



Unleashing the Value of Intellectual Property

In the world of intellectual property (IP) management, one company has opened the eyes of CEOs, CTOs, and IP managers to the gold nuggets beneath their fingers. In 2002, IBM booked over \$1.5 billion in licensing revenue associated with its IP portfolio. Over the last decade, IBM has booked over \$10 billion in licensing revenue. Still more impressive, the bulk of this revenue drops straight to the bottom line.

Although IBM is the blockbuster success story, they are not alone in achieving dramatic revenue and profitability gains through IP licensing. Dow Chemical, Texas Instruments, Hewlett Packard, Lucent, and many others have discovered the value of licensing intellectual property. A distinguishing factor that separates these companies from those who have yet to realize the full potential from their IP is the focus and commitment to fully leveraging the IP generated through investments into research & development.

Companies with successful track records of IP licensing have committed both culturally and financially to managing the intellectual property process from the point of innovation through product launch and/or IP licensing. Traditionally, IP was managed within corporate legal departments. This would often entail filing and maintaining the company's patents and trademarks and approaching alleged infringers. This reactive approach to defending a company's products and services is by no means obsolete. Instead, what successful companies are discovering is that it is only one aspect of a larger, more lucrative approach.

The transition from a purely defensive IP strategy – file, maintain, and defend patents and trademarks – towards an offensive strategy of actively triaging and managing the IP portfolio to discover and promote value is at the core of companies with unusual success in IP licensing. Truly innovative companies consistently create more innovations and make more discoveries than they are capable exploiting. Meanwhile, the company's markets and competitive landscape are constantly changing, thereby affecting the future direction of the company. As such, IP sometimes gets left behind or overlooked. Business Planning & Research International, a British-based consultancy estimates that “companies ignore more than 35% of their patented technologies because they don't fit into their ‘core’ business operations.”

Extracting value from IP via an offensive strategy entails assessing the technology (know-how and patents) to ascertain additional applications and markets well suited for the technology. Once completed, a company will need to develop a strategy to effectively market the technology. This entails identifying companies with the technical expertise, financial wherewithal, and distribution channels necessary to utilize the technology. The next step is to actively market the technology. This involves directly contacting the key decision makers at the prospective licensee companies. Cold-calls, contacts at industry tradeshows, in-person meetings and presentations are all effective methods to present the technology. Once a prospective licensee is interested and educated, both parties work towards an agreement that is fair and reasonable.

Companies that have embarked down the path to an offensive strategy of managing IP have begun to reap the benefits in the form of new and lucrative revenue streams. This relatively recent phenomenon – within the last decade – is beginning to change the way IP is managed and utilized by companies in dramatic and prolific ways. Since the 1980's, Texas instruments has booked over \$3 billion in licensing revenue and during the 1990s, Dow grew its licensing revenue from \$25 to \$125 million - a 25% growth rate. In 1996 alone, licensing revenue in the U.S. reached an aggregate \$136 billion. The numbers from licensing are real and growing. Are yours?