Intellectual property audit can maximize company's value

While many companies have chosen to cut costs and ride the recession wave, some savvy :ompanies are discovering new value in ntangibles.

Although some executives equate cost-efficiency" with cutting employees ınd holiday parties, others are finding ındiscovered or underutilized intellec-ual property (IP) and turning it into a ıew profit center.

While IP value generally isn't included ın a balance sheet, its distinctive worth to . company shines at a time when standard evenue streams demonstrate their volatil-ˇy.

Nevertheless, IP that is core to a compa-y's operations frequently is not protected, eployed, or enforced to exploit the competi-:ve opportunity it creates.

In addition, non-core IP often consumes ostly research and development resources ıat should be focused on core IP. Still more ften, unutilized high-quality IP sits on a ompany's shelf when it could be licensed to thers for profit.

The path to IP optimization begins with n IP audit.

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An IP audit is a systematic review of the ' assets owned, used or acquired by a busi-ess. It uncovers underutilized IP, as well as ıy potentially infringing business prac-:es, allowing management to strategically lvance the company's market position.

An IP audit should be conducted by an ıdit team, made up of those familiar with .e company's technologies, operations and ture product directions.

INSIGHT

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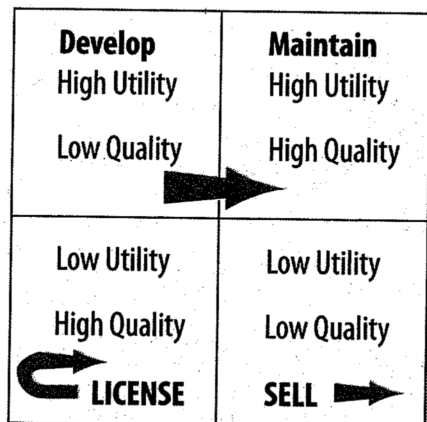
Team members should work closely with experienced IP legal counsel to devise a plan of attack, beginning with a disclosure process that mimics litigation.

The company's audit team should disclose to the IP professionals all known IP assets, registered or not, and all business methods, such as customer lists, company policies and marketing materials.

The IP professionals can take that information, along with expenditure and R&D figures, and discover underutilized value in the company's intangible assets.



Maximizing Quadrant Diagram

An efficient IP audit should place IP assets under one of the following four categories: High utility–high quality; high utility–low quality; low utility–high quality; and low utility–low quality.

Placing IP assets in a quadrant diagram can help decision makers understand how resources can be used cost effectively.

High Utility – High Quality IP

In the 1980s, Polaroid inventors successfully patented processes integral to creating instant photography. Subsequent enforcement strategies and lawsuits against competitors, such as Kodak, carved out a monopoly position for Polaroid in the market.

This IP is called High Utility-High Quality because it is part of a company's core operations, and it effectively generates an advantageous market position.

Resources should be expended to protect, deploy and enforce "High Utility-High Quality" IP. Enforcement policies should be implemented to identify possible infringing activities by competitors and to file suit to enjoin the activity or negotiate a license agreement.

High Utility – Low Quality IP

Even though a technology or business method is instrumental to a company's operations, in some cases it might be easily superseded by a competitor's R&D efforts.

The market for television screens is a good example in which technologies are superseded before they can even go to market.

This is deemed High Utility-Low Quality IP, and it is imperative that a company focus its own R&D resources on this IP before other IP. Such focused R&D efforts should attempt to push the IP assets in this quadrant into the "High Utility-High Quality" quadrant, where IP can secure a market share.

Low Utility – High Quality IP

Many companies, large and small, keep unutilized IP on its shelf just because it isn't critical to the company's operations. In some cases, this IP could be utilized by another company, even in another market.

An effective IP audit can recognize such Low Utility-High Quality IP for outbound licensing. For little or no overhead, the company can license IP to other companies, creating an entirely new profit center.

Low Utility – Low Quality IP

The final category of IP is Low Utility-Low Quality, or that which is not core to operations and easily superseded.

This IP should be identified and labeled for sale. A cross-market buyer might find a new use for the IP not previously envisioned.

The result of an effective IP audit and the ensuing productive measures should leave only two quadrants occupied: "High Utility-High Quality" and "Low Utility-High Quality."

Resources should strategically maintain the IP in these quadrants in a cost-effective manner. The result is newly discovered value and profit centers for the company and cost savings on unutilized and continuously maintained IP.

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