



CIPHER

Beyond Portfolio Optimisation

*Calculating the value of
rightsizing*

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What we will cover

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01 *How Many Patents are Enough?*

02 Cipher Report: Key Findings

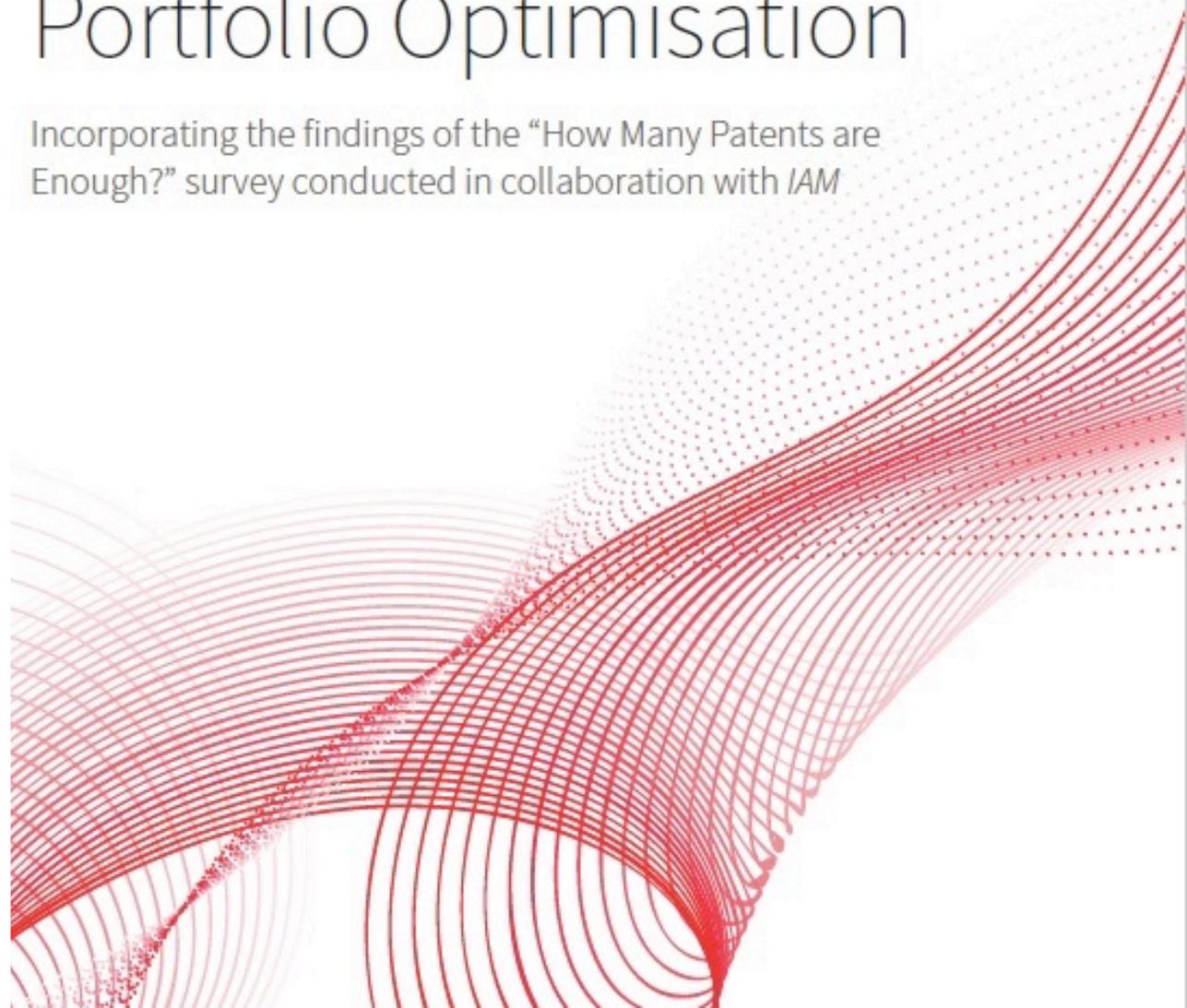
03 Optimisation Models

04 Budget management

05 Your questions

Cipher Report on Portfolio Optimisation

Incorporating the findings of the “How Many Patents are Enough?” survey conducted in collaboration with IAM



Where We Started



How many patents are enough?

It is generally accepted that an organisation can have too many or too few patents. While finding and maintaining the equilibrium will always be challenging, strategic patent intelligence offers the analysis required for evidence-based decisions which are capable of withstanding robust scrutiny

By Nigel Swycher and Steve Harris

“*The simplest questions are the hardest to answer*” –
Northrop Frye

patents are enough?’ They include responses from a panel discussion at *IAM’s* Auto IP USA conference held in Detroit in May 2019 and a roundtable held by

Key Survey Findings



A well balanced patent portfolio reduces the risk of litigation

76%



Patent portfolio cost/strategy is presented at CTO, CFO or board level

70%



Average patent budget spend on strategic intelligence?

9%



My organisation's patent portfolio is perfect

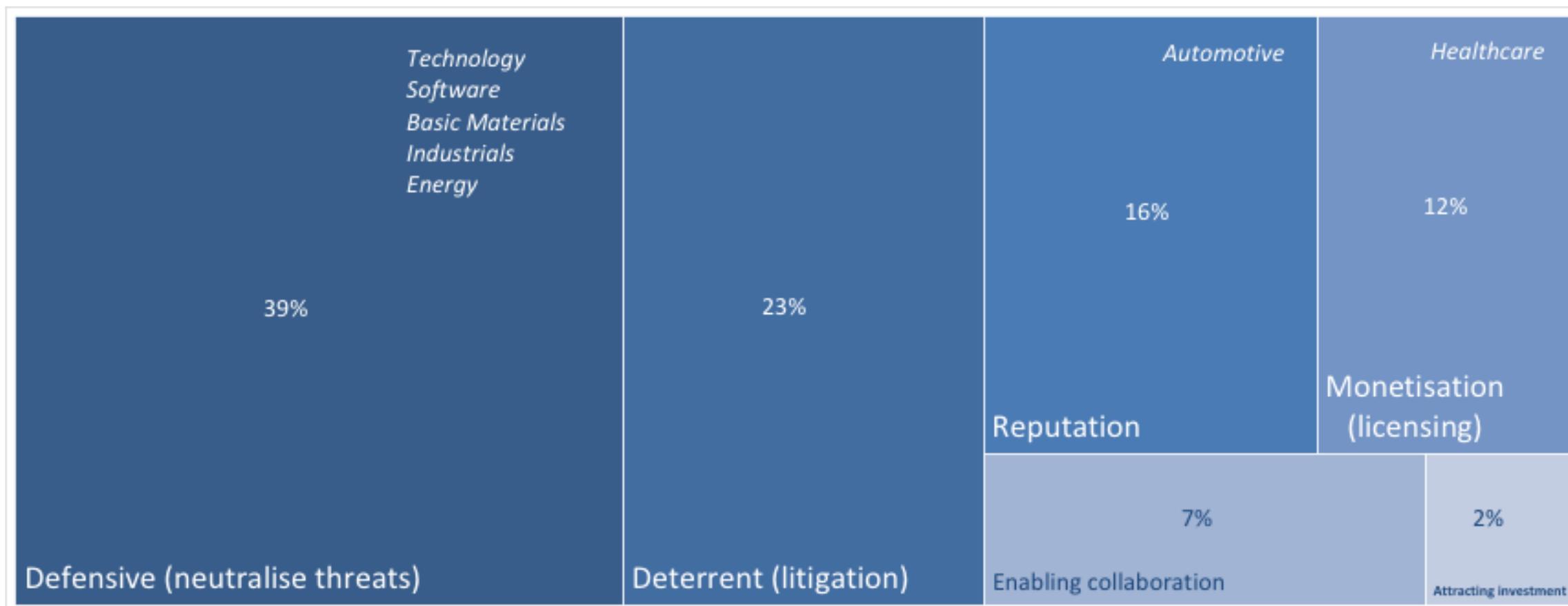
19%



A well balanced portfolio reduces the risk of litigation

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What strategic objective does your patent portfolio serve?

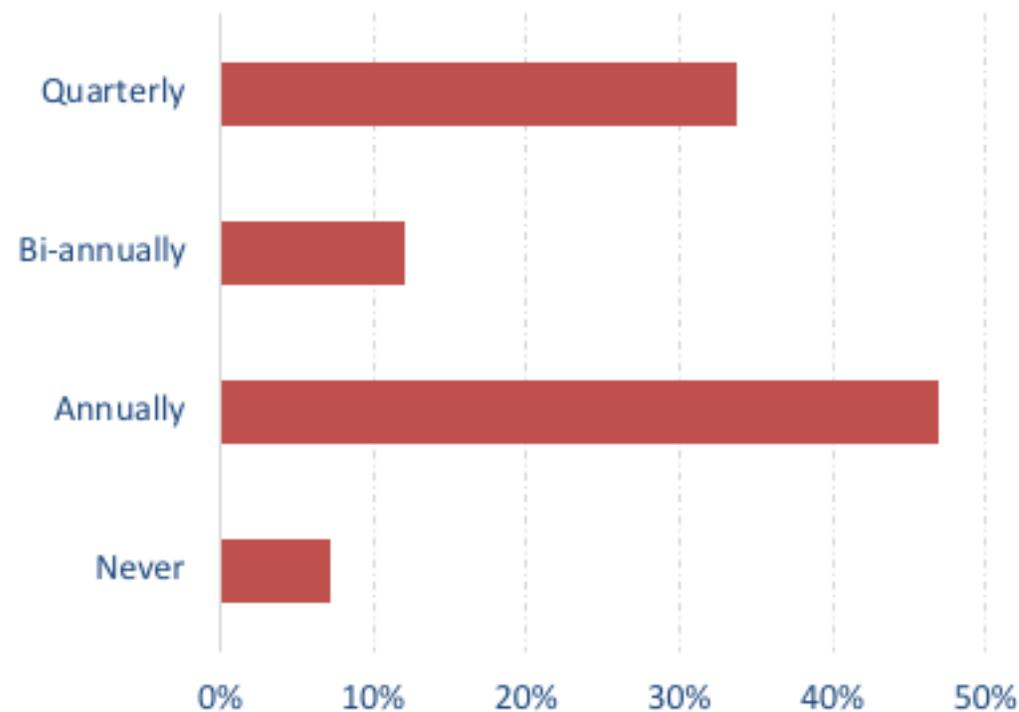
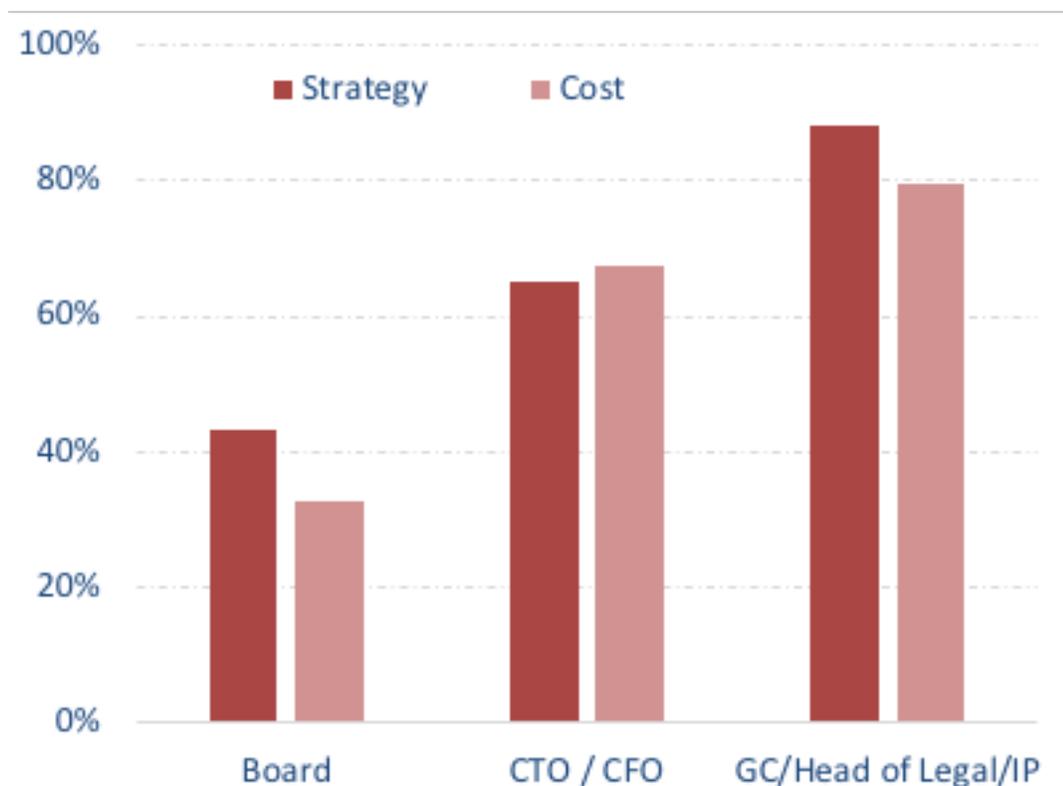


Scrutiny of patent strategy now goes to the very top level of companies

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At what level in your organisation are patent strategy and/or the related costs formally presented?

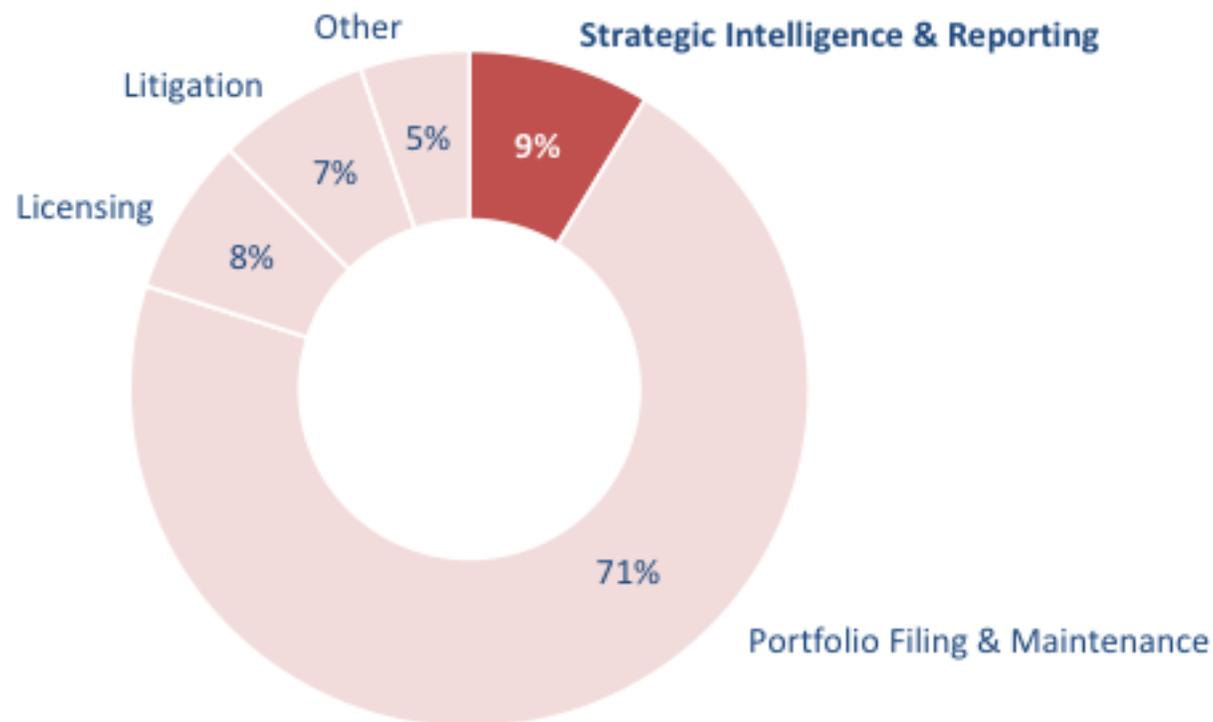
How often do you assess the overall shape and size of your portfolio?



More dollars now being directed to strategic patent intelligence & reporting

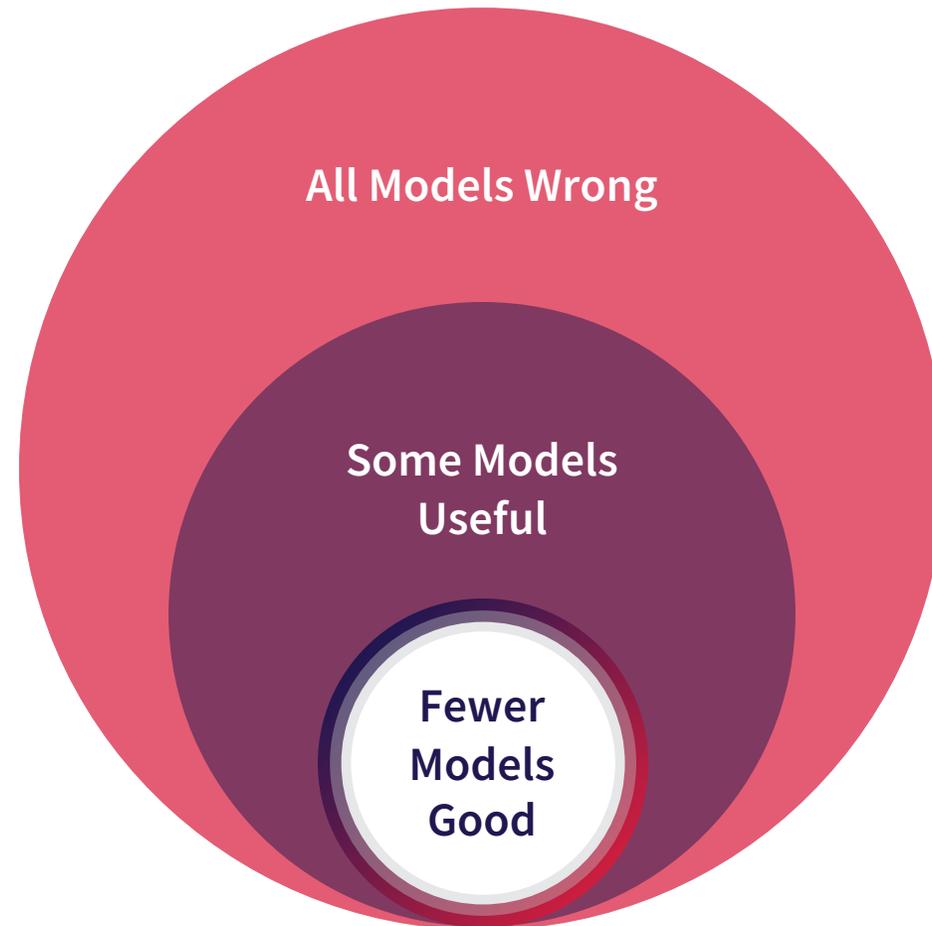
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Where are patent budgets being spent?



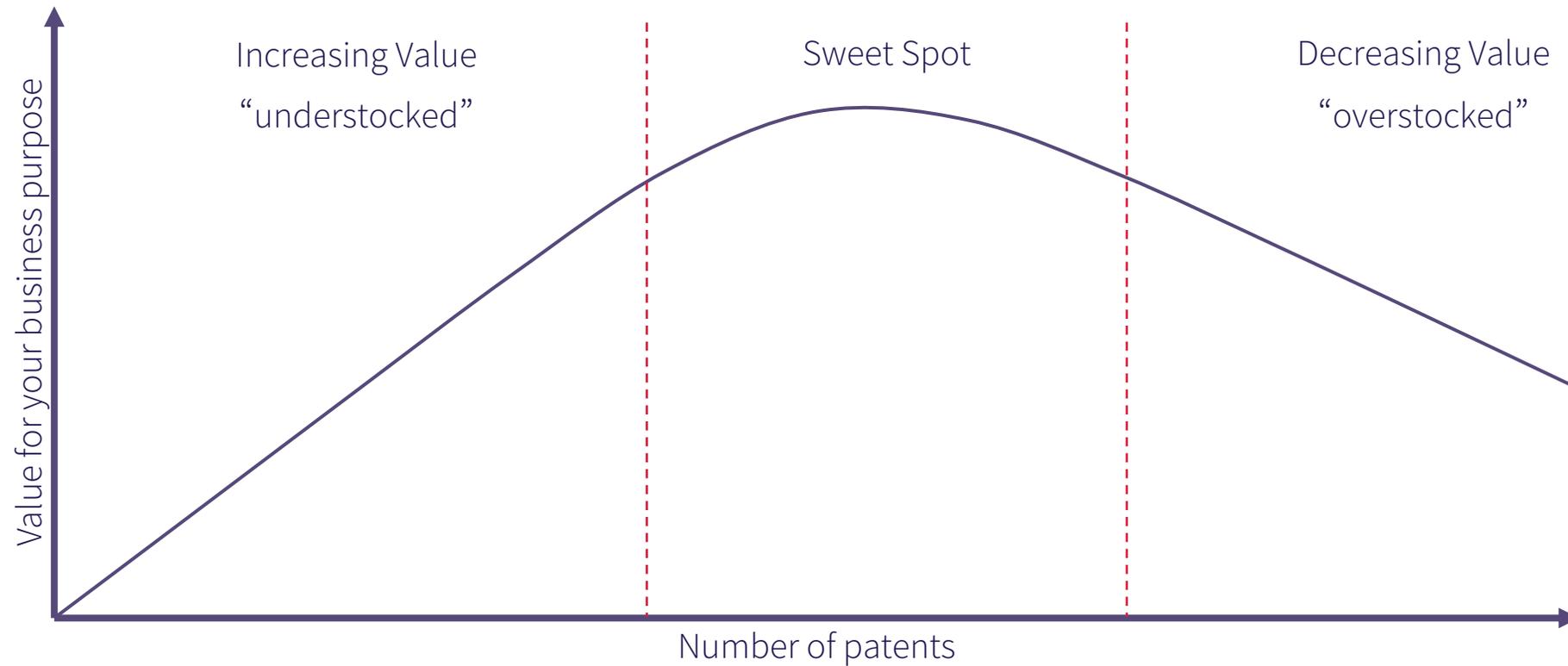
Thoughts on Models

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General Observation on Decreasing Marginal Utility

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Loosely speaking 3 broad zones: understocked, sweet spot, overstocked

Risk is based on Balance of Trade

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Lots of revenue + fewer patents than competitors = higher risk

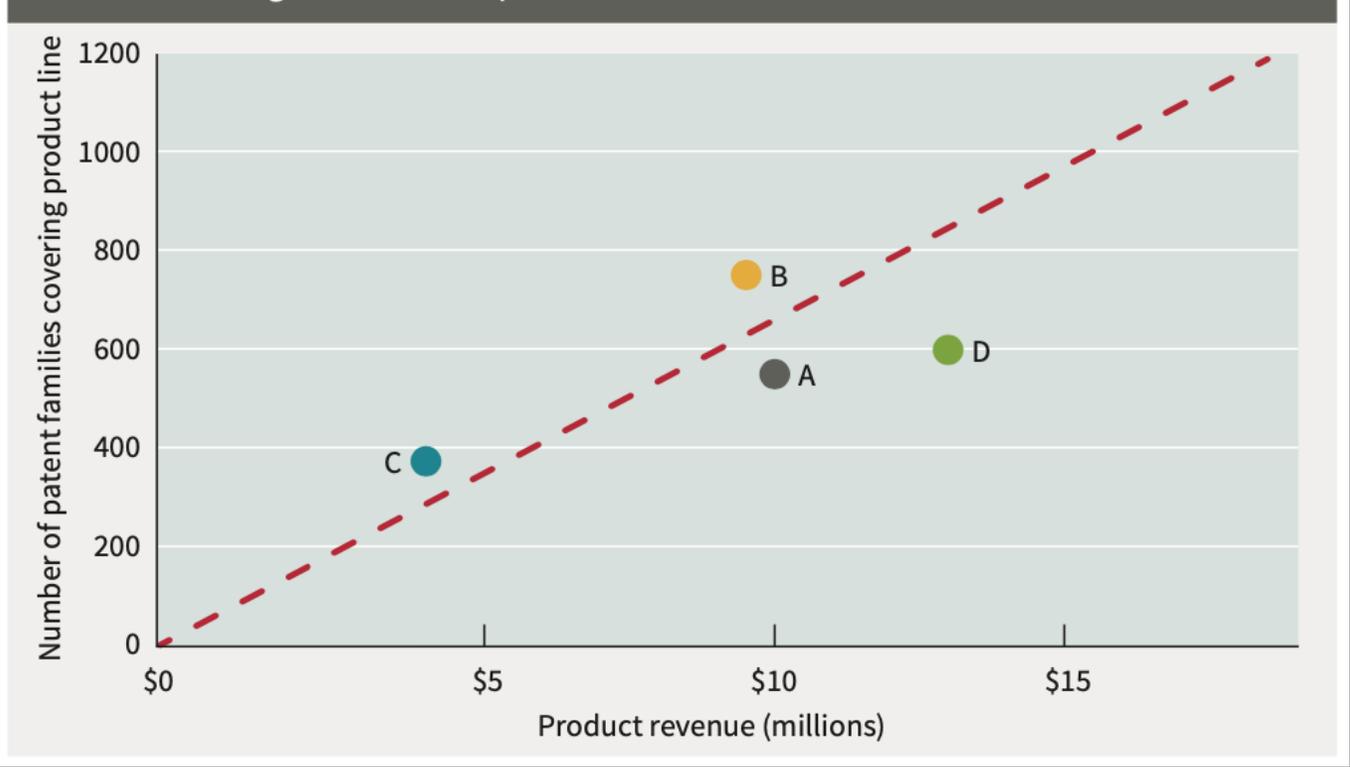
If two portfolios are in balance, then:

$$\frac{\text{Your patents}}{\text{Your revenue}} = \frac{\text{Their patents}}{\text{Their revenue}}$$

So

$$\text{Your patents} = \frac{\text{Your revenue} \times \text{Their patents}}{\text{Their revenue}}$$

FIGURE 2. Looking for a balanced portfolio



Optimisation Model

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Product	Company	Issued families	Patent share	Revenue	Revenue share	Optimum portfolio
Lidar	Foo Corp	184	8.7%	\$1,357M	9.0%	
	Bar Systems	163	7.7%	\$949M	6.3%	233
	Baz Technologies	115	8.3%	\$1,051M	7.0%	216
	<i>Total</i>	2105	100.0%	\$15,052M	100.0%	190
Ultrasound	Foo Corp	139	14.4%	\$139M	3.8%	
	Bar Systems	15	1.6%	\$123M	0.6%	62
	Baz Technologies	90	9.3%	\$403M	10.9%	114
	<i>Total</i>	964	100.0%	\$1,877M	100.0%	71

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Beyond Portfolio Optimisation



Focusses discussion on which assumptions + variables require the most attention
Order of magnitude conversation eliminate extravagant “spreads”

Wargame cross-licensing opportunities

Justify the patent budget

Helps justify investing more in areas of significant understocking

Identifies areas of over stocking where the least damage would be done

Dealing with budget cuts

Evaluating the impact of patent acquisitions

The cost and quality fit neatly into the model and can help quantify the level of risk reduction required to justify the price





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