

A global evolution: the growing role of IAM

For organisations that have made a commitment to the principles that underpin intellectual asset management, the availability of the right technology to help in the task is crucial

By **Stuart Dodd**

What will the field of intellectual asset management look like five years from now? Ten years from now? The answer, of course, depends on who you ask. A compilation of interviews with professionals in different IAM roles yields a rich perspective, as deep as it is broad.

The director of intellectual property administration for a global law firm, the head of an IAM practice group and the chief IP counsel of a Fortune 100 company all weighed in on the evolving role of intellectual asset management. Their comments reveal a landscape that has changed dramatically over the past few decades.

But one message comes through loud and clear: the field of intellectual asset management is evolving in ways that could not have been predicted a few years ago and its influence is rapidly spreading from the legal department to the executive suite.

For small start-ups, notably those in the high-tech and biotech areas, intellectual assets are often the most important asset the company has. But while managing the assets of small firms and even medium-sized firms is relatively easy, for large companies, IAM is an entirely different beast.

Take Honeywell International, with roughly 13,000 patents in its global IP portfolio. This large portfolio is in a near-constant state of flux due to varying internal research projects, mergers and acquisitions. Managing it has given Chief IP Counsel David Hoiriis a rare vantage point.

Hoiriis believes that as intellectual asset management becomes increasingly important, the concept of an intellectual asset manager

becomes less important. For large global companies, IAM is really about a process, not a person. "At technology-based companies, many different individuals in many different functions play a role in IAM, from the research engineer to the corporate attorney to the security guard," he says. "Today, intellectual asset management is far more than creating new departments or new job descriptions. It requires a collective mindset that needs to be filtered into a company's DNA."

Caveat manager

Honeywell has more than 10,000 technical employees throughout the world in four separate strategic business units. Each of these has its own IP processes and requirements. A big challenge is finding the best way to build this process with all the various participants. In today's highly competitive and dynamic business environment, managing intellectual property requires good information and good communication. This underscores one of the important ways that IAM has evolved.

"The tools and techniques for sharing up-to-date information are so much better today," Hoiriis says. "Instantaneous, shared access to information is a huge advantage. If you're managing an asset, you have to have it where people can see it, feel it and touch it. And the technology that lets us do this is a huge benefit."

To manage its burgeoning IP portfolio, Honeywell implemented a scalable platform that enables data storage, sharing and global collaboration. The company's business units now have immediate access to information on their own portfolios (including patents acquired through mergers and acquisitions) via the corporate intranet. As a result, IP

The genesis of IAM

"It's only recently that companies have begun to view intellectual property as not just legal assets but business assets," explains Jonathan Retsky, a partner at Brinks Hofer Gilson & Lione. As large companies have developed or acquired large IP portfolios, intellectual asset management has gained prominence.

Retsky traces the evolution of IAM from a largely theoretical discipline in the 1990s. "Ten years ago, companies became more cost-sensitive and they started to think about managing their intellectual assets," he explains. "They needed to know what was in the large and evolving portfolios where they had invested millions of dollars." As a result, corporate executives started to look at IP portfolios in much the same way as they looked at their physical inventory and they began to manage these assets in a way that could generate a return.

According to Retsky, it was not only the Fortune 100 but also the start-up companies that created the model for IAM in terms of asset valuation.

operation costs have declined, staff productivity has increased and the management of Honeywell's large and fluid patent portfolio has significantly improved.

The tool's web-based architecture has not only lowered the company's IT investment but has given Honeywell's business units access to a system that links ideation/creation, invention disclosures, IP filings and docket/portfolio management in an easy-to-use interface that is integrated with Honeywell's IP intranet web pages – and focused on driving financial return.

The drive to license

Companies are increasingly looking to licensing as a source of revenue, says Jonathan Retsky, a partner at the IP law firm Brinks Hofer Gilson & Lione and head of the firm's IAM practice group. At Brinks Hofer, licensing is being developed as a core competency. At Honeywell, a full-time licensing department works with Hoiriis's group of 25 lawyers. Both play a key role in the IAM process.

On the technology end, new tools are making it faster and easier to identify licensing targets, evaluate their viability, prepare and conduct negotiations, and come to a favourable resolution. Some tools, for example, will support the majority of the licence process cycle, including evaluating the target market space, identifying prospects, testing the strategic fit, performing opportunity value assessment, and preparation for and during negotiations. These solutions allow executives to make fast, well-informed licensing decisions, which can result in financial rewards.

Strategic software and skilled staff

Licensing is just one area in which technological advancements have changed the face of IAM. New reporting tools also represent a quantum leap from the days of Word documents and spreadsheets cobbled together slowly and laboriously.

"Whereas reporting used to be a highly manual, patchwork process, today a single report can provide a full spectrum of information about a patent with substantial time savings," explains Margaret Drosos, director of intellectual property Administration at Howrey LLP. As a result, IAM software has evolved from being a simple tool for tactical functions, such as docketing, to a means of gathering complex bodies of information that support decision making at the highest level.

At Howrey, Drosos and her team provide

information to the firm's attorneys so they can counsel corporate clients with regard to their IP portfolios. Technology that enables accurate information and speeds communication among these groups is one of the most stunning examples of how the IAM field has evolved over the past decade, Drosos believes. "Twenty years ago, all of this information was dispersed throughout the organisation, rather than in a central database, and the process of gathering and updating information was enormously time-consuming, paper-intensive and labour-intensive," she recalls.

Around 1987, an electronic platform for docketing was created and gradually the system evolved to include more and more types of information. Tracking and reporting became more sophisticated. These days, as business decisions are made under tight time constraints, sharing information on an enterprise-wide basis is critical. For example, the IAM team at Howrey consists of individuals with specialised skills in areas such as opinions, docketing, procurement, enforcement, litigation and strategic planning. These individuals work together, quickly and cost-effectively, to get the information they need for the client. All of the players need to be able to view the same information, housed in a central database. The mantra is: accurate, up-to-date and easily accessible information.

Drosos admits that intellectual asset management, which she equates to IP portfolio management, would not be as advanced as it is if it were not for technology. The IAM software her firm uses makes it possible to track the entire global portfolio for a client, preventing missed deadlines and payments.

The software also gives Howrey the ability to track disclosures accurately, precisely project fees and renewal payments, and identify and resolve conflicts. By linking patents, trademarks, designs, disclosures, agreements and other business-critical information, Howrey benefits from a smooth and efficient flow of communication and is able to consolidate information in a way that enables informed decision-making.

"Today, corporate executives are forced to make business-altering decisions expeditiously, such as whether or not to proceed with litigation," Drosos says. "These decisions can have a huge impact, both strategically and financially on the company, and you don't want to have to make them with a million pieces of paper blanketing your desk."

Hoiris has a similar take. "The core of any IAM process is information," he says. "The more information you can gather and put at people's fingertips, in a comprehensible format, the better off you are."

With all this smart technology that allows quick access to IP data, law firms and legal departments must be reducing headcount – right? Wrong, says Margaret Drosos. The reality is that there is an ever-greater need to gather and track more information, which requires more, qualified people. "We need more staff and we need people with greater technical skills," she points out. "As IAM continues to evolve and become more sophisticated, there will be more and more professional opportunities for people with the right skill sets."

IAM as a core competency

Intellectual asset management is not only growing in numbers, it is also starting to come into its own as a legal specialty. Under Jonathan Retsky's leadership, Brinks Hofer is developing IAM as a core competency. The firm is building on its traditional experience with IP audits, divestitures and mergers and acquisitions to help corporate clients manage their IP portfolios more strategically.

"We're trying to leverage our experience to look at a client company's portfolio and provide counsel on whether to shrink, grow or right-size the portfolio in order to align it better with the overall business strategy," Retsky explains. "We perform due diligence and audits, but we go further to mine data from IP portfolios and interpret this data so clients can make better decisions."

The vast amount of data now available to IP professionals is critical for corporate intelligence, but it can be overwhelming if one were to have to review, process and make sense of it manually. "When you're trying to determine who your competitors are and what they're doing, patent data is very valuable," he says. "Software lets you mine data, identify trends and predict where competitors are going."

This capability helps uncover information that is often invisible to the naked eye. For example, when preparing to launch a new product, business people sometimes do not dig deep enough for competitive information, Retsky believes. There is a tendency within the business to equate a lack of products on the market with a lack of competitive advantage. That is a mistake, since some companies' assets are only of the intangible type and may not yet have hit the market. As part of Brinks Hofer's IAM process, IP attorneys shed light

The Honeywell Patent Gallery home page

The screenshot shows the Honeywell Patent Gallery website. At the top, there is a navigation bar with links for Home, mySBU, myPage, and Customize. Below this is a secondary navigation bar with links for myLife, myWork, News, Businesses & Sites, Discounts, myCommunities, myUtilities, and United States. A search bar is located on the right side of the navigation bar. The main content area is titled "Honeywell Patent Gallery" and includes a description of the gallery, a "How to Access the Gallery" section, and a "Guest Keys" section with five keys labeled Key 1 through Key 5.

on just these scenarios. They learn what patents competitors have acquired in a specific area and use this competitive intelligence to help their clients with patent infringement licensing and litigation.

The BlackBerry blues

With more and more money changing hands and a burgeoning number of players, intellectual asset management is now entering the mainstream. A seminal event in this new awareness was the recent NTP Inc lawsuit against RIM (maker of the BlackBerry) for allegedly copying wireless mail-delivery technology.

While the case was pending, BlackBerry users around the world anxiously wondered whether their devices would still work on Judgment Day, bringing the reality of the power of intellectual assets up close and personal for thousands of people. Ultimately, RIM negotiated a settlement with NTP for a whopping US\$612 million for the patent infringement claims.

Hoiris notes that, in addition to high-visibility cases such as this, the IAM landscape is being transformed in other ways, including changes in the law. "The courts are acknowledging that ideas are important," he says.

Still, according to Retsky, many aspects of

IAM are not well understood within companies. Business people are struggling to figure out how to value assets, he says, although he believes that better methodologies are gradually evolving. There is a lot of risk tied up in assets, he points out, citing the BlackBerry lawsuit as a case in point. "We don't have a good way of understanding the risk of intellectual assets right now. But it's important that we find more effective means to understand and minimise it, in much the same way that hedge funds lay off risk. When the BlackBerry technology was at issue, RIM chose to litigate but it spent huge sums. There needs to be a better way."

Retsky believes that a more efficient market for intellectual assets may be on the horizon. In much the same way that a market for mortgage-backed securities emerged, he predicts "we may one day see trading futures and options on patents".

IAM as a competitive advantage

While such an efficient market is probably a long way off, there is some nascent activity in this area. For example, there are a handful of emerging companies that operate with a completely IP-based business model. Indeed, Retsky believes, the biggest opportunity for IP rests with the creation of a better market mechanism, including an exchange for trading intellectual property in much the same way that securities are traded today.

Hoiriis, too, feels it is critically important for companies to understand "where the value proposition is – what differentiates us from our competitors". This ability is becoming increasingly important as manufacturing continues to move offshore.

"Now that other countries can build cheaper, IP is becoming more important," Hoiriis reckons. "With intense global competition, outsourcing and disaggregation of the value chain, a company's main competitive advantage today may be its innovation. Furthermore, with many pieces of the value chain migrating to other places, some value is being siphoned off to those who can produce things more cheaply. So, more than ever before, people are paying more attention to capturing and managing intellectual assets."

Having a strong intellectual asset management programme is a competitive advantage, Hoiriis continues. "But as more and more companies get good at this, we will have to work harder to gain an edge. If you open an ice cream shop and you're the only one in town you will probably get lots of business, even if you're just serving vanilla.

But when competitors come in, you have to work harder to differentiate yourself – you have to offer chocolate ice cream or sprinkles or hot fudge."

By the same token, he says, corporations today need to understand how to differentiate themselves in terms of intellectual property – whether it's through their trademarks, like Coke, or through their technical innovation, like Honeywell – and create a strategy to manage these intellectual assets.

The new IAM landscape

Corporations are beginning to take note of the critical strategic role that IAM can play. Retsky points out that a few IAM professionals have risen to positions of significant influence in the corporate hierarchy, with recognition and authority conferred by the CEO to improve the management of the company's intellectual assets.

Drosos believes that companies will take a more proactive approach to protecting their intellectual assets in the years ahead. "Clients and law firms will interact more, share electronic information more closely and collaborate more effectively, and this will result in better strategic planning," she predicts.

Technology, too, is propelling IAM to a higher plane. We have seen the evolution of the intellectual asset management space from pre-internet, when only large blue-chip companies were focused on managing their intangible assets in a largely manual way, to the client-server/desktop application phase to new web-based portfolio management systems. Whether the motivation is defensive publication, competitive advantage or monetisation, a growing number of companies are committed to providing the tools needed for effective intellectual asset management.

With the right people, processes and technology, intellectual asset management has the potential to add value to an organisation in ways that no one would have imagined only 20 years ago. So as the importance of physical assets increasingly takes a back seat to the importance of intellectual assets, a well-designed and well-executed intellectual asset management strategy may turn out to be a key driver of success in the global marketplace. Who knows? By the year 2020, we may be calling our brokers to trade blue-chip intellectual assets, giving a whole new meaning to the term IP portfolio. ■

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