

# Bell's Business Sense

The importance of protecting intellectual property

In 1877, Alexander Bell advertised his patented short-distance telephone for a rental fee of \$20 per month. Within three months he had 800 customers, and by the turn of the century, 25 percent of Americans were using his invention. By comparison, it took only 12 years for the cellular telephone—and a mere five years for the smartphone—to reach a quarter of the country. As these examples illustrate, the adoption of new technology has never been faster; and there has never been a better time to have a better idea.

At the core of this phenomenon is intellectual property. Bell understood the value of his invention and raced to file his first telephone patent hours before a competitor tried to file a similar one. This quick movement was vital because Bell ultimately faced more than 550 lawsuits attempting to overturn his patents. If Bell had not moved quickly to protect his ideas, his name would never have become synonymous with the telephone.

With this in mind, Frank Fletcher, partner with the law firm Outside GC, and I recently presented a seminar at Temple University in Tokyo about how to understand and protect intellectual property. While the seminar was primarily intended for attorneys, attendees came from a wide range of fields and organizations, including the Japan External Trade Organization (JETRO), the Japan Bank of International Cooperation (JBIC), the Nagoya Institute of Technology (NIT), and a number of private companies. Such a broad audience is testament



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to the importance of knowing the basics of intellectual property and how to protect your ideas, regardless of industry.

The seminar focused on four takeaways:

- 1 How to learn the basics of technology.
- 2 How to leverage knowledge of technology when negotiating technology transactions.
- 3 How to develop an intellectual property portfolio strategy.
- 4 How to use knowledge of technology to defeat patent trolls.

At the heart of the seminar was the idea that complex technology can be broken down into layers

or Lego bricks. For example, something as complex as the process of building a semiconductor can be described as a series of simple steps, such as system specification, architecture design, and fabrication.

An understanding of technology can enable legal and business people to add value by skillfully negotiating transactions. For example, being able to identify key assets in each layer can allow you to develop alternative solutions, circumnavigate impediments, and close the deal. More fundamentally, this knowledge provides benefits by allowing a company to develop a patent strategy that protects its ideas while providing competitive value.

An IP portfolio can also be valuable in fundraising for a start-up company, or by allowing a company that is being sued to offer cross-licenses. Finally, there have been many examples in which a company's patent portfolio has ultimately become more valuable than the company's underlying business.

Alexander Bell could never have imagined how the telephone would shape technology and communication in the world for centuries to come, but he had a keen business sense about technology, intellectual property, and patents that ultimately allowed him to become the legend he is today. ■

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