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Book Review [From Ideas to Assets: Investing Wisely in Intellectual Property]

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BOOK REVIEW


Reviewed by Thomas Ewing*

I. INTRODUCTION

Although appreciation for the significance of intellectual property has grown steadily over the past twenty years,¹ a sophisticated understanding of intellectual property management and exploitation has proven elusive. A conventional explanation for the gap between intellectual property acquisition and its exploitation has been that intellectual property acquisition is fairly well understood by attorneys who often have a limited understanding of businesses and markets, while the business persons who best understand markets have limited understanding of the inherent characteristics of intellectual property.²

In recent years, some scholars have concluded that intellectual property can and should be considered, studied, and managed using a multidisciplinary approach that combines elements from technical management, licensing, litigation, and intellectual

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1. See FROM IDEAS TO ASSETS: INVESTING WISELY IN INTELLECTUAL PROPERTY xxv (Bruce Berman ed., 2002) [hereinafter FROM IDEAS TO ASSETS].

property rights procurement.\(^3\) During this period, many intellectual property attorneys have also attempted to understand more about business and the prerequisites for commercial success of an intellectual property right, while many investment managers have tried to understand more about the nature of intellectual property and its intrinsic characteristics.\(^4\) Accordingly, intellectual property attorneys have improved their understanding of business and markets, while business analysts have worked to create appropriate paradigms for understanding intellectual property rights—the ultimate value of which is never known until after all legal appeals have been exhausted.\(^5\)

From Ideas to Assets, compiled by Bruce Berman, sets out the bold objective of capturing some of the best contemporary thought on intellectual property exploitation while attempting to shine a beacon on the future of intellectual property management and related strategies. While some chapters in Berman's text address specialist topics in economic theory that should be of interest to intellectual property attorneys, other chapters address intellectual property law issues that should be of interest to non-attorney executives. Although its chapters are somewhat uneven in terms of their helpfulness, From Ideas to Assets nevertheless succeeds in describing commendable, contemporary intellectual property strategies that allow the reader to glimpse a realistic future for intellectual property exploitation and its strategic management. Some intellectual property attorneys have been known to complain that non-attorneys never really understand intellectual property rights, while other observers, such as many of Berman's authors, argue that intellectual property rights are not really that difficult to understand.\(^6\) Berman's non-

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3. The formation of the Court of Appeals for the Federal Circuit in 1980 is often considered as a key to changing the nature of intellectual property protection. See Ove Granstrand, Economics and Management of Intellectual Property: Towards Intellectual Capitalism 38 (Edward Elgar ed., 1999). Granstrand argues that other factors contributed heavily as well, such as less vigorous antitrust enforcement by the Department of Justice, a desire on the part of major U.S. corporations for stronger intellectual property protection and enforcement, and a political desire in the U.S. government to use intellectual property as a means of reinforcing U.S. industrial competitiveness. See id.


5. Patents, for example, have been fairly easy to study in the aggregate but generalizing these class characteristics into each independently crafted legal document (e.g., a specific patent) has proven elusive.

6. See, e.g., FROM IDEAS TO ASSETS, supra note 1, at 3-64, 83-108.
attorney authors provide ammunition for both camps. Some of the authors simply recount patent procurement and litigation statistics ad nauseum and do not seem to understand that some patents really do have no value whatsoever since no one would ever practice the disclosed technology, as claimed. In contrast, other authors exhibit a sophisticated appreciation of intellectual property rights, and many intellectual property attorneys would probably find collaborations with such experts fairly rewarding to their own practices.

Berman structures From Ideas to Assets in four parts: (1) identifying and understanding intellectual property, (2) exploiting intellectual property, (3) measuring intellectual property performance, and (4) intellectual property transactions and finance.

II. IDENTIFYING AND UNDERSTANDING INTELLECTUAL PROPERTY

Part one comprises four chapters intended to help non-intellectual property attorneys or others understand intellectual property (IP) rights and the documents (i.e., patents) that express these rights. These chapters present a somewhat uneven description of IP rights. In the stronger chapters, the discussion focuses more on describing the patent process and explaining what makes one patent better than another, while the weaker chapters have a tendency to veer into topics such as “why patents matter.” The weaker chapters also sometimes devote too much attention to complaints about IP rights and alleged reforms that likely may never occur, in a discussion that may distract or confuse the novice.

Walter Hanchuk’s chapter on “How to ‘Read’ a Patent” may be the best chapter in this section, although one wishes that Mr. Hanchuk had taken a simple patent claim from a simple patent and opined on the range of interpretations that this sim-

7. See id.
8. See id. at 83-108.
9. In his introduction, Berman comments that the book need not be read linearly and invites readers to jump around if they wish. See id. at xxv-xxviii. I accepted Berman’s invitation and immediately jumped to the chapter entitled “The Economics of Patent Litigation,” by Samson Vermont, a chapter that generally lives up to expectations. See id. at 327-72. I would strongly urge other readers to jump around, read the chapters that interest them and merely skim those few chapters filled with evangelical zeal for IP but light on actual substance.
10. See FROM IDEAS TO ASSETS, supra note 1, at 3-110.
11. See FROM IDEAS TO ASSETS, supra note 1, at 27-64.
ple claim could receive in litigation, such as a discussion of plain meaning\textsuperscript{12} versus means-plus-function interpretation.\textsuperscript{13} Hanchuk discusses some sample patent claims from Amazon.com’s famous “one-click” patent\textsuperscript{14} and provides a rudimentary claim chart.\textsuperscript{15} Unfortunately, the entire exercise likely is lost on a novice who will probably not understand that patent claim interpretation is fundamentally an adversarial process. Patent claims are interpreted as a matter of law\textsuperscript{16} (e.g., ultimately only one interpretation), but the courts are led to this interpretation via an adversarial process in which two or more parties contend for the most advantageous claims construction for their clients. For example, if the defendants are more persuasive and resourceful than the plaintiffs, then the claims may well not receive the same interpretation that they would if the plaintiffs were more articulate than the defendants.

While Hanchuk and the other authors attempt to explain IP rights, it remains unclear whether the non-attorney reader will understand the uncertainty behind those rights.\textsuperscript{17} While real property may be cursorily described in a legal document that confers ownership rights, much of the value of real property arises from the underlying property itself. In contrast, the entirety of the patent right derives from the four corners of the patent document—there is no soil to test, no prototype to review. Of course, some inventions are better than others, but in determining patent rights, the court will have little reason to consult an inventor’s prototype—the patent document itself and its prosecution file history provide the totality of the patent’s universe.

III. EXPLOITING INTELLECTUAL PROPERTY

The seven chapters of part two discuss various aspects of IP exploitation. These chapters principally focus on how IP can be

\textsuperscript{12} See York Prods., Inc. v. Cent. Tractor, 99 F.3d 1568, 1572 (Fed. Cir. 1996).


\textsuperscript{14} The book contains a discussion of U.S. Patent No. 5,960,411 that is assigned to Amazon.com. See FROM IDEAS TO ASSETS, supra note 1, at 29. The interested reader can easily find numerous commentaries regarding this patent since its issuance in 1999 and the subsequent litigation between Amazon.com and Barnes & Noble. See id.

\textsuperscript{15} See id. at 47-49.


\textsuperscript{17} In short, aside from the mechanics of patent procurement, what non-IP lawyers most need to understand is that IP litigation (especially patent litigation) is not deterministic and is fraught with uncertainty due to the nature of the adversarial process.
harvested from within companies and managed and also discuss venture capital funding and organizational structures that facilitate IP exploitation.

A. Managing IP Financial Assets

Alexander Arrow, chief financial officer of the Patent and Licensing Exchange (PLX), provides an insightful discussion about viewing patents as options in Chapter 5.\textsuperscript{18} The overall thrust of Arrow's paper is that patents are assets and, as such, should either be used by the company that owns them or be sold.\textsuperscript{19} In other words, Arrow argues it is pointless to obtain an asset that is never exploited in some manner. Many patent owners, in practice, steadfastly refuse to seriously consider selling one or more of their patents, a mystery largely unexplored by Arrow. The conventional explanation of holding patents for defensive purposes provides a partial answer, as does Arrow's explanation that few executives within the senior management of a traditional company understand IP.\textsuperscript{20}

Arrow also attempts to explain why market formation has been so elusive for patents and other IP rights. Arrow describes the situation of general financial assets in the nineteenth century—"risky to own and difficult to transact"\textsuperscript{21}—two traits that may well describe patents today.\textsuperscript{22} For example, the purchaser of a bond today typically has little fear that the bond certificates could be phony and potentially ruled worthless by a court. Arrow points out that, for most of the past two centuries, patents have suffered from both of these pitfalls, and he explores the possibility of creating a market for the exchange of intellectual property assets.\textsuperscript{23} Arrow's chapter focuses on the development of an options market for IP assets on the belief that an options market comes the closest to matching the characteristics of an IP asset.\textsuperscript{24} Arrow further provides a fairly complete discussion of the Black-Scholes formula,\textsuperscript{25} followed by a candid discussion of

\begin{itemize}
  \item \textsuperscript{18} See FROM IDEAS TO ASSETS, supra note 1, at 111-35.
  \item \textsuperscript{19} See id. at 135.
  \item \textsuperscript{20} See id. at 116-17.
  \item \textsuperscript{21} Id. at 114.
  \item \textsuperscript{22} Id. at 115.
  \item \textsuperscript{23} See id. at 115-16.
  \item \textsuperscript{24} See FROM IDEAS TO ASSETS, supra note 1, at 116-20.
  \item \textsuperscript{25} See id. at 120-23. The well-known Black-Scholes options pricing formula won its authors Myron Scholes and Fischer Black the Nobel Prize for Economics in 1997. See id.
\end{itemize}
the arguments against trading IP assets in an options market. Arrow then discusses various derivative markets that could be developed for trading IP rights, including the possibility of combining IP assets into trusts whose shareholders receive compensation in proportion to the value of the assets contributed in a manner similar to a real estate trust. Unfortunately, Arrow does not discuss the possible antitrust arguments that could be raised against such intellectual property trusts.

B. Patent Brands

Bruce Berman and James Woods provide a chapter on "Patent Brands" that argues that companies inherently benefit from having brand recognition of their IP assets. The notion of communicating a patent brand is an interesting one that seems to have become "trendy" in recent years. Of course, IBM has a fairly famous patent brand, but this brand may well be based as much on quantity as on quality. The other large quantity players, such as NEC and Fujitsu, generally receive less notoriety than IBM, although their brands appear to be fairly well respected. The authors discuss Proctor & Gamble and Kimberly-Clark, two fairly well known IP brands, and the synergies that a respected brand provides to the IP owner.

Berman and Woods concede that there is no single metric for measuring an IP portfolio's strength. Unfortunately, they then proceed to discuss the fairly discredited technique of patent citation analysis. While patent citation analysis may have
some value, many patent practitioners recognize that patent citations can be extremely misleading. For instance, a patent examiner may cite a patent frequently because it has a lengthy background section that well describes the state of the art in a particular field or provides an extraordinary amount of pertinent jargon in a given field. Citation analysis appears to be one aspect of IP studies that comes naturally to non-IP attorneys but has somewhat limited credibility among many IP attorneys.35

As for their discussion of the IBM patent licensing success story, it is unclear whether Berman and Woods appreciate that some of the target companies approached by an IBM licensing team may have little interest in acquiring a license to IBM’s technology itself. The authors largely ignore any discussion of the litigation muscle, or the threat of litigation, that sometimes compels companies to take licenses as a means of avoiding expensive litigation—on the assumption that if they do not infringe the patents provided by an IP owner’s licensing team, they likely infringe one or more of the IP owner’s other patents, especially when the IP owner enjoys a large patent armamentarium. Of course, this does not mean that a particular IP owner’s patents do not have value—they probably do—but it is much less clear whether the industry would be going to a given IP owner for licenses if the IP owner had not made the initial approach.36 Berman and Woods leave the question of patent quality largely untouched, as they also leave untouched the discussion of the litigation muscle. "Branding" is synonymous with reputation, and a company can have a well-known "brand" by having a few patents whose quality has been validated in litigation or it can have a well-known brand by holding a portfolio comprising so many thousands of patents that the quality of any one patent is not likely ever known and is somewhat irrelevant given the in terrorem effect of a gigantic portfolio.37

35. I have not yet met a working IP attorney or patent examiner who believes that citation analysis has any validity. Citation analysis has generally been promoted by economists, but I am aware that even in the economic field, citation analysis has become increasingly discredited as economists acquire greater understanding of the operations of the U.S. Patent and Trademark Office’s procedures in reviewing and issuing patents. Conversation with Profs. Nathan Rosenberg, Stanford Univ., and Ove Granstrand, Chalmers Univ., in Gothenburg, Swed. (Oct. 2, 2002).

36. See FROM IDEAS TO ASSETS, supra note 1, at 223-26.

37. See supra note 31 and accompanying text.
C. New Economy Innovations from an Old Economic Giant

Jeffrey Weedman provides a fascinating chapter entitled New Economy Innovations from an Old Economy Giant: How Proctor & Gamble is Maximizing the Hidden Value of Its Intellectual Property to Redefine Competitive Advantage. I do not personally know much about Proctor & Gamble’s IP protection program, so I do not know how closely the program described by Weedman matches the reality at Proctor & Gamble. If the reality vaguely matches his description, then Proctor & Gamble appears to have developed a highly sophisticated IP strategy. From Weedman’s description there seemingly is no aspect of IP protection overlooked by Proctor & Gamble. If the company needs the help of a government research lab in perfecting a new soap, it collaborates with the appropriate research lab. If the company has a non-performing or under-performing IP asset, then it tries to sell or license the asset at the best possible price. If the company can wield its portfolio to increase market share, then it does so. Finally, if all else fails, the company may donate an unproductive IP asset to a university and take a tax deduction for the donation.

One of the many anecdotes provided by Weedman concerns a Tide 300-ounce detergent bottle with a self-dispensing facility. Tide’s competitors apparently used 200-ounce bottles, and this size differential exaggerated Tide’s per ounce costs, despite the advantage of the self-dispensing feature. Rather than scrap the self-dispensing feature and return to a smaller bottle size, Tide’s licensing team managed to license the larger 300-ounce bottle with self-dispensing feature, for which Tide held several patents, to the company’s competitors. According to Weedman, the result was a substantial increase in revenue, due to both greater market share and licensing fees. The description provided of Proctor & Gamble is that of an innovative company that is not afraid to use its IP portfolio to the maximum advantage. One would hope that more and more companies will cease

38. See FROM IDEAS TO ASSETS, supra note 1, at 233-44.
39. See id. at 235.
40. See id. at 238-39.
41. See id.
42. See id. at 243-44.
43. See id. at 240-41.
44. See FROM IDEAS TO ASSETS, supra note 1, at 240-41.
45. See id.
46. See id.
being passive or complacent about their IP portfolios and begin to use their portfolios in the vigorous manner of a Proctor & Gamble.

IV. MEASURING INTELLECTUAL PROPERTY PERFORMANCE

Part three of the book pertains to Measuring Intellectual Property Performance. A criticism of this section is that none of the seven chapters in this section, nor any of the chapters in Berman's book, focus on the vital subject of IP valuation. Valuation is one of the most complicated tasks in the IP field, and one in which many of the equations provided by Berman's various authors depend—but the text offers no discussion exclusively focused on the topic.

A. Measuring Intellectual Property Portfolio Performance

The chapter entitled "Measuring Intellectual Property Portfolio Performance" by Walter Bratic, Brent Bersin, and Paul Benson, provides an interesting discussion on evaluating IP portfolios that suffers from either an unfortunate recitation of IP basics or further evangelization of IP revenue generation. By page 251 of the text, these authors would appear to be preaching to the choir, if the reader ignores Berman's invitation to read the text non-linearly. Much of the chapter concerns IP background

47. See id. at 251-420.
48. IP valuation is the process by which a value or range of values is placed on an IP asset, such as a patent, copyright, or trademark.
49. For example, patent valuation for non-litigated patents is complicated (and subject to error) because a patent may be held invalid and/or unenforceable during litigation, reducing its value to virtually nothing. Similarly, a patent's claims may be construed so narrowly in litigation that few-to-no competitors will ever be found to infringe the patent, causing the patent's value to drop significantly. Conversely, a patent whose claims were generally thought to be fairly narrow prior to litigation may be found to be quite broad as the result of litigation, causing the value of the patent to rise significantly. Likewise, a patent whose value was diminished prior to litigation due to a general belief that the patent's claims were invalid due to prior art may have its value rise tremendously if the patent is upheld during litigation. Moreover, even the value of a litigated patent in a device that could be subject to hundreds or thousands of patents (e.g., a personal computer) is difficult to assess because the value of the patented feature must be compared to the value of the other patented features.
50. See FROM IDEAS TO ASSETS, supra note 1, at 251-68. Of course, there's nothing wrong with making money from IP, but when the advice is presented in the breathless style of a "get rich quick scheme," the veracity of the whole is called into question.
51. See supra note 9.
material, and since the authors are not specialists in background subjects\textsuperscript{52}—such as IP acquisition (e.g., patent prosecution)—much of the discussion becomes regrettably thin. Similarly, the discussion on patent mapping is interesting, but flawed given the authors’ lack of expertise in IP law.\textsuperscript{53} For instance, they seemingly understand all patents to have equal value, a conclusion not likely to be shared by many patent practitioners, or for that matter, anyone who carefully studies patent claims or damage awards from infringement actions.\textsuperscript{54} The discussion also carries with it the flawed notion that patent citation analysis has merit.\textsuperscript{55} Curiously, these authors provide a discussion of the flaws of patent metrics\textsuperscript{56} that is considerably more enlightened, although it is somewhat of a pity that they did not take their own advice.

B. IP Leverage: Facilitating Corporate Value Creation

Another chapter in part three, IP Leverage: Facilitating Corporate Value Creation, by Russell Parr, discusses the conventional, but somehow still rarely practiced mantra of “innovate, protect, and leverage,” a simple concept that is seemingly difficult to implement.\textsuperscript{57} Parr also discusses the practice of providing a charitable donation of IP when the owner appears to have no other use for the IP and its underlying technology.\textsuperscript{58} Of course, as some companies have found, a donation of technology, such as to a university, may serve as a catalyst for new business as well as providing a nice tax write-off.\textsuperscript{59} Parr writes convincingly about the value of forming strategic alliances and includes examples such as an alliance between Coke and Proctor & Gamble that combined their juice, drink, and snack businesses.\textsuperscript{60}

\textsuperscript{52} Bratic, Bersin, and Benson are all accountants. See FROM IDEAS TO ASSETS, supra note 1, at 269.
\textsuperscript{53} See id. at 260-61.
\textsuperscript{54} For example, consider two valid U.S. patents issued in the same year: one patent protects an improvement to an old technology of little commercial significance (for example, an improved buggy whip), while the other patent protects a revolutionary pharmaceutical (for example, a medicine for treating ulcers). Since patent infringement damages are typically based on lost profits, established royalty, or reasonable royalty (35 U.S.C. section 284), then the patent for the ulcer medicine is quite likely to be worth much more than the patent for an improved buggy whip. See Hanson v. Alpine Valley Ski Area, Inc., 718 F.2d 1075, 1078 (Fed. Cir. 1983).
\textsuperscript{55} See supra note 35.
\textsuperscript{56} See FROM IDEAS TO ASSETS, supra note 1, at 261-63.
\textsuperscript{57} Id. at 271-89.
\textsuperscript{58} See id. at 286-87.
\textsuperscript{59} See id.
\textsuperscript{60} See id. at 288-89.
C. Using Patent Indicators to Predict Stock Portfolio Performance

Francis Narin, Patrick Thomas, and Anthony Breitzman provide a chapter entitled "Using Patent Indicators to Predict Stock Portfolio Performance," which describes their patented method for selecting investments by tracking patent information related to companies.61 The method, more fully disclosed in U.S. Patent No. 6,175,824, relies upon patent citation analysis as a key to determining important technological advances.62 The authors also believe that having patents accorded the "pioneering patent"63 label is a further indication of merit in evaluating an investment.64 Unfortunately, the authors do not disclose that "pioneer patent" is not an official Patent Office designation. In any event, devoting significant attention to the presence of a pioneering patent label could prove difficult in analysis of a typical patent portfolio since so few patents are actually litigated.65 Other factors that the authors have singled out include patent growth and the number of patents—two indicators that they believe tend to indicate strong patenting programs—and good investments.66 Of course, companies can fail for a number of reasons, and success in patenting may be only a small factor of a company's overall success in the market. Nevertheless, the authors report above average returns for investments made using their method.67 The financial reporting data on their website does not appear to have been updated since some time in late 2001, so it is uncertain whether this method still continues to show the high performance reported earlier in the troubled markets of the present.68

61. See id. at 293-305.
62. See id. at 295-98.
64. See FROM IDEAS TO ASSETS, supra note 1, at 295.
65. As discussed above, "pioneering" patent is a status that may arise during the doctrine of equivalents phase of a patent litigation. See supra note 63 and accompanying text.
66. See FROM IDEAS TO ASSETS, supra note 1, at 297.
67. See id. at 300-04.
D. The Economics of Patent Litigation

I was immediately drawn to the chapter entitled "The Economics of Patent Litigation, by Samson Vermont."69 Not only is the subject of interest to me in my practice, but I have also come to appreciate Mr. Vermont's analytical abilities from his articles in Patent Strategy & Management.70 Vermont's chapter provides a plethora of statistics related to patent litigation and boldly attempts to describe patent litigation economics via a series of decision trees.71 Vermont describes the technique, derived from operations research, fairly well, and no doubt the techniques could be quite useful in meritorious patent litigation, especially in litigations where each side has compelling arguments. The reader wonders, however, how the techniques account for situations when one side's actual probabilities for success are much, much lower than average, or for that matter, much greater than average. For example, I could not help but think what a boost these techniques might provide to the growing number of contingency fee lawyers who represent small IP owners—when their opponents attempt to compute a settlement figure using this technique.72 Vermont's decision trees do not appear to be readily amenable to scenarios in which a proposed settlement is well below a defendant's average litigation costs but the plaintiff's likelihood of success are so low that the defendant's expected litigation costs should be considerably below the average.73

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69. See FROM IDEAS TO ASSETS, supra note 1, at 327-57.
70. Vermont is a founder of Patent Strategy & Management and has contributed to most of its issues. See id. at 371.
71. See FROM IDEAS TO ASSETS, supra note 1, at 341-56.
72. In recent years, it has become more and more common for medium-to-large-sized companies to be approached by patent holders represented by contingency fee lawyers who simply seek a settlement somewhere below the $2 million that it costs on average to litigate a patent dispute. In short, some patent holders may do quite well for themselves by simply licensing their patents to the major players in a given industry segment at amounts below the $2 million litigation expense, e.g., $500,000. So, if such a patent holder could license a patent to twenty companies at $500,000, then he and his attorneys would collect $10 million. These patent holders sometimes have no business of their own that would be vulnerable to countersuits, so the risks are fairly low once the patent holder and his attorneys have satisfied themselves that they can overcome the somewhat low hurdle presented by Rule 11 of the Federal Rules of Civil Procedure.
73. In short, using this approach, the average target company would likely conclude that a $500,000 settlement offer, for example, was a good bargain compared with the prospect of litigation. The value of this "bargain" might drop considerably once the target company has evaluated the prospective plaintiff's extraordinarily low chance of success on the merits. See FROM IDEAS TO ASSETS, supra note 1, at 340-41.
Nevertheless, the approach is likely quite helpful for two competitors about to do battle in more evenly matched scenarios.

E. Avoiding Transaction Peril: Value-Based IP Due Diligence

Mark Haller, Edward Gold, and Brian Blonder provide a chapter entitled "Avoiding Transaction Peril: Value-Based IP Due Diligence," in which they discuss the ups and downs of conducting due diligence on IP assets. Haller et al. also suggest that due diligence work be supplemented by non-attorneys. While patent valuation may be conducted by non-attorneys, patent practitioners often believe non-attorneys are less likely to conduct due diligence properly. Patents, more so than any other intellectual property, present completely formed bundles of rights, which are potentially different from their progenitors. Reviewing a company's patent claims to determine if the company's own products/services themselves "infringe" on the company's patent claims can sometimes be an eye-opening exercise for senior management. For example, senior management may learn that even its own products do not "infringe" the claims of its own patents. This situation can arise when patent claims have been narrowed during prosecution to cover features of the invention not implemented in the products actually sold. Nevertheless, Haller's recommended due diligence proc-

74. See FROM IDEAS TO ASSETS, supra note 1, at 373-91.
75. See id. at 375. "Due diligence" is the well-known phrase for the steps undertaken by a prospective IP-purchaser or seller in evaluating whether a transaction should be completed. See id.
76. Such situations are less likely to arise in the copyright context and are likely to be readily discernable in the trademark context. Copyrights by their very nature cover a specific expression (e.g., the very recording sold by the company); trademarks typically cover a precise word or phrase actively used by a company in its advertising. While patents should cover the products/services that a company sells, the complicated process of identifying patentable inventions and the process of preparing patent documents and prosecuting them before the U.S. Patent and Trademark Office sometimes results in patents on less commercially significant features of inventions and/or patents on inventions that do not precisely match the actual products/services sold by the company.
77. Many patent attorneys who have participated in a due diligence effort have suffered through the painful experience of having Target T trot out Inventor Joe to describe Joe's "pioneering" patent. For some reason, senior management often believes that Inventor Joe knows more about the company's patents than anyone else-including the attorney who prosecuted the patent application. Such exercises may waste more than time when non-patent savvy representatives of Acquirer A attend since they may take Inventor Joe's comments as the gospel about the patent. Sadly, Inventor Joe is often wrong because while he knows a great deal about his invention, a good portion of the time, the patent that results from his invention bears
ess comprises essentially the correct steps, provided that any re-
view of the IP assets is conducted in a manner that develops a
critical understanding of the specific legal and technical under-
pinnings behind the asset being appraised.

V. INTELLECTUAL PROPERTY TRANSACTIONS
AND FINANCE

Part four of the text provides seven chapters that discuss in-
tellectual property transactions and related financing. An IP
attorney will likely find these chapters rewarding as they ex-
plain aspects of financing not often encountered in day-to-day
activities. In one chapter, "Patents on Wall Street: Investment
Banking Meets Intellectual Property," Christopher Fine and
Donald Palmer, two investment bankers from Goldman Sachs,
discuss IP from a finance perspective. They have observed a
growing trend on Wall Street for investment bankers to pay
more attention to IP. The authors note that as IP becomes more
strategically important and a widely recognized asset class, in-
vestment bankers must pay attention to IP, not only from a li-
ability and exposure standpoint, but also as an opportunity to
uncover value, to enhance the banking franchise, and ultimately,
to provide the best service to clients through innovative trans-
actions and accurate advice. Fine and Palmer have noticed that
once a banker has been involved in an IP-related transaction, he
or she tends to recognize a continued importance of IP—often to
his or her surprise. The investment banker typically attempts
to determine whether the inventing company will be the ulti-

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non-trivial differences to Joe's invention, and, more importantly, the scope of claim
coverage is frequently outside Joe's expertise and understanding. Patent attorney P
who prosecuted Joe's patents is likely to be a better source of information about
Joe's patents, but Patent attorney P may likely obfuscate in his description of the
patents because (1) he is worried about divulging client confidences, (2) he is wor-
rried that Target T may blame him if Acquirer A decides that the patent portfolio
does not provide the protection advertised by Target T, and (3) he may be worried
that he will get the blame if this adversely affects his client's acquisition by Acquirer
A. Of course, it is also possible that while the resulting patent may not bear a re-
markable resemblance to Joe's invention, the scope of patent protection is actually
greater and more economically significant than it would have been had the patent
application perfectly mirrored Joe's invention.

78. See FROM IDEAS TO ASSETS, supra note 1, at 423-558.
79. See id. at 511-37.
80. See id. at 512-14.
81. See id. at 513.
82. See id. at 515.
mate beneficiary of patents and other IP. According to Fine and Palmer, even with the return of more traditional measures of value, the banker who most accurately assesses a company's value early on stands the best chance of winning as the situation plays out. The authors provide an interesting discussion on IP and the role of the strategic advisor whose task is to evaluate IP by determining what role, if any, the IP can provide, such as whether the IP is a "must have" for an industry, "augmenting" of existing technologies, or merely "defensive."

Fine and Palmer also attempt to provide the only substantial discussion of IP valuation in the entire book. Unfortunately, the topic is not addressed with a great degree of depth. The most sophisticated measurement technique that they discuss involves the application of conjoint analysis and relative utility analysis in which a series of surveys are administered to determine the value of a product, typically in the form of an add-on, e.g., "How much more would you pay for a calculator that could also speak French?" Fine and Palmer do not adequately point out how difficult and complicated the subject of patent valuation is, and as a consequence, the casual reader may be unaware of how much IP exploitation depends upon either an actual valuation or a relative valuation of the IP involved.

VI. CONCLUSION

While From Ideas to Assets fails to achieve some of its ambitious goals, it nevertheless provides many useful strategies, illustrations, and discussions that collectively provide a noteworthy discourse. The book compares favorably with other

83. See id. at 518-19.
84. See FROM IDEAS TO ASSETS, supra note 1, at 522-23.
85. See id. at 529-35.
86. See id. at 532-533. In conjoint analysis, product attributes are evaluated through a questionnaire given to many customers in an effort to appraise the value these customers place on different product attributes. Relative utility analysis involves comparing the utilities of various product features against each other, e.g., using results from the conjoint analysis. See id.
87. Actual valuation for a patent is the damage award found by a court in a patent infringement case.
88. Relative valuation for a patent is an estimate for the patent's value based upon a comparison to a similar or related patent whose value has been legally determined.
89. The text concludes with a glossary, followed by a list of the top 301 patentees in 2000 and numerous other pertinent charts and graphs that include a list of the one hundred must valuable brands. See id. at 561-618.
recently published IP texts, and for the most part, avoids the evangelical zeal that characterizes some recent non-specialist IP texts.

A question left relatively unanswered by From Ideas to Assets is why so few intellectual property rights are in play economically, e.g., licensed or litigated. Only 1.1% of all U.S. patents are litigated, slightly more than a third of all patents are maintained in force to the end of their term, and only a handful of patents are licensed. Berman and his colleagues do not answer this question directly, but they do provide an indirect answer by acknowledging that market inefficiencies have deprived these assets from attaining appropriate values. Of course, some of the major players, such as IBM, have chosen to put their portfolios in play, primarily through licensing, but so many other IP portfolios simply remain unexploited. Even the conventional explanation that patents serve to discourage litigation from competitors fails to provide an explanation, since the very same companies who hold patents unused to discourage litigation could likely use their patents affirmatively as cross-licenses with competitors and other players in their industry segment.

Moreover, a major factor in the non-exploitation of patent rights is the fact that so many patents are obtained by either individuals or small companies. Without the aid of a contin-

90. While the recently published ECONOMICS AND MANAGEMENT OF INTELLECTUAL PROPERTY: TOWARDS INTELLECTUAL CAPITALISM, offers a stronger scholarly approach with a more deliberate international orientation, Berman's authors likely provide greater detail about contemporary domestic intellectual property strategies. See GRANDSTAND, supra note 3. Berman's text also contrasts well with the popular REMBRANDTS IN THE ATTIC, UNLOCKING THE HIDDEN VALUE OF PATENTS, one of the best known recent works on patent strategy and exploitation. See KEVIN RIVETTE & DAVID KLINE, REMBRANDTS IN THE ATTIC, UNLOCKING THE HIDDEN VALUE OF PATENTS (Harvard Business School Press, 2000).

91. For some reason, a number of recent intellectual property texts, such as REMBRANDTS, feel compelled to clothe themselves in a certain evangelical zeal that promises the converted riches beyond belief, as if the reader would have little interest in the topic without such wild promises. See REMBRANDTS IN THE ATTIC, supra note 90. While some chapters within FROM IDEAS TO ASSETS exude this peculiar evangelical zeal—such as the dust jacket that promises illustrations "never before presented"—most of the text is presented fairly soberly, which tends to increase its credibility.

92. See FROM IDEAS TO ASSETS, supra note 1, at 334.
93. See id. at 331.
94. See id.
95. See, e.g., id. at 111-38.
96. See id. at 224-26.
97. See id. at 577-83 (giving a list of the top "301" patent recipients in 2000).
gency fee attorney (or a similar licensing organization), some patents may well continue to be unexploited due to factors such as transaction costs of the IP owner. However, the rise of patent and licensing exchanges, such as those discussed in the text, may eventually change this situation considerably. Thus, it may simply be a matter of time before the exchange of patents and/or patent licenses becomes a considerably more developed market.

In conclusion, an interesting question for an IP attorney to consider is the extent to which someone other than another IP attorney can actually come to understand a specific IP, as opposed to theories about IP generally or IP en masse. In the patent space, understanding a specific intellectual property not only requires a certain amount of legal knowledge, but it also requires a specialized understanding of a given technology. While an IP attorney cannot always tell a client whether a patent has a commercial market, he can often describe its faults and advantages with a degree of accuracy not possible without specialized legal and technical knowledge. For example, since patents represent legal documents, true patent valuation cannot be conducted without accounting for the uncertainties of the adversarial process, including the attacks that an opponent will likely make on the patent’s validity, its non-infringement, and possibly even allegations of inequitable conduct in the patent’s procurement. On the other hand, the question of a patent’s commercial valuation, even given a firm understanding of a patent’s faults and advantages may likely prove elusive for many attorneys. While one could come away from Berman’s text with the im-

These top 301 recipients account for some 66,619 patents. However, the U.S. Patent and Trademark Office issued 176,350 patents in 2000. See The U.S. Patent & Trademark Office public database, at http://www.uspto.gov/patft/index.htm1 (last visited Jan. 19, 2003). The 301st patentee on the list (the U.S. Dept. of Agriculture) received fifty-five patents. See id. Thus, the remaining 109,731 patents issued in the year 2000 were awarded to corporations and individuals who each received fewer than fifty-five patents. See id.

98. See FROM IDEAS TO ASSETS, supra note 1, at 328.
99. See id. at 111-35.
100. For example, registration to practice as an attorney before the U.S. Patent & Trademark Office requires not only a law degree but also a degree in a pertinent engineering or scientific discipline. See General Requirements Bulletin for Admission to the Examination for Registration to Practice in Patent Cases Before the United States Patent and Trademark Office, available at http://www.uspto.gov/web/offices/dcom/olia/oed/index.html (last visited Jan 19, 2003). See also 37 C.F.R. § 10.7 (2003).
pression that the major components of IP strategy and exploitation simply await assembly into a unified theory, the IP profession will nevertheless continue to be dominated by interdisciplinary collaborations for the foreseeable future.