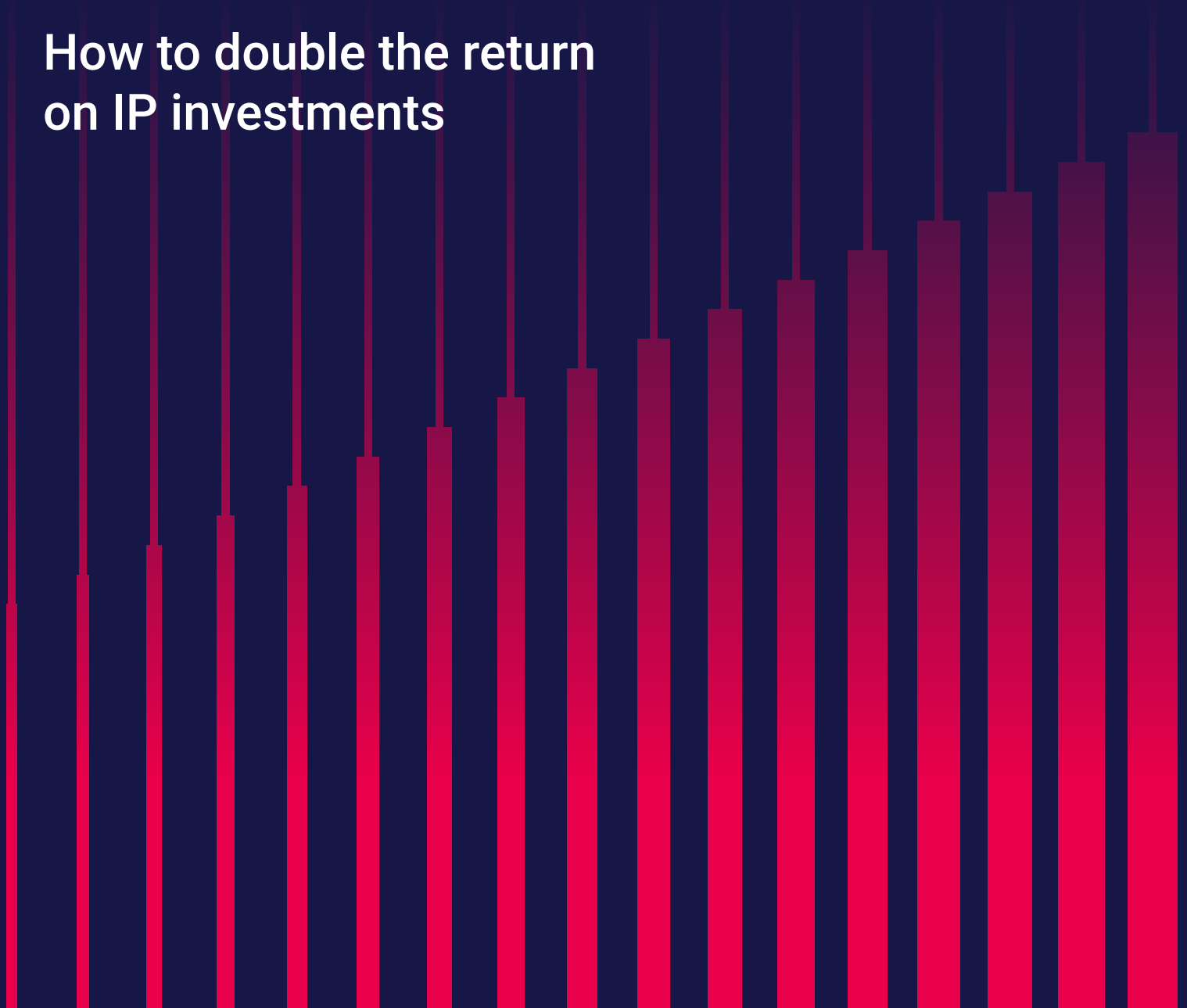




# Intellectual Property Monetization in the Digital Age

How to double the return  
on IP investments



Many enterprise companies make significant upfront investments in patent development—few have realized the true commercial and revenue generation potential of their intellectual property (IP) portfolio. To fully capitalize on the current and future value of assets, companies must critically evaluate a patent’s worth in relation to business goals and market potential. Patent holders should adopt a rigorous system of continuous evaluation, management, and monetization of IP to ensure the portfolio reaps net-new commercial value. Companies that embrace patent monetization in the digital age double their return on intellectual property investments, year-over-year.



## From Liability to Royalty

Like most legal and compliance departments, intellectual property management is often seen as “corporate defenders” or in IP’s case, protectors of a company’s ideas. Patent holders in virtually every enterprise often take a defensive strategy to safeguard patent innovations. Most companies earn revenue from overtly detectable patent usage which may or may not offset hefty maintenance renewal fees. While patent holders understand there is inherent value in the portfolio, most assets remain undervalued or a drain to the company’s bottom line as companies lack insight and processes to quantify and mine true revenue potential.

To convert IP from liabilities to royalties, leaders must fundamentally shift how patents are viewed and develop a strategic approach aligned with business goals and the market. Obtaining insight into the entire portfolio allows companies to differentiate seminal patents from less valuable assets, ascertain which patents hold untapped revenue opportunities, and investigate profitable licensing and divestiture opportunities.

## Formulating a Patent Monetization Strategy

A strong patent monetization program requires a comprehensive strategy to determine how to manage current assets and how to assess future IP opportunities. A comprehensive assessment is required to evaluate current patent worth and identify high-value patents that need renewal at the next maintenance cycle, as well as patent assets which can be divested, without affecting core business of the company or monetary value of the patent portfolio. This study can target patents with untapped revenue potential, identify new monetization opportunities such as licensure or litigation, and create evidence of use charts indispensable to bolstering patent litigation. By developing a systematic process companies can continuously monitor its patents and develop an IP portfolio responsive to the needs and changes of the business.

## A Strategic Approach to Portfolio Monetization

A patent monetization strategy is rooted in understanding the depth and breadth of the portfolio, beginning with a rigorous classification of collections of patents that can number from the hundreds to the tens of thousands. Patents must first be classified in various technology and application area categories to assess the value of the patents. This initial categorization quickly identifies the patents core to the business, with high intrinsic value and non-core assets. We will explore this concept in relation to patent ranking, later in this white paper.

# Patent ranking

While in-house IP teams have the tendency to look at the patents based on only technical merit, a monetization strategy requires determination on the quality of patents, ranked by multiple subjective and objective parameters such as: market and technical relevance, ease of enforcing IP protection, and application to future technologies.

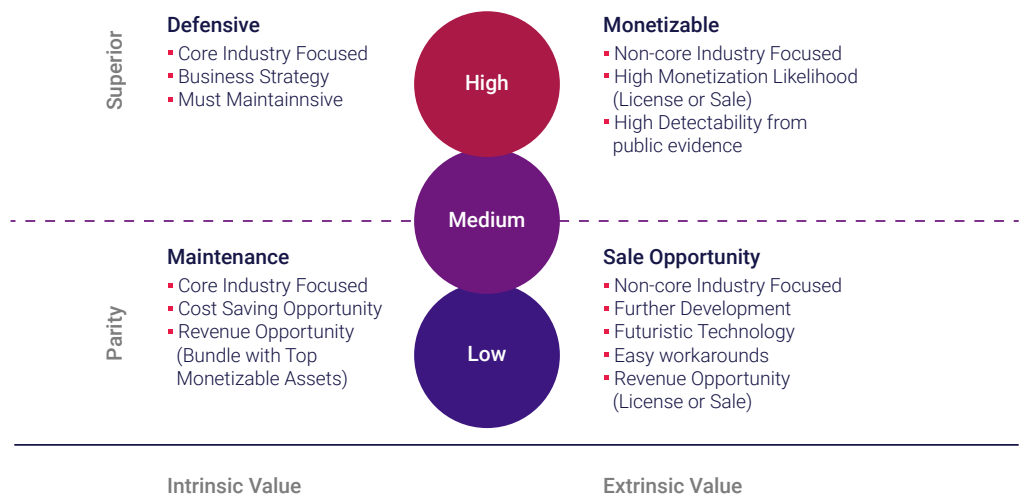
For example, a patent that is ground-breaking from a technology perspective can't be classified as seminal to the business if the relevance of the technology to the market—current and future—is low. Similarly, a patent which may only be adding incremental value to a process can be highly valuable if the technology is widely commercialized.

At the same time, patents must be significant innovations, able to stand the scrutiny from opposing parties, should the patent holder be involved in litigation or licensing discussions. Internal and external subject matter experts can provide valuable inputs during the patent review process.

Successful patent ranking algorithms should take into consideration the subjective inputs of subject matter experts as well as objective parameters such as patent strength, technology density, and high-value technology clusters. The key is converting these inputs into a common scale and the relative weightages given to the parameters.

Once placed on a scale, patents should be ranked into three tiers based on their relative patent score. Typically, the top 10 to 20 percent patents are bucketed as high-value patents, the bottom 10 to 20 percent patents are classified as low-value while medium value patents make up the difference.

The graph below shows the ranking of patents and characteristics relative to where assets fall on the scale.



**High-value** patents should be maintained for two reasons: to develop a healthy defensive patent portfolio, and to look for licensing or litigation opportunities if the patents are being practiced for commercially available products.

**Medium-value** patents would include those which may hold value in the future, and so could be ideal candidates for inclusion in a set for monetization via patent sale.

The key to how these high and medium assets are to be treated depends on their intrinsic (core) or extrinsic (non-core) value to the business.

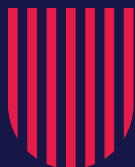
- Core patents - Companies should take a conservative approach to high and medium patents in core industries in order to protect these assets from competitive scrutiny and to protect market share. Therefore, these patents should be reserved from a monetization strategy, unless the organization sees strong business value in licensing its' core patent assets.
- Non-core patents – These assets are best suited for monetization
  - Licensing packs for each industry should be prepared including several high-value patents and a long tail of medium-value patents, selected to be attractive to potential licensees
  - Patent holders should identify prospective licensing candidates (NOTE: it is imperative to perform detailed due diligence on the selected companies and conclusively identify evidence of use to prove infringement and to maximize the chances of successfully licensing the patent assets
  - Patent sale or divesture is an option for companies seeking immediate return or not interested in running licensing programs

**Low-value** patents due for renewal in the coming year should be regarded as “cost savers,” and must be segregated according to the payment interval terms. All patents in this class should be assessed against the remaining patent life and portfolio members in other geographies. Patent lapse analysis will also help to determine the likelihood of the adoption of patented technology by the industry. In cases where prospects of this are small, the patent should be retired.

This approach to patent monetization must be vigorously maintained against changing business and market priorities and used to guide future patent investments. By adopting and exercising a patent monetization strategy, companies can increase the profitability of their patent portfolios, year-over-year.

## UnitedLex Patent Monetization Capabilities

- Over one million patents analyzed for monetization
- More than 50 patent monetization programs
- Over 50,000 infringement claim charts
- Over 200 IP consultants and technical experts globally



## Case Studies

**Uncovering Licensing Opportunities:** A Fortune 50 technology company with a 3,000-patent portfolio wanted in-depth, actionable insights on licensing opportunities. UnitedLex Portfolio Management using COMPASS<sup>SM</sup> classified the portfolio into 12 categories and 750 sub-categories aligned with the client's internal technology and product portfolio, delivering patent maps to help the in-house team evaluate its patent landscape. Proprietary scoring algorithms identified high-value patents for licensing opportunities. The client was equipped to identify patents of interest quickly, evaluate new opportunities for the portfolio, and identify and close a strategic licensing deal.

**Monetization Support:** A leading global law firm sought help in a monetization campaign for a client's patent portfolio. UnitedLex reviewed the portfolio and identified the strongest assets that could be asserted against manufacturers of interest. The team then performed advanced reverse-engineering and exhaustive optical testing to determine performance parameters. The client successfully acquired the patent portfolio and established a global program for monetizing these patents.

**Portfolio Acquisition and Monetization:** A technology development firm engaging in innovation and monetization of IP in mobile technologies and telecom infrastructure needed support for the acquisition of over 500 patents. UnitedLex provided analysis in three critical areas: portfolio analysis and acquisition, global licensing and litigation, and product testing. The client successfully acquired the patent portfolio and established a global program for monetizing these assets.

**Patent Lapse Analysis:** A Fortune 50 semiconductor company with a portfolio of 90,000+ patent assets wanted to identify opportunities for cost optimization. The company had shortlisted 1,700+ patents for which a maintenance fee schedule was due. The client partnered with UnitedLex to analyze and identify patents which could be abandoned or offered savings upon renewal.

## About UnitedLex

With more than 3,000 legal, engineering, and technology professionals globally, UnitedLex enables legal organizations to thrive in the Digital Age.

Contact [info@UnitedLex.com](mailto:info@UnitedLex.com) to learn more about transforming your Litigation and Regulatory function, and about our broader programs for Digital Legal Transformation.