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The Trend To Greater Patent Portfolio Awareness Hits The Bottom Line

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William Zychlewicz

Savvy businesses today, regardless of their size, are learning they can generate significant value by selling or licensing their portfolio of intellectual property assets, most notably patents. In fact, those that recognize the potential of their patent portfolio are reaping large rewards that make an impact on their balance sheet. While in the past, valuations of patent portfolios were reflected in only meager estimations on companies' balance sheets, today they are increasing to become a substantial portion of a company's asset value.

The importance of these portfolios is demonstrated by the staggering amount of money changing hands in the patent fights between large corporations. For example, Samsung recently paid \$1 billion to Apple for infringing Apple's patents and Google recently bought Motorola for \$7 billion, primarily to gain control of Motorola's 24,500 strong patent portfolio.

However, you don't need to be a huge corporation with billions in revenue and thousands of patents in your portfolio to realize the benefits or even the necessity of a well planned and executed portfolio management strategy. Indeed, patents can be a lifesaver for many smaller companies and many serial entrepreneurs build their patent portfolio as they build their company. The object in many cases is to sell the company based mostly on the value, or perceived value of the patent portfolio. Even entrepreneurs who intend to grow a business over the long haul are sometimes saved by the value of their patent portfolio.

Patent portfolios can be directly monetized by selling the portfolio outright or licensing individual patents or an entire portfolio. Selling or licensing the portfolio can generate cash for expansions into more promising areas of business without incurring debt, especially if the portfolio covers areas of technology the company no longer intends to pursue.

Recent trends in patent auctions and brokered sales of large portfolios have assisted companies in being able to value their portfolios and these sales have spurred an interest in markets for patents. Analyzing details of the Motorola, Nortel, Kodak, and other portfolio sales, whether completed or not, have provided companies with valuable information about the potential value of their portfolios and the companies have taken note of the large valuations that are possible.

In addition to providing a company with cash, a well thought out portfolio of patents is often used to gain access to technology of another company through negotiated cross-licensing of the companies' portfolios. Cross-licensing leverages the value of the portfolio without giving up the rights to the technology, and often there is no net cost to gain the access to the other company's technology. If the company's portfolio is strong, it may even be able to negotiate an income stream from the other company.

A successful patent strategy generally includes offensive and defensive components. A patent gives the holder the exclusive right to practice the invention and it may be used to keep competitors out of your technology space. To maximize the effectiveness of this strategy, the patent must claim the invention as broadly as possible. Even if a company does not practice the invention to the extent claimed, it can still keep competitors from approaching with products that differ only slightly if the invention is claimed broadly. Using the portfolio offensively requires a stomach for the potential of litigation and a strong portfolio of solid patents.

A reputation as an innovator, evidenced by a large patent portfolio, provides public relations value as well. Letting customers know that a product contains patented technology generally increases their interest in the product and the reputation of the company.

Although many companies now understand the importance of managing and monetizing their portfolios, there are still many CEOs who underrate the value of their holdings. Improving the knowledge of company executives and making patents an integral part of the company's strategic plan could help companies become leaders in the trend for greater protection of intellectual property and improve the company's bottom line.

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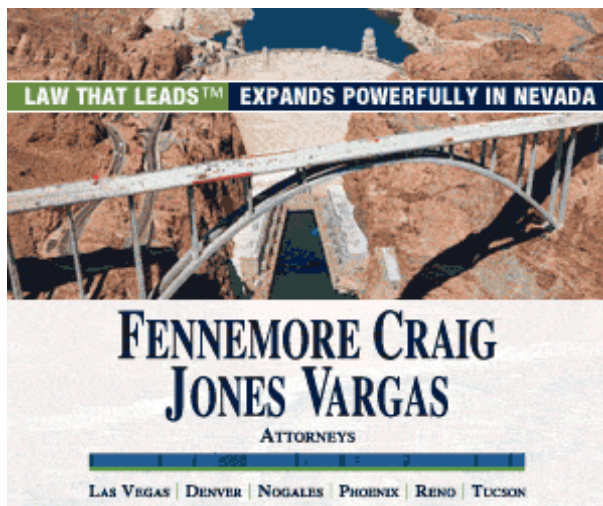
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