**Joff Wild** Editor, *Intellectual Asset Management* magazine

# Introduction
# The state of play

No one ever said that managing an IP portfolio was easy. But just how sophisticated an operation it has now become is not always appreciated by those who are not intimately involved in the job.

During the latter half of 2009, *IAM* and the IP Solutions business at Thomson Reuters worked together to survey nearly 350 senior in-house IP professionals to get a feel for the kind of work that they do on a day-to-day basis and what they see as their priorities. The picture that emerged of the jobs they do, the environment within which they operate and the major challenges which they believe they face served only to emphasise just how complex today's IP world is.

The men and women at the IP coalface are doing a difficult job and one that is clearly growing in importance. Slowly, it seems, intellectual property is beginning to take centre stage inside businesses – although there is still much to do before it assumes the significance that many feel it should have.

The questions asked of respondents covered a wide range of issues, taking in subjects such as litigation strategy, commercialisation, portfolio management and internal corporate relationships.

## The base

Of the 340 corporate practitioners who responded to the survey questions, 21% described themselves as IP counsel, 14% as general/legal counsel, 11% as chief IP counsel and 7% as chief IP officer. Other titles that cropped up included patent attorney (7%), IP portfolio manager (7%) and president/chief executive officer (6%). Therefore, a large proportion of those taking part held senior positions.

Respondents worked in a variety of industries, but over 50% came from one of the following: pharmaceutical/chemical; professional services; electronics/semiconductors; telecommunications; and computer hardware/software. Geographically, 41% were based in North America, 30% came from the European Union and 29% from the rest of the world.

In terms of company size, 42% worked in companies with fewer than 1,000 employees; 14% in businesses with between 1,000 and 4,999 employees; and 44% with more than 5,000 employees. There was also a wide range of patent portfolio sizes. Just less than half of respondents' companies owned under 100 patents; 20% owned over 5,000, and 31% fell somewhere in between.

## Strategic issues

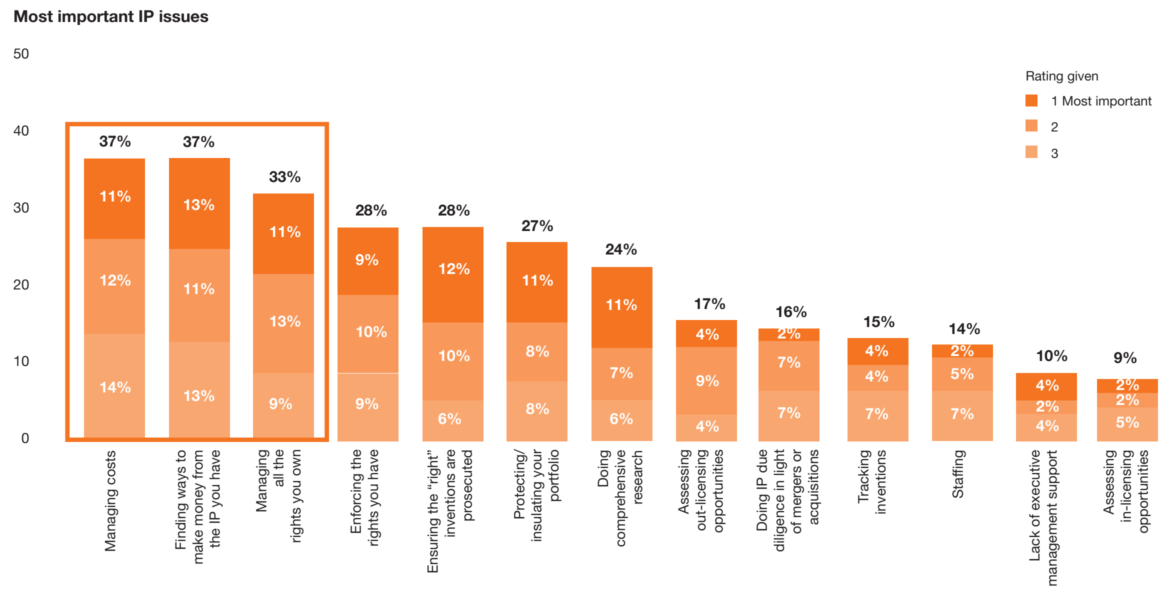
Respondents were asked a number of questions relating to the overall IP strategies that their companies were pursuing. They were asked to rank which elements of these strategies were most important. The top two were directly linked to cash – managing costs and finding ways to make money from intellectual property. In third place came "managing/maintaining all the rights you own".

Strategies were being rolled out at a time when 45% of respondents stated that their companies were innovating and patenting more than ever before, while 46% reported that the pace was steady. Just 9% said that there was less activity than there had been in the past. Given these figures, it was unsurprising to discover that more than 50% of respondents described patents as being extremely critical or critical to the success of their organisations, with another 25% regarding them as somewhat critical.

Given that a common complaint of many in intellectual property is that senior management at companies does not seem to "get it", at first sight the fact that more than 85% of respondents felt that there was at least a good alignment between their companies' IP strategies and overall business aims may come as something of a surprise. However, it is important to remember that those contacted for this survey were drawn from the *IAM* readership database. Given that *IAM* is all about maximising strategic IP value, it is to be expected that many of those who take the magazine do indeed work inside organisations where this is seen as a priority. Whether they should be regarded as typical of

**General strategy – for in-house counsel**

Companies view managing costs, managing portfolios and generating revenue as the three most important IP-related issues.




their profession is very much open to question.

The experiences of *IAM* readers should not necessarily be taken to reflect the experiences of their colleagues in other companies. In fact, it is probably the case that they are not at all typical. While 48% of those taking part in our survey stated that their companies' leadership "understands the value and importance of IP, and is actively involved in strategic planning related to IP", it is difficult to believe that this reflects general business practice. And even so, that still leaves 52% of our respondents reporting that senior management is not engaged at that intense level. Even among *IAM* readers, therefore, there is still plenty of work to do.

However, what these results do show is that senior executives can be made to see the light, and that when they do, they are willing to get actively involved in the important task of ensuring that intellectual property is managed strategically and in the furtherance of overall company goals. Presumably, this is because they can see the benefit. The issue for those working inside corporate IP groups, therefore, is how they get their company leaderships to such a point.

## Licensing, buying and selling

Perhaps the quickest way into the C-suite is to talk about money and to show senior executives how intellectual property can be used to generate cash. But although well over 50% of respondents to the survey stated that their companies are actively seeking to monetise their rights through licensing and/or would be happy to speak to third parties about potential licensing if approached, it is striking that 29% believe that their organisations are not ready to take that step. Bearing in mind that the survey was conducted among individuals on the *IAM* database, that is quite a high percentage of IP-savvy professionals ruling their companies out of what is potentially a valuable source of revenue.

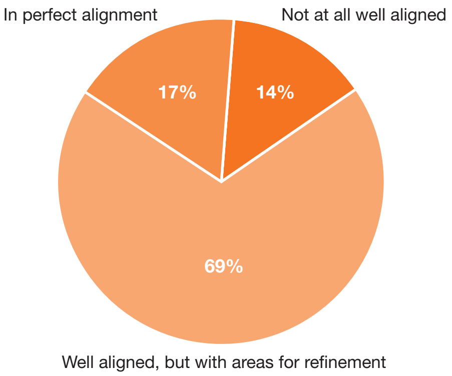
When it comes to monetisation generally, the survey also reflects what seems to be a growing trend among companies not only to look at licensing, but also to consider selling rights. Close to 50% of respondents reported that their organisations either have sold or are open to selling patents, while a similar proportion state that they have been involved in buying rights or would consider doing so. Over the coming years it will be worth keeping an eye on that figure to see whether it grows. Interestingly, more than 50% state that their companies are open to the idea of licensing-in patents – something that no doubt reflects, at least in part, the growing pull of collaborative R&D and open innovation.

With the rise of buying and selling, and the seeming popularity of in-licensing, it seems that the 'not invented here' culture of yesteryear may well be on decline – at least in the kind of forward-thinking, IP-owning companies that subscribe to *IAM*. Where they lead, others may well begin to follow.

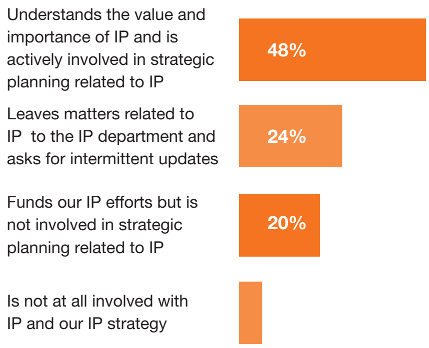
### Strategy

86% of the in-house respondents report that their company's IP strategy is aligned with their business strategy, although there is room for refinement. Nearly half of the companies have leadership that is actively involved in planning IP strategy.

**How aligned is IP strategy with business strategy**




**How strongly does leadership value IP**




## Litigation and assertion

While commercialisation and monetisation of patents and other forms of intellectual property are becoming more widespread, the creation, management and protection of IP rights remain fundamental parts of many in-house professionals' job descriptions. After all, you can do very little with IP rights in terms of commercialisation and monetisation if you do not make sure they are properly looked after.

In our survey, 41% of respondents told us that their organisations spend less than $100,000 on protection annually; while another 20% spend less than $1 million. However, it should be remembered that close to half of the participants worked in companies which owned fewer than 100 patents. If litigation is not an issue – and for most companies, most of the time it is not – then small portfolios need not cost a fortune to maintain. That said, at the other end of the scale 15% of those taking part in the survey reported that their organisations spend more than $25 million on protection, litigation and enforcement, with 5% – or 17 of the 340 – saying that they worked in companies that spent more than $100 million annually.

When eight and nine-figure sums are involved, you are talking about very serious IP protection operations. Under such circumstances, it is vital to be absolutely clear about exactly what it is you are trying to achieve. For our respondents, the number one issue when it came to making decisions about protection and enforcement was the value of a right to the company. Before you can decide whether it is worth investing significant amounts of money in protection, you must decide whether it is actually worth doing so in the first place; if a right is not of central importance, is capital outlay on actively looking after it always the best option? Clearly, this is something that many respondents spend a good deal of time contemplating – with 70% telling us that the cost of protection is either an important or extremely important consideration. Of course, it is also worth asking whether it is worth having a right that you decide you do not want to protect; which may take companies back to the whole idea of out-licensing and selling.

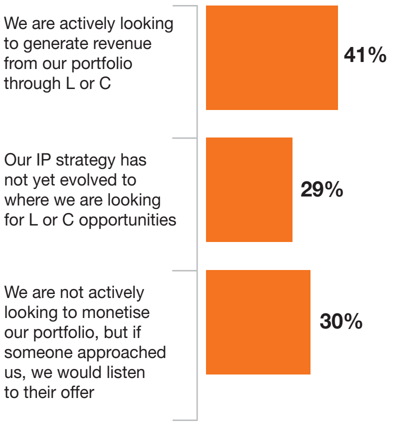
Respondents considered the cost of litigation to be the biggest threat they currently face. This may well be related to what was identified as the second biggest – a lack of resources. Further down the list of threats – probably because only certain industries, primarily in the United States, are affected – was yet another litigation-related issue: the challenge posed by non-practising entities (NPEs)/patent trolls.

Perhaps surprisingly, but certainly very worryingly, the fourth-biggest threat that our respondents felt that they faced was growing anti-patent sentiment in various parts of the world. Having identified the danger, it is important to find ways to mitigate it. Perhaps one of the themes of the next few years will be the extent to which patent owners prove themselves willing to take on their critics and counter the arguments that they make. Indeed, this may well emerge as one of the defining issues of the decade; if the IP community fails to make its case, it could well end up finding that it has lost rights that it once took for granted. Where then for IP-based value creation?

### Licensing and commercialisation

41% of in-house counsel report that their companies are actively looking to generate revenue through their portfolio and do so through a variety of methods.

**Which describes your organisation**

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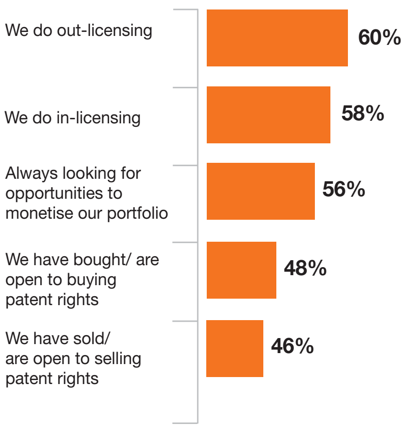
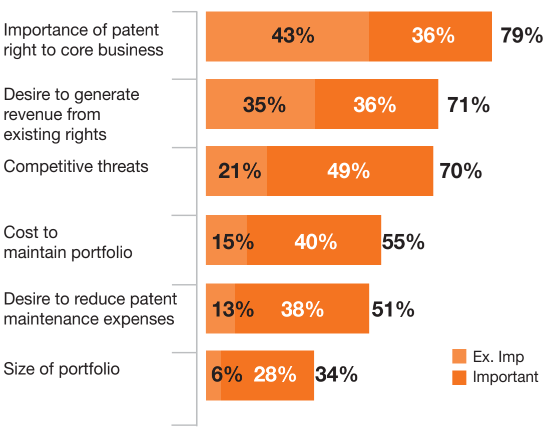



**Importance of patent matters – licensing & commercialisation**




## Progress

This is a mere snapshot of some of the findings of the *IAM*/Thomson Reuters benchmarking surveys. But even so, it reveals just how dynamic the IP market has become over recent years.

While the creation and protection of rights remain central issues, it is clear that corporate IP professionals are being asked to do much more than they have done in the past, and that they are increasingly interacting with senior management as they undertake their tasks. There is, of course, plenty of work still to do – but things seem to be moving along the right track. Long may it continue.

Joff Wild is managing editor of *IP Value 2011* and editor of *Intellectual Asset Management (IAM)* magazine (www.iam-magazine.com). He can be contacted by email at jwild@iam-magazine.com.