Redefining the role of the IP steward

By reimagining the role of the IP steward within a company and utilising alternative models of intangible asset management to maximise value in an increasingly open-source and Linux-based world, companies can make the most of their assets and resources

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At their core, companies have historically been involved in an ongoing process of building, managing and leveraging value to create wealth and advance shareholder interests. With the advent of new economic models, and throughout the transition from agrarian to industrial to knowledge or post-industrial-based economies, the need to optimise resources has remained paramount. The relative measure of a manager's success is largely tied to the ability to leverage resources effectively to achieve a business result.

Changing role of IP stewards in the new enterprise

Those responsible for coordinating the process of identifying, characterising and codifying the intellectual capital that is produced by the talent and creativity of a company's employees have moved from being caretakers of an inert group of IP assets to having a central role in the value creation process. It is not enough to preside over a simplistic invention and codification process where efficient preparation and prosecution are an end state. And it is no longer sufficient to seek to be measured on the number of patent applications and the number of issued patents one generates in a given year.

IP stewards are now being asked to step into the breach and build business-relevant patent, copyright and trademark portfolios in partnership with technology and business leaders. Increasingly, strategic funding decisions will be based on assessing the technology, product and IP roadmaps for a particular initiative. This dynamic will require IP managers to become part of the conversation and to:

- Articulate clearly how the current IP portfolio supports a given business/product strategy.
- Highlight patent gaps.
- Identify how to fill those gaps through acquisition and suggest where new filings can be undertaken to build additional coverage.

In short, the 'make or buy' decisions of an organisation cannot be evaluated properly without consulting its IP leadership.

In addition, a constant process of mapping patents against current and prospective business goals is part of the responsibility of the IP manager of the new enterprise, so that dormant or underutilised assets can be identified and the portfolio properly and routinely culled. Recommendations around the best use of those assets can then be advanced so that management can evaluate its options. Some of those might include:

- Licensing (unrestricted and/or restricted field or use).
- Sale.
- Abandonment.
- A spin-out to support a new company.
- A spin-in of assets to support a new business venture that is being contemplated.
- Transfer of assets to a pre-existing start-up in which the corporate venture arm of the

enterprise has invested in return for equity.
- Factoring of licence-based royalties.
- Collateralisation (an asset-based loan secured primarily by patents, trademarks or copyrights).
- Securitisation (generating capital by floating a market offering based in whole or part on cash flow from patent, trademark or copyright licensing).

The discussions in which the more progressive members of the global IP community engage regarding the creation of a chief IP officer to provide increased status to the role of IP management will be fruitless unless the basic role is first redefined and the skill sets of the IP leadership are upgraded.

Building value

As the stewards of intellectual asset value, IP managers must be recast as intellectual asset managers and should have their roles expanded so that they oversee of all three phases of the organisational value cycle — building, managing and leveraging value. Specifically, this new generation of intellectual asset managers needs to coordinate with human resources and the individual businesses on the hiring, training, acculturation and sensitisation of new and existing talent to the manner and means by which the inventive capacities of the organisation can be codified to drive organisational growth and innovation. Given that university programmes in disciplines such as computer science and engineering typically do not educate students as to the importance of invention and the process of codification in the form of patents, trademarks, copyrights, defensive publications and trade secrets, the creative minds that enter technology companies must be introduced to these concepts at the beginning of their professional lives.

Rather than relying on an informal process of mentoring that may or may not properly inform the perspective of new hires, the intellectual asset management function must have an explicit role in nurturing young minds and providing an outlet for them to codify their knowledge. Once they are sensitised and made aware of the need to participate in an organisation's intellectual asset development, and its importance to corporate growth, intellectual asset managers must routinely foster engagement sessions designed to provoke and stimulate thinking about critical technical challenges. These may take the form of scenario planning, advanced inventing, brainstorming and future visioning. Such sessions will afford opportunities for creative people to come together to challenge the conventional wisdom and yield novelty as they move from a less structured to more problem-centric focus.

Novelty of the type that produces incremental innovation or true discontinuous innovation that radically redefines an existing market or creates a new one is the lifeblood of organisations. Without the development of a process that parallels the natural knowledge networks of an organisation, the distillation of new novelty and the transformation of ideas into intellectual assets is unlikely to occur. Given that knowledge networks which exist outside more formal structured sessions coordinated and run by intellectual asset managers are critical incubators for new novelty, it is imperative that the structure of how work gets done — in terms of the physical spaces and the electronic networks across which ideas flow— be designed to accommodate and enable versus limit organic spontaneous interaction.

Further complicating matters is the fundamental truth that innovation most often occurs at the edge of an organisation, where the greatest receptivity exists to different perspectives and ideas. With the advent of a phase shift away from silo-driven development and towards open collaboration across and between individuals from different organisations, and the emergence of the modality of invention and innovation known as 'open source', the challenge of understanding and documenting the various creative inputs will increasingly fall on the intellectual asset manager to understand and monitor.

Managing value

Once ideas begin to ripen and the distillation of the collective intelligence of an organisation starts to yield ideas that are subject to codification, intellectual asset managers must provide an informed view on the form of codification that is best suited to the needs of

the organisation. The simple default to the notion of filing a patent application is no longer sufficient.

As part of their responsibility in managing the organisation's intellectual capital, intellectual asset managers must marry invention capture to the nature of the company, the community and industry in which it competes and its near, medium and longer-term technology and product roadmaps. For example, an open-source company wishing to adhere to community and project norms around freedom and openness may choose to file patents for defensive purposes, but implement clear policies around the open licensing of such patents for customers and up and downstream partners. Alternatively, some companies may wish to file only defensive publications, which serve as statements of prior art that prevent others from later filing on ideas and inventions that could be used to limit the ability to practise an idea which they originally authored, but did not codify. Hosting defensive publications on databases, such as IP.com, that exist on the desktops of patent examiners provides an accessible record of the invention and ensures that it can serve as an effective source of prior art. In so doing, defensive publications can serve to address overall patent quality by raising the bar on what is patentable.

Beyond quality, defensive publications are an ideal way for open-source-centric companies to publish ideas in a manner that is consistent with community and cultural norms that tend to be critical of patenting. The fact that Linux, the largest of all open-source projects, has gone through over 20 years of incredible creativity and inventiveness and precious little has been codified to chronicle the project's and community's quality of thought evidences a situation where the steady hand and vision of a skilled intellectual asset manager could have been invaluable in the past and is essential going forward. Many other companies in so-called 'high-twitch' technologies and markets — where the pace of innovation is particularly acute and the development of patent families over several years is not efficacious,— are pursuing hybrid strategies which include the filing of core patent applications and the contemporaneous filing of multiple defensive publications that serve to replace child patents and protect the integrity of core claims in the base patent filings. In addition, the fact that defensive publications are far less expensive than patents to maintain offers an additional source of appeal for companies seeking to manage costs more effectively.

Regardless of the form of codification chosen, the intellectual asset managers of an organisation are best positioned to make these choices in partnership with the business leadership to ensure maximum benefit. In doing so, first and foremost in the thinking of the intellectual asset manager and the business leader with whom she or he partners is the business relevance of the resulting asset and the role it plays in driving commercial success and shareholder value.

Leveraging value

Once the process of codification is underway and business-relevant assets are being produced, the challenge for intellectual asset managers turns to monitoring assets to determine whether permutations in the business or market have created disconnections or gaps in coverage. Assets that no longer support a business objective must be identified and strategies developed for monetisation. Assets that are being under-utilised or sub-optimised in terms of return on investment should be catalogued and earmarked for alternative or supplemental monetisation.

Assets that could support corporate venturing and be used as a surrogate for capital in securing equity in promising start-ups should be identified and highlighted through coordination with the corporate venture arm of the enterprise. Assets that support the intrapreneurial ambitions of a company should also be identified and parsed so that spin-ins or spin-ups can be fortified with enabling assets. Similarly, externalisation of technology in the form of spin-outs can directly benefit from the allocation of intellectual assets from a company's core portfolio.

Additionally, beyond somewhat traditional decisions regarding when and how to license (unrestricted and/or restricted field or use), sell or abandon IP rights, novel approaches to monetisation such as factoring of licence-

derived royalties, collateralisation and securitisation should be considered.

The recent explosion in valuations in the secondary patent market sales must be understood and leveraged by an astute intellectual asset manager. Patent skirmishes in key technology areas create opportunity for an asset-rich company to provide defensive support to new entrants entering mature markets, for example. Time and context yield opportunities that must be made cognisable for senior line managers. It is the responsibility of the new breed of IP stewards to understand and convey critical information and to make recommendations in this regard.

It is no longer a simple matter of presiding over an inert group of patents that may or may not support a company's captive products. Through the aggressive and proactive management of the intellectual assets of a company, the intellectual asset manager must act as a general manager and embrace the notion of measurement and accountability. It is the assets over which she or he presides which represent the codified collective knowledge and intelligence of the human capital of the company.

In all manner of businesses, value associated with patents, trademarks and copyrights has the potential to be lost every day. Without the intervention of a skilled, knowledgeable intellectual asset manager, this value will seldom be properly identified or understood and the enterprise's original investment in developing, codifying and managing the underlying asset will be suboptimal.

Remaking the intellectual asset manager

It is no longer sufficient for the role of intellectual asset manager to be filled by IP attorneys who lack grounding and experience in general management, licensing, negotiation, strategy and finance/mergers and acquisitions. As few organisations have instituted internal career development programmes to support leadership supply in intellectual asset management, it is expected that this emerging class of intellectual asset managers will be hired into these roles after purposefully developing the requisite skill sets by seeking out diverse roles including patent preparation and prosecution, licensing, IP finance, line management/business operations, patent pool management, patent portfolio management, merchant banking (including IP valuation), and mergers and acquisitions.

Open source and its impact

As the open-source and Linux-related collaborative modalities for innovation become more prevalent, the resulting interdependence of companies is necessitating a rethink of traditional approaches and the design IP strategies built around the notion of collaboration and enablement versus isolation and proscription. Towards that end, patent pools (eg, Open Invention Network), patent pledging (eg, Linux Patent Commons), covenants not to sue, patent transfer/sales for defensive purposes and the like need to be considered to advance innovation in an open-source and Linux-based world.

In order to offer relevant guidance/recommendations to senior management regarding strategies in an increasingly open and collaborative technology development and business environment, intellectual asset managers must also gain knowledge of open-source legal issues and unravel the duality engendered by participating in open source/Linux while differentiating product offerings based on patent-protected proprietary technologies. Such issues include:

- Copyright under the General Public Licence (GPL).
- US International Trade Commission (ITC) trade court patent infringement proceedings and the public interest exception associated with Linux products attributable to the unique economic benefits attendant to open-source development.
- GPL compliance.
- Licensing under any open-source licences (eg, GPL, Apache, Berkeley Software Distribution).
- The standing of non-practising entities in US district court versus the ITC.

Without a helicopter view of principal legal issues affecting the deployment of open-source and Linux products, the intellectual asset manager will be unable to provide well-reasoned counsel internally or develop efficient asset management strategies.

Hybrid intellectual capital codification

strategies that combine traditional patenting and defensive publications is one way of effectively utilising intellectual assets in an open-source/Linux-based world. Alternatively, a company may choose to patent aggressively, but provide free licences to its patents to all users. In this way, the patents can be used for defensive purposes against non-licensees that are antagonistic to open source and Linux and whose behaviours are antithetical to discontinuous innovation of the type that open source and Linux support. Other companies in highly litigious market segments may need to complement their internal patent and publication development strategies with large-scale patent acquisitions that permit the protection of their open-source/Linux platforms and their downstream ecosystem partners that have chosen to build products and services around those platforms.

Conclusion

The role of IP stewards must be redefined and the skill sets upgraded to permit them to deal effectively with the responsibilities of building, managing and leveraging intellectual asset value. The role is further complicated by the need to advise on navigating the transition from proprietary platforms and technologies to the mix of proprietary and open platforms in which a company must partake in order to innovate and thrive in the new economy. More than ever before, and consistent with the practices of other business managers, IP stewards must begin to measure success by their ability to leverage resources effectively to produce an enhanced business result, given the realities of today's environment. *iam*

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