

Driving global IP with intellectual asset management

Ford Global Technologies needed an IAM system to help it manage its global portfolio of rights. Instead of developing one alone, the company got together with British American Tobacco. The results have been spectacular

By **Damian Porcari**

In recent years, intellectual property has received more executive attention as intellectual assets have become a significant revenue generator for many companies. In fact, studies show that more than 70% of corporate market value today stems from intangible assets such as brands, marks, patented technologies and intellectual expertise. As this trend continues, the management and commercialisation of intellectual assets will be a dominant and driving force in the world's economy.

Yet most companies are not using appropriate technology to manage this critical asset. According to the IDC analyst firm, enterprises spend approximately US\$70 billion each year on enterprise applications – yet despite the critical nature of IP, less than 1% of that spending went to IP and intellectual asset-related systems.

At Ford Global Technologies (FGT), where I am Director of Enforcement and Licensing, we implemented a system to get ahead of the curve, realising new ways to leverage our IP portfolios by aligning intellectual assets with bottom-line business goals. The net result is a doubling of licensing revenues from existing IP.

Daunting process

Aligning IP with corporate business goals was a daunting process, with portfolios of intellectual assets held in multiple legacy and paper-based systems. Ford's then CEO, Alex Trotman, outlined a unified global business plan for all Ford brands 1995. The IP group took as an assignment managing the IP from these various business units pursuant to a global IP strategy. This way,

inventions from any of the various business units are evaluated using common criteria. Technology teams, having members from the different business units, review all new inventions. This enables FGT to have a global business and technological perspective when selecting which invention to pursue. For example, basic technology usually originates from Ford's research group. Each brand incorporates this basic technology and enhances it with brand distinguishing features. Both the basic technology and the enhancements go to the same team to provide a consistent patent and licensing strategy.

Traditionally, enterprise IP management has been done by disparate internal groups functioning autonomously, all using different platforms: small groups of legal and clerical staff using paper-based or single-purpose systems to track patent filing due dates; data entry tools to record patent numbers, trademark applications and agreement expiration dates; word processors for documents; email for client requests; and, finally, phone conversations for collaborating on agreements.

Disconnected and dysfunctional

Each group tends to work in a siloed environment, with incompatible technology that does not allow for any sort of enterprise-wide management. These disconnected systems make it impossible to communicate and transform data into usable information.

Surprisingly, with all of the existing technology on the market, most companies still prepare patents, trademarks and agreements much the way they did 20 years ago – which can be a completely dysfunctional process. This environment is

Collaborating to build an IAM system

conductive to mistakes and makes it easy to lose sight of the IP assets that are vital to the business. It is easy to see how a company could fall into the trap of abandoning a patent that was in use or breaching a contract by accidentally licensing a trademark to multiple parties.

To combat problems of this nature, we needed to implement a strategy that would enable us to manage all areas of our IP portfolio from a globally accessible, integrated system. However, combining inventions, patent applications and patents, trademark requests and trademark applications, IP agreements, IP conflicts and general IP matters under one roof presented a major problem – no such system existed that could accomplish this.

Because no commercial product addressed this need, FGT and other companies had developed home grown IP management systems. These were difficult and expensive to maintain. FGT's system was built atop a commercial product. Changes to the commercial product disrupted our enhancements. We had out grown our home built system. Fortunately for FGT, another of the world's top IP holders was in a similar situation and had a similar vision. In 2001, FGT decided to work with British American Tobacco (BAT) to develop an intellectual asset management system that could handle the daunting task of managing all of their IP. The result of this collaborative project was an IAM platform that ultimately became a standalone company called Anaqua. Now, Anaqua is not only supporting FGT and BAT, but other large IP owners are using its IAM system to manage their IP portfolio.

With the new IAM system in place, we immediately improved the quality of FGT's IP, replacing multiple legacy systems with one, central integrated system. For the first time, FGT has a system that made it possible to manage IP filing decisions on a global basis.

Simple activities that traditionally proved to be difficult tasks, like avoiding abandoning patents that are top revenue generators or avoiding licensing trademarks to multiple parties, were easily avoided. We are able to manage every aspect of FGT IP – from initial client requests to government renewals.

Putting the rubber to the road

Currently, Ford tracks over 50,000 patent records with the IAM system, and has over 7,000 users worldwide. IAM has enabled us to streamline our IP portfolio and unlock the value hidden in legacy systems. When looking for an IAM system to manage your

intellectual assets, there are seven vital areas that need to be addressed.

Know what you own

Legacy systems traditionally track only patents and trademarks in list form. IAM enables us to track this and more, including inventions, patents, trademarks, registrations, brands, trademark searches, conflicts, agreements and general matters.

Looking through static lists is an unreliable way to understand what IP you own. For example, if you grant an exclusive licence under a patent, your ownership right is greatly reduced. An IAM system provides a broad picture of how your IP is licensed, if it is the subject of a dispute, as well as if it is being used and on what products. It turns information into knowledge.

Manage your IP better

Knowing how IP is used determines how best to manage it. The patent lifecycle begins at invention and extends through renewals and licensing. Intellectual asset management enables users to flag important inventions at the beginning of the process. These traditionally get more extensive searches and more elaborate patent coverage – making them more valuable assets for enforcement or licensing.

The key lies in collaboration – everything is in one place at one time so that everyone in your organisation can be on the same page. IAM is especially effective for targeting specific products or groups through invention planning – a map of company patents and competitor patents that makes opportunities and potential problems crystal clear.

All for one and one for all – collaboration improves IAM

At FGT, we have developed a three-pronged invention evaluation programme to identify the best inventions. This way, the most promising inventions that are aligned with the company's business goals are allocated greater resources. This reduces overall filing costs because we can be more selective.

Our IAM system is accessible to everyone involved in the IP process, from inventors to renewal agents and everyone in between. Inventors are instructed on both the types of patents that are aligned with key business objectives and how to write better disclosures. The system links to patent and technical search tools, and inventors are asked to distinguish their inventions from the prior art. Business and technical reviewers evaluate the technical feasibility and the business alignment.

In 2001, FGT and British American Tobacco (BAT) agreed to develop jointly an intellectual asset management system that could handle all types of IP matters. Because we realised that other large IP owners had similar needs, the original goal included licensing the resulting IAM system to others. Each step of the design and development process considered this longer term commercialisation goal and great efforts were taken to avoid customising the tool to unique FGT or BAT requirements.

FGT and BAT formed a management team that had a core group of IP professionals from each company. We then hired a dozen IT professionals located at both BAT's office in London and FGT's office in Dearborn. BAT led the effort to define the business and legal workflow requirements for trademarks, agreements and conflicts; FGT defined the requirements for inventions, patents and general matters. A project manager oversaw the various requirements and moderated differences between BAT and FGT to provide a cohesive and integrated design for the final product. Development teams in the US and UK were under a single project manager that reported to the management team.

Instead of having patents merely chasing business objectives, business objectives can be aligned with patent portfolios that will give a company an edge on the competition.

The system also makes it easier and faster to prepare patents. Searchers and draftsmen are part of the team, and have access to the invention which enables them to attach search reports and drawings directly to the invention record. Internal and outside counsel are all on the same page so that arguments and prior art from one country are available to attorneys in other countries. Business development professionals know when new technologies are filed or issued. Finance and tax staffs know what assets exist, their useful life and any impairment. Accounting staff know how much an asset costs and where to allocate the expense. M&A teams know what IP and agreement goes with each business unit.

Cover your assets – know what's used and what's infringed

IAM means knowing whether you or your competitors are using your patents. One way to identify third party use is through third party citation analysis. This information helps decision making, including secondary filing, renewals, licensing and competitor product teardowns. Frequently cited patents are a tip-off that a patent is possibly being infringed. IAM identifies high potential patents, which are shepherded off for more thorough investigation.

Resolve conflict

With large IP portfolios come numerous conflicts. It is an inevitable part of doing business. Conflicts are any matters that, if not resolved, turn into a dispute or litigation. Examples include oppositions, threats and legal action. IAM links all conflict matters to the underlying IP, providing a simple process for managers to spot trends and better manage IP.

For example, a supplier or business partner is opposing your patents and trademarks, terminating agreements and issuing threats. This aggressive conduct could normally be missed for many months because different attorneys in different countries may be handling what appear to be unrelated conflicts. If everyone is not on the same page, you may miss the opportunity to leverage your IP to resolve a bigger conflict. With IAM, you get an integrated view of conflicts, making trends easy to spot. Through the system we use, FGT can view our IP and agreements and the associated conflicts, making management of these risks across the enterprise easier and

facilitating resolution.

Generate IP revenues, increase the bottom line

IAM better supports licensing by identifying which technology area brings in revenue and which competitors are citing your patents. This enables targeted inventions, patent filings and licensing efforts. The licensing module enables licensees to report usage on-line and greatly improves patent royalty reports, identifying which patents, countries and technology provide royalty income. FGT shares licensing income with the originating organisation. The licensing module helps with this complicated record keeping and even allows patent expenses to be netted from royalty distributions.

Government regulations – Sarbanes-Oxley and tax compliance

Sarbanes-Oxley requires that significant impairments to IP assets are reported through management and the board. This not only includes one large lawsuit; a collection of smaller suits may also trigger this reporting requirement. Effective IAM requires that compliance is made a part of the IP work flow. FGT is now able to classify the risk level of each conflict and present a cumulative view of the various pending threats.

Additionally, complying with tax and accounting regulations that call for the amortisation or depreciation of IP expenses is greatly simplified.

The end game

As the role of intellectual property continues to change rapidly, IAM stands as a strategic business issue facing all companies. Despite the rapid growth of IP-based revenues and the increasing number of infringement cases brought each year, companies have not fully embraced intellectual asset management as a core business need.

Intellectual asset management is no longer something that can be viewed as nice to have; it has quickly evolved into a business imperative. Businesses that are innovative and are in front of the curve will be better positioned to leverage their IP portfolios, providing a significant competitive advantage over those who are slow to adopt change. ■

Damian Porcari is Director, Enforcement and Licensing for Ford Global Technologies, LLC