

Driving Automotive IP Monetization in the Digital Age



Automotive companies and their suppliers make significant upfront investments in patent development—but very few have realized the true commercial and revenue generation potential of their intellectual property (IP) portfolio. To capitalize on the current and future value of assets and drive profitability, companies must move from a defensive approach to a dynamic patent monetization 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 Liabilities to Royalties

The automotive industry often adopts a defensive strategy to safeguard patent innovations. Most companies earn passive revenue from overtly detectable patent usage, which does not offset hefty maintenance renewal fees. While patent holders understand there is inherent value in the portfolio, most assets remain undervalued or a drain on the company's bottom line. The reason for this is that companies lack insight and processes to quantify and mine true revenue potential.

To convert IP from liabilities to royalties, leaders must develop a strategic approach aligned with business goals and the market. Obtaining insight into the holistic patent portfolio allows automotive companies to differentiate fundamental patents from less valuable assets, ascertain which patents hold untapped revenue opportunities, and investigate profitable licensing and divestiture opportunities in adjacent industries.

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. Automotive companies and their suppliers must 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 examination highlights patents with untapped revenue potential, identifies new monetization opportunities such as licensure or litigation, and creates evidence-of-use charts that can be indispensable to bolstering patent litigation. By developing a systematic process, companies can continuously monitor 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 high-value, core patents and non-core assets. For automotive, the non-core application areas might include agriculture and construction machinery, marine vessels, generator manufacturers, and others that use engine and related components. We will explore this concept in relation to patent ranking later in this white paper.

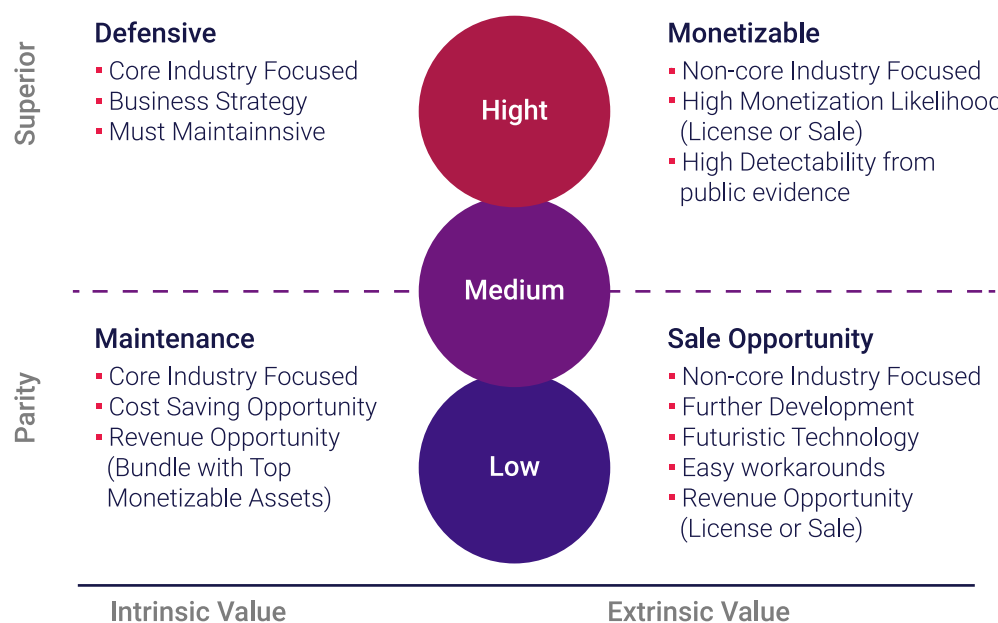
Patent Ranking

While in-house IP teams have the tendency to look at the patents based on only technical merit, a monetization strategy requires determination of 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 groundbreaking from a technology perspective can't be classified as fundamental 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 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 adopted 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-value 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-value patents in core industries in order to protect these assets from competitive scrutiny and to protect market share. Therefore, these patents should not be included in 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, all selected in a manner that makes them attractive to potential licensees. The identification of non-core patents is essential to a successful monetization program. (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 that are seeking immediate returns or are simply 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. Analysis of patent lapses will also help to determine the likelihood of the adoption of patented technology by the industry. In cases where this is unlikely, 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 Study

A leading Fortune 50 automotive manufacturer had a vast intellectual property (IP) portfolio with over 30,000 patents. Despite investing hundreds of millions of dollars in developing its portfolio, the company had adopted a passive and defensive approach to portfolio management realizing less than five percent annual returns. Senior leadership tasked the IP department with justifying the company's patent investment and departmental cost structure.

The company engaged UnitedLex to evaluate its patent portfolio and departmental processes to enhance its capabilities in patent strategy, team efficiency, and portfolio management. We were selected not only for our depth of IP expertise but our experience across a breadth of industries, as the client required monetization opportunities outside of the automotive manufacturing industry.

Our confidence in the intrinsic value of the portfolio and our ability to generate revenue from it allowed us to invest in our client's success, enabling the company to move forward with very few limitations.

Solution

UnitedLex developed a patent monetization strategy and roadmap from the ground up. Leveraging our knowledge of automotive manufacturing as well as adjacent industries, UnitedLex created a blueprint for the client to maximize its patent investments and transform team roles to maximize efficacy.

Our solution included:



Monetization strategy:

In-depth evaluation of the company's patent portfolio, identifying multi-year monetization opportunities outside the automotive market



License optimization:

Renegotiation of existing licenses to increase cost savings



Portfolio management:

Creation of an optimized patent portfolio with dynamic processes to ensure costs savings year-over-year



Process transformation:

Analysis of the department's processes and workflows, matching the right work to the right roles through highly efficient workflows with the aim of increasing team productivity and reducing costs



Team education:

Training the IP team to increase capabilities and knowledge sharing

Impact

To date, the client has realized the following:

- Rolled out of a monetization campaign across multiple adjacent industries against an initial six targets, with a plan to expand to more than a dozen targets, creating significant revenue opportunities
- Delivered more than \$5M of savings by renegotiating existing patent licenses with the continued ability to increase savings over time
- Achieved further savings of \$3M in year one through the lapse of low-value patents and plans to continue pruning through dynamic patent portfolio management
- Transformed internal IP processes for greater efficiency and future operationalization of new workflows
- Established new disaggregated patent preparation and prosecution agreements with outside counsel, setting up further consolidation and cost savings
- Expanded team from 21 to 36 members with reduced overall cost, driving a global training program to bring in talent from around the world
- UnitedLex's work with the clients is still actively underway, ensuring continued costs savings and revenue gains.



About UnitedLex

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

Over the past 15 years, we have successfully delivered eDiscovery, Source Code and Document Review, IP Monetization, and Contract Management Improvement services to over 25% of the Global 500, 30% of the Fortune 50, and 50% of the Am Law 100.

Contact UnitedLex to learn more about transforming your Intellectual Property function and our broader programs for Digital Legal Transformation.

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