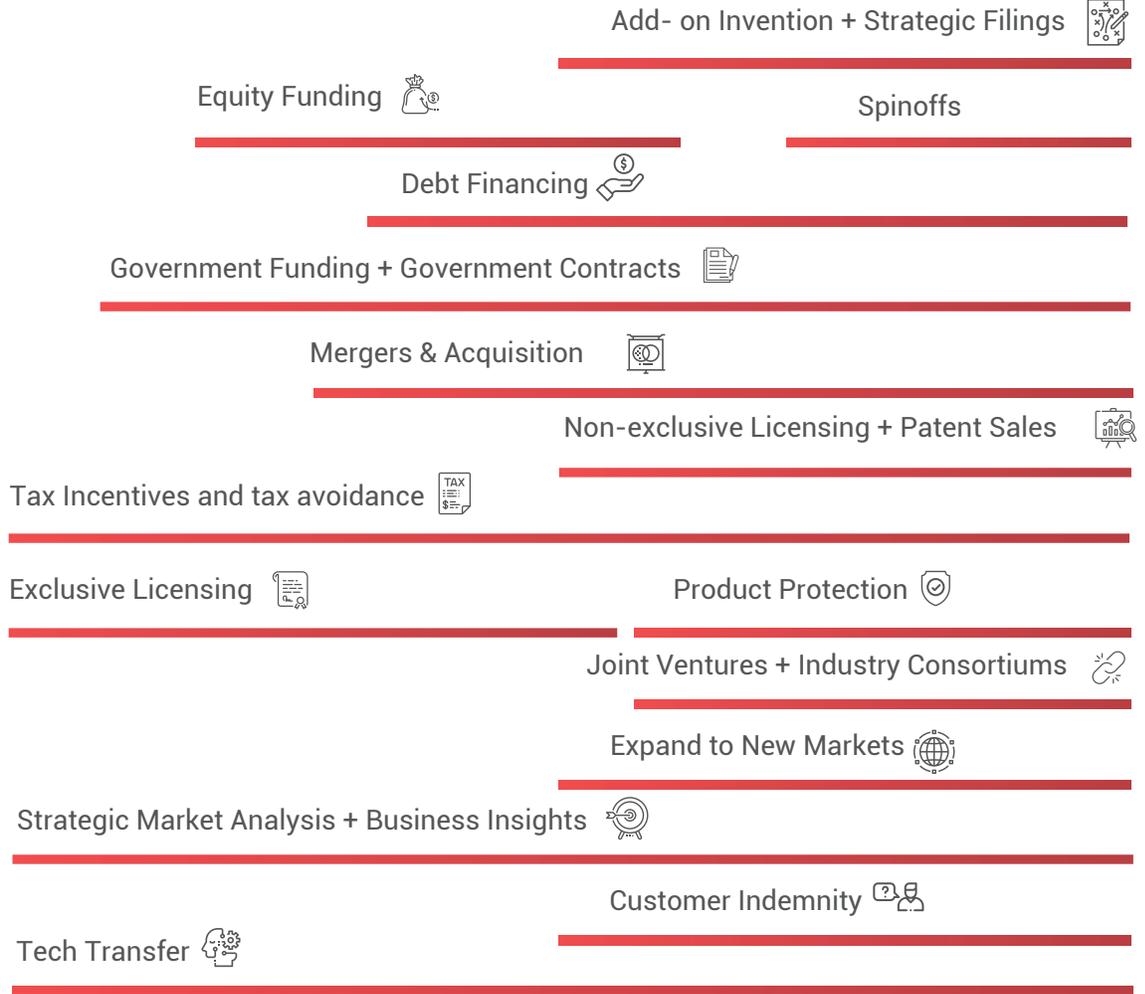
Dominant patent portfolio strategy

Quality

Optionality

Quantity

Patent Portfolio Business Use -Cases



Common Business Needs

Funding

Product

Adoption + Growth

Steady Growth

Common Business Growth Stages



Concept Feasibility

Startup



Small Cap Co.



Large Cap Co.



Product Development



Established Business



Mid Cap Co.

NEXT STEPS

Appropriately preparing for due diligence throughout the patent IP development process produces strong patents and helps communication across the organization. This effective communication often leads to more innovation, stronger products, and a greater awareness of the market.

Now that you are aware of the basic steps required to produce a patent portfolio that is ready for diligence, please feel free to reach out to us to schedule a complementary consultation.

In the Complementary Consultation we will help you do the following:

- Understand the market for your industry's patent IP
- Determine an ideal Patent Portfolio Business Use Cases for your business needs
- Help you get started leveraging your patent IP in business transactions

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