Steps to IP Management Strategy

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Why Should a Client Care about IP Management?

Better Revenue, Better Profit, Better Valuations
How Does IP Management Deliver Those Benefits?

Better Revenue, Better Profit, Better Valuations

• Provides Monetization Potential
  • Multiple Ways to Monetize

• Basis for Attracting Investment
  ▪ Investors Place Value on Ability to Monetize IP
Monetization and Attracting Investment from IP

• Durable Competitive Advantage in Creating/Delivering Val Prop
  ▪ Protecting/Enhancing Revenue Stream(s) & Profit Margins
    ○ Higher Incremental Margins or Reduced COGS

• Leverage for Alliances & Partnerships

• Licensing and Selling

• Valuation of IP Portfolio
  ▪ Part of Valuation for Funding Rounds
  ▪ Part of Valuation for M&A, IPO, or Liquidation
Monetization of IP Portfolio (Examples)

- **Protecting/Enhancing Revenue Streams & Profit Margins**
  - Company A’s patent on CPU bus bar architecture
    - De facto sole source supplier (higher price to customers).
    - Licensed and leveraged for lower price from suppliers (lower COGS).

- **Licensing and Selling**
  - Qualcomm derives most of its revenue from licensing.
    2016 licensing revenue of $7.6B and $6.5B profit.
  - Company A (above) sold patent portfolio of 50 patents for $100M in an exit.
Monetization of IP Portfolio (Examples)

- **Leverage for Alliances and/or Partnerships**
  - Company B - patents included in industry standard for storage products.
    - Influence standards body on formats
    - First mover advantage on supply chain for necessary format.

- **Valuation of IP Portfolio**
  - Company C looking to buy SW Co. for $5M, but found seller did not own copyrights to the code. Deal Cratered.
  - Properly protected and recognized IP can boost IP Valuation 5x – 7x and affect exit valuation by $M’s (IP att’y in Idaho).
How Should the Client Manage Their IP?
IP Management in BMC Context

The Business Model Canvas

Key Partners
- Key Partners & Key Activities Create & Protect IP

Key Activities
- IP as Key Resource to Help Create/Deliver Val Prop

Value Propositions
- Validate Customer Segment
- And Value Proposition

Customer Relationships
- Product – Market Fit

Customer Segments

Cost Structure

Revenue Streams

IP as Key Resource to Help Create/Deliver Val Prop
Key Activities and Key Partners

**The Business Model Canvas**

- **Key Partners & Key Activities**
  - Create & Protect IP

- **Value Propositions**
  - What makes our product unique?

- **Customer Relationships**
  - How do we interact with our customers?

- **Channels**
  - How do we reach our customers?

- **Cost Structure**
  - How do we incur costs?

- **Revenue Streams**
  - How do we generate revenue?

**IP as Key Resource to Help Create/Deliver Val Prop**

Idaho SBDC Proprietary
Key Activities

- Explore Freedom to Operate
- Inventory IP in Portfolio
- Identify Gaps in Portfolio Relative to What’s Needed to Protect Creation/Delivery of Val Prop
- Develop/Acquire/Own Necessary IP
Freedom to Operate

Does Your Company Have the Freedom to Operate in Your Market Segment(s)?

- Other Companies’ IP – Patents, Trademarks, Copyrights, Domain Names, etc.

- Preliminary Searches/Landscaping
  - USPTO; Freepatentsonline.com; Google
  - U of I Small Biz Legal Clinic - Trademark & Patent Pro-Bono Prog.
Inventory IP in Portfolio

Patents, Trade Secrets, Trademarks, Copyrights, Domain Names, etc.

- Assess Strength of IP in Protecting Val Prop
  - Ease of Work Around Implementation
  - Ease of Reverse Engineering (patent vs trade secret)
  - Protection of Trade Secrets
Inventory IP in Portfolio

Patents, Trade Secrets, Trademarks, Copyrights, Domain Names, etc.

• Branding to Protect Val Prop
  ▪ Establishing Brand Identity (Trademark, Trade Dress, Domain Names)
  ▪ Integral with Go-To-Market Strategy
Identify Gaps Relative to What is Needed to Protect Creation/Delivery of Value Proposition

• **Identify Gaps**
  - Where does my company need to have IP that it doesn’t have today?
    - IP Landscaping Strategy
Develop/Acquire/Own Necessary IP

- What is the most effective way to own that IP?
  - Develop - Build/Create
  - Acquire - License/Cross-license
Develop/Acquire/Own Necessary IP [Build/Create]

• Understand Timelines Around Patenting
  ▪ First to File (like rest of world)
  ▪ 12 months from first public disclosure for non-provisional
  ▪ Maintenance Fees and Timelines

• US vs Other Countries (Patents)
  ▪ Market Entry and Timing
  ▪ Costs and Timelines of International Patents (PCT option)
  ▪ USPTO and WIPO (patents and trademarks)

• Developing Trade Secrets – Demonstrated Behavior
  ▪ NDA’s, Secured Documents, Employee Agm’ts, etc.
Develop/Acquire/Own Necessary IP
[Build/Create]

• Branding to Protect Value Proposition
  ▪ Establishing Brand Identity (Trademark, Trade Dress, Domain Names)
    o Trademark & Trade Dress – Source Identifier (TM and R)
    o Domain Names – Cover your bases (it’s not that expensive)

• US vs Other Countries (Branding)
  ▪ Market Entry and Timing
  ▪ USPTO and WIPO (patents and trademarks)
Develop/Acquire/Own Necessary IP [License/Cross-License]

• IP Landscaping
  ▪ Who owns rights to IP that you need?
    o License or Sub-license
    o Is your IP War Chest big enough for Cross-Licensing?

• Licensing Agreements
  ▪ Background and Foreground IP Rights
  ▪ Terms (Field of Use, Territory, Duration, Rates, etc.)
  ▪ Warranty, Indemnity, etc.
Key Activities and Key Partners

**The Business Model Canvas**

- **Key Partners & Key Activities Create & Protect IP**

**Key Partners**
- Identify key partners to help achieve business goals.

**Key Activities**
- Identify key activities to create and protect IP.

**Value Propositions**
- Describe what makes your product/service unique and valuable.

**Customer Relationships**
- Outline how your product/service is delivered to customers.

**Customer Segments**
- Identify target segments and specific customer needs.

**Channels**
- List channels through which you sell or deliver your product/services.

**Cost Structure**
- Analyze costs associated with creating and delivering value.

**Revenue Streams**
- Identify sources of revenue and potential growth opportunities.

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IP as Key Resource to Help Create/Deliver Val Prop
Key Partners

- IP Attorneys, Patent Agents, IP Clinics
- USPTO; US Copyright Office; WIPO
- Consultants/Mentors (inc. SBDC) with Experience in Managing IP
- Investors
Thank You
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Idaho SBDC does not provide legal advice. Please consult your attorney for the proper legal advice and interpretations.
IP as Key Resource to Help Create/Deliver Value Proposition (see above)