Patent Dispute Primer —Part 3

The Importance of Developing a Strategic Patent Portfolio

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This final article in a three-part series explains why and how patents are a critical part of a business strategy and offers considerations for building a strong patent portfolio.

Many companies view patents as, at best, ancillary to their core mission and, at worst, an unnecessary expense and distraction. Patents may be perceived as a luxury that might protect against hypothetical idea theft in the future but do little to help achieve near-term business goals. After all, patents are intangible assets with uncertain and subjective values, and most patents are never infringed, monetized, or otherwise used. Why devote precious resources to obtaining patents when the same resources could be directed toward day-to-day operations?

Viewing patents solely from this perspective is a mistake. Innovative companies should seriously consider obtaining patent protection, as it can be a valuable tool to help achieve business goals. Patent portfolios can protect investments, increase a company's value, promote creative research and development, secure legal monopolies, deter competitors from enforcing their own patents, establish a company as an innovator, and create assets. Indeed, in some cases, patents can not only protect a company's most critical products but also become revenue generators. Lacking a strategic and well-curated patent portfolio can cause a company to fall behind. This article outlines the benefits of patent protection, highlights the risks associated with failing to obtain patents, and provides tips for developing a patent portfolio.

How to Obtain a Patent

At a high level, to obtain a patent in the United States, an inventor must file a patent application with the US Patent and Trademark Office (USPTO) and pay the required fees. An examiner from the USPTO will then be assigned to evaluate the patent and determine whether it can be granted.[1] The examiner will search through other US patents, publications of patent applications, foreign patent documents, and other publicly available literature to determine if the claimed invention is new, useful, and nonobvious and meets other patent statute requirements. The examiner will then notify the inventor to let them know whether the claims are allowed or rejected. If the claims are rejected, the inventor can challenge the examiner's decision. If the inventor overcomes the examiner's rejection, the examiner will issue a notice of allowance, and a patent will be published after payment of the issue fee.

It is common for inventors to work with experienced legal professionals—specialized attorneys or patent agents who are registered with the USPTO—throughout this process. Such professionals can prepare the application, correspond with the examiner, and counsel inventors on how to improve the application and strengthen the resulting patent. Indeed, given the complexity of the application process and the variety of potential pitfalls, companies seeking patent protection are advised to seek this type of assistance. Of course, this means the company will have to pay legal fees in addition to the USPTO fees, which could be a barrier for some companies. But often, the up-front investment will pay off in the long run, provided the company is thoughtful and selective in pursuing patents for inventions that are more likely to yield value.

The Value of Strong Patent Protection

Patents allow an innovator to protect its inventions against copying and theft. A patent is a legally protected monopoly that keeps others from using an innovation. Once a patent exists, no one can use the patented invention without the patent holder's permission for the duration of the patent term (approximately 20 years from the application filing date). This is true regardless of whether the competitor knows of the patent; lack of knowledge or intent to infringe is not a defense against patent infringement. Thus, at their core, patents are valuable tools in competition—especially for innovations that become widespread. Conversely, a company that lacks patent protection may have no effective way to prevent actual or aspiring competitors from stealing its innovations and incorporating them into copycat products and services. This can be especially problematic for smaller or emerging companies. When larger companies have free access to innovations, they have every right to incorporate them into existing or new products—and to penetrate their larger markets using smaller companies' unprotected technologies. The repercussions can be severe.

Relatedly, having a patent that covers a core product or service can play a valuable defensive role. A company with a patent over a product's key technology, for example, can be certain that it has a right to exclude others from practicing the patented technology in the product. Notably, however, a given product can embody many technologies—and, therefore, practice many patents. And just because a patent holder (or licensee) holds a patent for one technology in a particular product does not mean that they are immune from claims of infringing *different* patents in that same product. This is a common misconception. To illustrate, Inventors A and B might each be chair manufacturers. Inventor A might get a patent on a new form of chair leg, and Inventor B might get a patent on a new form of seat. This means that Inventor A is the only company that can sell a chair with the new form of leg; it does not mean that Inventor A can sell a chair that has both the new leg and the new seat. In other words, a patent allows a patent owner to exclude others from practicing the patented technology, but it does not give the patent owner an unfettered right to make a product containing that technology—the end product still cannot infringe on others' patents.

Patents can do more than just protect monopolies and core technologies; they can be used offensively to generate revenue streams.

Patents are assets that can be bought and sold. Many people do not realize that there are robust secondary markets for patents; much like in real estate, there can be brokers, investors, and buyers of all stripes who intend to make different uses of the patents. Notably, the size of the market can vary, depending on the industry and technology. A patent holder can also create revenue by licensing patents. This can be an efficient way to obtain a return on research and development that a company may ultimately choose not to incorporate into a product, or it can be a way to obtain a share of competitors' sales—especially if the patent is so strong that a competitor cannot avoid using it. And, of course, where a patent holder can prove that another party is infringing its patents, it can obtain a monetary judgment. In some cases, judgments are well over seven, eight, or even nine figures.

Because of their defensive and offensive uses, patents are assets that can add substantial value in the context of corporate transactions. A robust patent portfolio can make a company more attractive to a potential acquirer—and, conversely, the lack of a patent portfolio can be a source of concern for an acquirer. Companies in need of financing can use patents as collateral, and in the unfortunate event a company files for bankruptcy or dissolves, patents can be sold to provide returns to creditors or equity holders.

Finally, a patent portfolio can help deter lawsuits from competitors. When competitors each have strong patent portfolios, they may refrain from litigating against one another because of the risk of "mutually assured destruction." Conversely, companies without portfolios may find themselves more at risk of facing patent infringement litigation. And when a company without a portfolio is sued for patent infringement, the plaintiff may contend that the defendant's lack of a patent portfolio implies a lack of innovativeness and a motive to copy the plaintiff's patents.

Risks of Not Developing a Strong Patent Portfolio

As discussed above, obtaining patents can be expensive and burdensome, but it is important to consider the potential consequences of not developing a strong patent portfolio. First and foremost, a company's competitors will generally have the right to use the company's unprotected technology and incorporate it into competing products—without legal consequences. Second, a company may find itself more vulnerable to lawsuits from competitors (and other patent holders) who do make an investment in patent rights, as discussed above. Third, the lack of a patent portfolio can have a negative impact on corporate valuations, mergers, acquisitions, and financings, as investors or buyers often prefer companies whose products and services are protected by enforceable intellectual property.

Emerging companies without patent protection are especially vulnerable. They may face barriers to financing and may see their inventions used by established competitors that already have a strong market presence. Furthermore, large and established competitors may enforce their own patent portfolios and may do so at critical junctures for emerging competitors. For example, established companies sometimes enforce patents when an emerging competitor begins taking significant market share or is looking to expand its operations. As discussed above, an emerging company's inability to rely on its own patents to deter such litigations can create existential problems.

Patents Versus Trade Secrets

Patents are not the only way to protect innovations; the law also forbids the misappropriation of another's trade secrets.[2] It can be tempting for a company to rely too much on trade secret protection, in part because it does not require the same degree of up-front costs as patents. Trade secrets also do not require disclosure to the public and have a potentially unlimited duration, and a plaintiff does not need to demonstrate that a trade secret is novel. These aspects allow trade secrets to provide broader protection for things like business plans, the compilation of information, or market analyses.

But the flip side of trade secret protection is that to effectively maintain a secret, it must be kept secret. This requires continuous monitoring and safeguards: if the secret is not adequately protected, it can no longer be enforced. There are hard-fought battles in litigation over whether a company employed adequate safeguards to maintain a trade secret.

Another distinction between patents and trade secrets is that trade secret misappropriation occurs only if a competitor uses another company's trade secrets to develop a competing product. A competitor will not face liability for trade secret misappropriation if it developed a competing product through reverse-engineering, independent development, or other lawful means—even if that product happens to contain trade secrets. Patent infringement, on the other hand, does not require intent and occurs regardless of how the competitor came to use the patented technology.

There can also be distinctions relating to the remedies available for trade secret misappropriation as opposed to patent damages. Trade secret misappropriation generally requires a showing of actual harm for any damages, whereas patent damages are allowed regardless of whether profits are lost. Indeed, under the federal patent statute, the minimum amount a holder is entitled to receive in the case of infringement is a "reasonable royalty" reflecting the patent's unauthorized use.[3]

Tips for Developing and Curating a Strong Patent Portfolio

It is important for a company to be strategic when building its portfolio, especially because of the costs associated with patents. A large patent portfolio is not necessarily the same as a well-cultivated portfolio. A strong patent portfolio will reflect thoughtful decisions regarding disclosure programs, business goals,

geographic reach, and patent maintenance strategy.

The first step in building a portfolio should be to develop a program whereby employees regularly disclose inventions they develop as soon as possible. Time is of the essence, because a patent application must be filed within one year of public disclosure or sale of the invention. Consequently, a company must implement strong processes to capture inventions and file the applications before the deadline passes.

The patent harvesting program can take several forms. Some companies prefer to hold periodic meetings to talk through patentable inventions. Other companies prefer to have innovators fill out paper or electronic forms. Often, counsel is involved even at these early stages to protect these communications through the attorney-client privilege.

One of the challenges in a patent program can be incentivizing already busy employees to engage in the patent harvesting process. Some companies offer monetary incentives, such as a small bonus when a patent application is filed or granted. But nonmonetary incentives, such as recognition, may work as well. For example, some companies have a "patent wall" with the names of inventors and/or copies of their patents. If company leadership embraces and encourages innovation, it can foster a culture of innovation disclosure.

Next, business and legal teams should review the disclosures to determine which innovations are worth patent protection; not every disclosure should necessarily turn into a patent application. Key business considerations include whether the invention covers core company products/features, includes things that your industry is likely to use, and represents significant or incremental innovation. Legal teams can advise regarding the potential strength of the patent, including whether similar patents already exist and the likelihood of successful enforcement against an infringer.

Many companies believe that they must be using an invention—that is, actively incorporating it into a product or service—to obtain a patent on the invention. This is not true. Companies can obtain patents for inventions they choose not to implement for any number of reasons. These patents can be valuable for creating licensing opportunities, perhaps even across industries. However, a company that wants to commercialize a patent-practicing product should consult with counsel about the requirement to "mark" the product with its patent number to ensure that it retains the ability to fully enforce the patent. This marking requirement can vary from patent to patent and can be accomplished in a wide variety of ways.

Another consideration is whether to obtain patent protection outside of the United States. In general, a US patent applies only within the United States or at its borders. If, for example, a company has a presence in other countries, it may wish to obtain a counterpart patent in those other countries. This could be an additional cost but could also improve the overall strength and value of the portfolio. Investors and acquirers often seek international patent coverage.

Once patents are obtained, the patent holder must pay periodic maintenance fees to keep the patent alive. This is another layer of expense, and it is one reason why a company should carefully curate its portfolio.

Companies will sometimes find that they have excessive patents, whether because they abandoned the projects that gave rise to the patents, chose different solutions, or acquired a company with many patents. In this situation, the maintenance fees can begin to add up. Faced with this problem, some companies will simply allow their patents to expire—sometimes that is a better path than continuing to incur fees. But before doing so, it is often worthwhile to explore other monetization opportunities. Is there a broker or buyer interested in the patents? Are there licensing opportunities? These are questions that a company should address with experienced professionals, such as patent attorneys.

There's No Better Time to Develop a Patent Portfolio

There are many benefits to having a strong patent portfolio. In the current business and intellectual property environment, those benefits may be increasing. There is bipartisan legislation pending in Congress that would have the effect of strengthening patent rights.[4] The Patent Trial and Appeal Board is implementing policies that create obstacles for accused infringers who seek to invalidate patents.[5] All over the world, patent rights are becoming intertwined with larger questions of trade policy and foreign policy. And private funding for patent enforcement grows every year. For any company that has considered developing a patent portfolio, now may be an optimal time to do so. CL


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1. *See* https://www.uspto.gov/patents/basics/apply.
2. 18 USC § 1839(3).
3. 35 USC § 284.
4. *See* Caixeiro and Manno, "The Trump Administration's Approach to Patent Rights and Enforcement Comes Into Focus," Westlaw Today (Apr. 15, 2025), https://today.westlaw.com/Document/Ida4e0a951a0d11f09e609104f45b2731/View/FullText.html?transitionType=Default&contextData=(sc.Default)&VR=3.0&RS=cblt1.0&firstPage=true&bhcp=1&CobaltRefresh=67394.
5. *Id.*