



PROTECTING INNOVATION • SEED TO EXIT®

Managing a Patent Portfolio During an Economic Recession

About me

- ❑ **Founder of M&B IP**
- ❑ **Over 20 years of experience in patent portfolios development, IP management and monetization**
- ❑ **BSc. in Computer Science and Physics**
- ❑ **Developed IP strategies for multi-million dollar acquired start-up companies**
- ❑ **Currently representing hundreds of start-up companies including a handful of “unicorns”**
- ❑ **Active angel investor**
- ❑ **Admitted to practice before the USPTO**
- ❑ **Member of Entrepreneur Organization**



Today's agenda



The importance of patents during a recession



How to get the most for the least

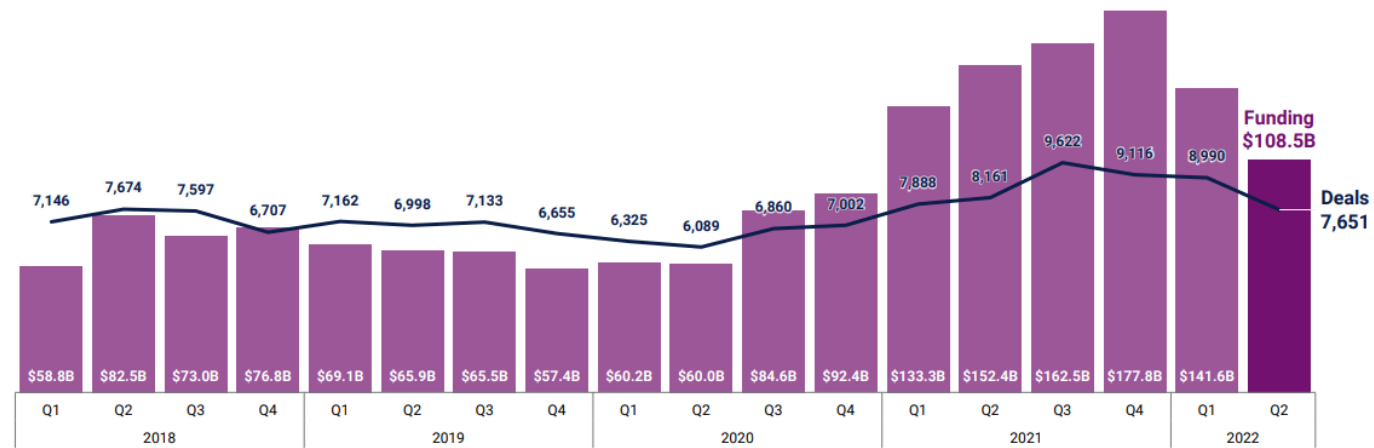


Ways to leverage patents to keep afloat

Background: global trends in funding

State of Venture | Global Trends | Investment Trends

Funding drops by 23% QoQ in Q2'22, deal activity slows



CBINSIGHTS

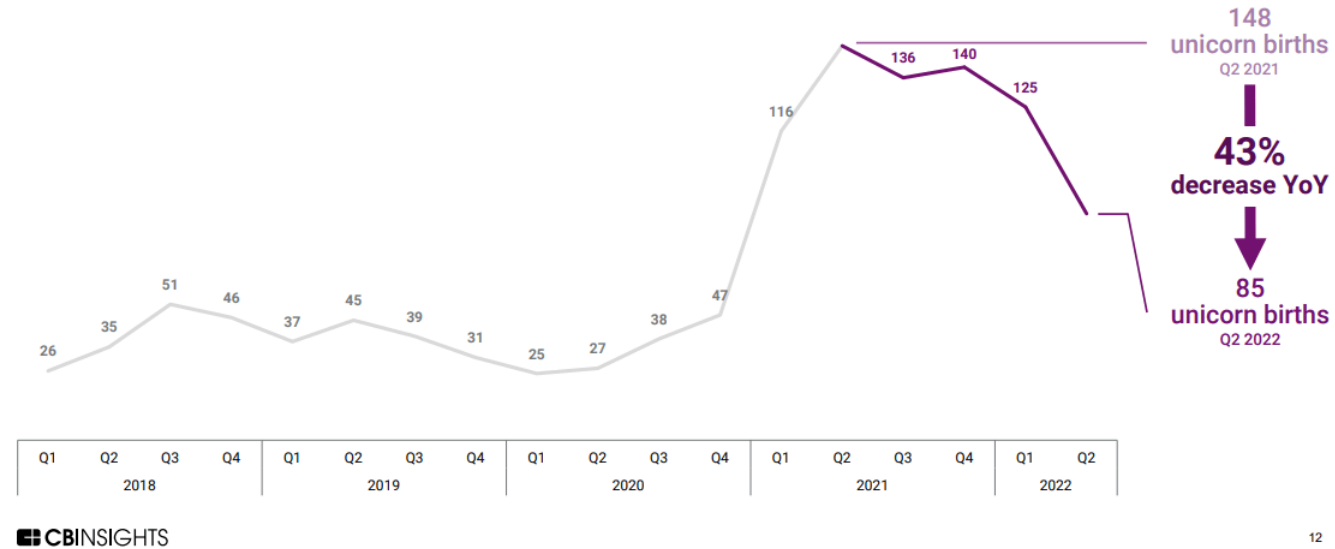
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- ❑ For the second straight quarter of 2022, VC funding fell more than 20%
- ❑ Investors have pulled back on deals by as much as 15% in Q1 2022, especially for startups

Background: decline of unicorn births

State of Venture | Global Trends | Unicorns, Valuations, & Multiples

New unicorn births fall significantly in Q2'22



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❑ Births of unicorn companies are now down 43% from their peak in 2021

Increasing cash flow and runway

- ❑ **Startups are trying to remove non-essential expenses**
- ❑ **Patents costs are often cut early**
 - ❑ **This is a mistake!**
- ❑ **Decades of experience and data show that this can hurt a company in the long term**
- ❑ **Focus on *optimizing*, not *slashing*, the budget**

Risks of abandoning your patent portfolio

1: Limit cash flow

- IP can be leveraged to raise capital

2: Down Round

- Weak patent portfolio = lower company valuation

3: Loss of rights

- Disclosing your invention without filing a patent application could make your invention unpatentable

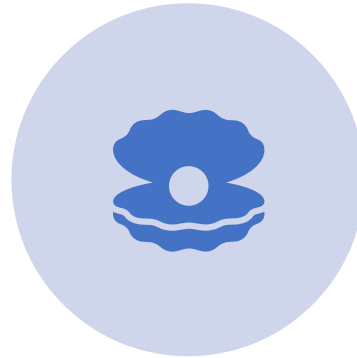
4: Loss of competitive advantage

- Your competitors can and will continue without you

Use your current patent portfolio to secure funds



**PATENTS CAN BE
COLLATERAL FOR LOANS**



**SELL UNNEEDED PATENTS:
THEY COULD BE
SOMEONE'S TREASURE**



**CONSIDER GOVERNMENT
GRANT PROGRAMS**

Using patents as collateral for a loan

- ❑ Banks tend to be the primary lenders providing patent-backed loans and typically lend to startups and emerging companies.
- ❑ Equity investors and even angel investors also provide loans backed by patents
- ❑ The patent-backed loan is secured through a security agreement recorded with the USPTO



Your patents could be someone's treasure



- ❑ **If your patent is no longer useful to your company, it could still be valuable to someone else**
- ❑ **Innovation moves in different directions frequently**
 - ❑ **Start and end points on your patent journey may be completely different than you anticipate**

Consider Government Grant Programs

- ❑ **If you need capital to innovate, government or other institutional grants may be an option**
- ❑ **The requirements for each vary, so discuss with a patent practitioner before signing up**



5 ways to manage costs effectively



**ALIGN IP
INVESTING
WITH AN IP
STRATEGY**



**REEVALUATE
FOREIGN
EXPENSES**



**MANAGE
ATTORNEY
FEES**



**USE PROCEDURES
TO DELAY
SPENDING**



**WATCH OUT
FOR HIDDEN
COSTS**

First: align spending with your current business strategy

- ❑ **Reevaluate invention-by-invention**
- ❑ **Think about future costs**
 - ❑ **Especially number of office actions**
- ❑ **Consider abandoning unimportant patent applications**
- ❑ **Check if granted patents are still useful**
 - ❑ **Ongoing maintenance fees**



Second: scrutinize foreign filing expenses

- ❑ **Reevaluate each market (country/region)**
 - ❑ **How useful is the patent in each market?**
- ❑ **US is top priority**
- ❑ **Companies may file non-US applications without much thought**
- ❑ **Patents in certain markets may provide little return for investment and may not be worth ongoing costs**
 - ❑ **This can change over time**



Third: manage practitioner time wisely

- ❑ **Consider cost management solutions for your patent agent/attorney**
- ❑ **Possible solutions:**
 - ❑ **Cap costs on certain activities**
 - ❑ **Like filing new applications**
 - ❑ **Charge flat fees for certain activities**
 - ❑ **Like office actions or IDSs**
- ❑ **Make sure all deadlines are being met to save on unnecessary fees**
 - ❑ **Office action extensions can add up quickly**



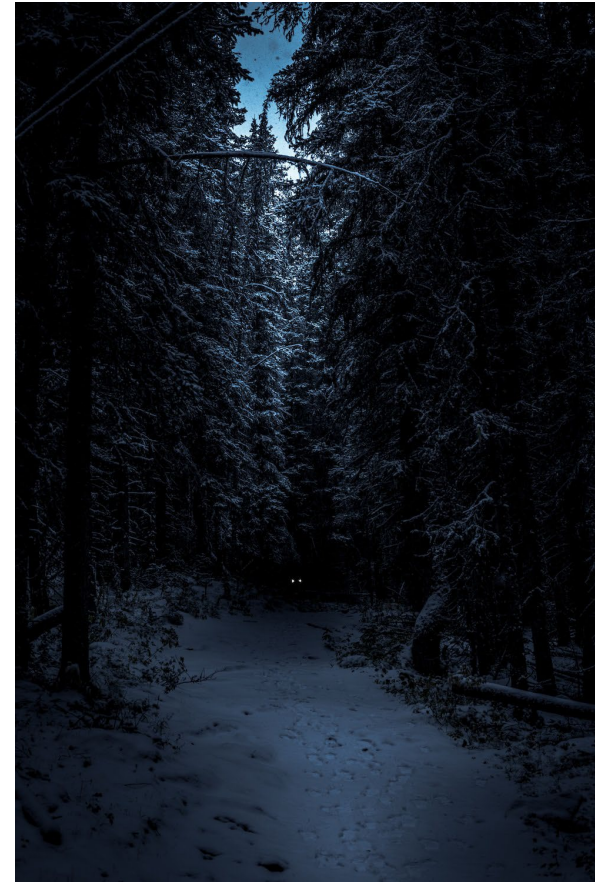
Fourth: delay prosecution costs

- ❑ **Conserve resources while waiting for the economy to rebound**
- ❑ **Consider filing a provisional**
 - ❑ **Must be converted within one (1) year, but no office action costs during that year**
- ❑ **File PCT/international application**
 - ❑ **Gives a total of around 30-31 months before nationalizing**



Fifth: look out for hidden costs of patents

- ❑ **Opportunity costs of inventor's patenting efforts**
- ❑ **Look for practitioners who save inventor's time**
- ❑ **Try to file patent applications without lengthy disclosures**
- ❑ **Spend more on legal -> get more out of engineers**



Summary

“Time is the friend of the wonderful company, the enemy of the mediocre.”

Warren Buffett

Questions?

