

## Patent Monetization Can be a New Source of Revenue for Your Clients: Make Sure You Know the Critical Steps for Success

As corporate revenues continue decreasing as a result of consumer and corporation belt-tightening, many businesses now seek to extract revenue from previously untapped areas.

One such source experiencing increasing interest is patent monetization, whereby a business licenses or sells its unused or under-utilized patent assets to generate a new revenue stream.

At the surface, patent monetization would effectively appear to be a "no brainer" for business. That is, if one owns an asset that holds little internal value, but to which a third party would ascribe considerable value, why wouldn't a company move forward with selling that asset? In truth, however, few organizations possess the knowledge base required to successfully execute on a patent monetization plan. This failure results not because patent monetization requires a complex set of skills; rather, the difficulty typically lies with the organization's lack of familiarity with the process of patent monetization.

A successful patent monetization process requires a step-wise progression through the four steps set forth in the following diagram. Each of these steps is discussed below.



### **Step 1: Perform an Objective Internal Patent Audit to Identify Potentially Saleable Assets**

The first step to successful execution of a patent monetization plan requires the organization to understand whether its patent portfolio includes any assets that would be of interest for acquisition by a third party. This patent monetization audit objectively matches up the organization's current and future business strategy with the subject matter covered by its

patent portfolio. In short, the audit should reveal those patent assets not in alignment with the organization's business strategy. The audit will also identify any patent assets that might in use by the organization, but for which it does not find it commercially necessary to exclusively retain rights. These identified assets will then comprise the potential candidates for patent monetization.

A patent monetization audit differs from the standard internal inventory of patent assets conducted by most organizations (which also may be termed an "audit"). Significantly, to accurately identify assets suitable for monetization, the audit should be conducted without regard to the history surrounding the generation of the patent asset. Often, however, those charged with conducting the audit are the same people who were involved in generating the patent assets and/or they may maintain valuable relationships with those who generated the assets. As a result, an internally directed patent audit often tends to be rather myopic, which can reduce the probability that the organization objectively identifies patent assets that should be offered to third parties for sale or license.

When conducted with an objective focus (that is, by someone with no vested interest in the outcome of the audit), a patent monetization audit is fairly straightforward. Specifically, patent assets are put into a "sell pile" when they do not align with the organization's existing or planned products or technology or which are used but not necessary to be retained exclusively. The sell pile constitutes the candidates for potential monetization and which are hoped to serve as a new source of revenue for the organization. However, the patent assets in the sell pile may not possess external market value. In order to find out whether these assets comprise candidates for monetization efforts, a market assessment and preliminary valuation must be conducted as Step 2 discussed below.

An objective monetization audit nonetheless presents the additional valuable benefit of identifying patents appropriate for abandonment. And, for any organization with fifty or more issued patents, it is probable that maintenance fee savings from abandonment of effectively worthless patents will well surpass the cost of conducting the audit. This makes a patent monetization audit a winning proposition even if it is later found that the organization does not possess any patent assets that are suitable for monetization.

### **Step 2: Patent Asset Marketing Assessment and Preliminary Valuation**

Those patent assets placed in the sell pile in Step 1 are then reviewed to determine whether the covered subject matter would likely be of interest to a third party. In doing this, one categorizes the claim coverage of each patent and identifies what companies might find the claimed subject matter valuable to support their business objectives.

This patent asset marketing assessment should be conducted from a business perspective. That is, it must be undertaken in much the same way a company undertakes a consumer marketing study by determining who is a potential buyer for this patent asset product. It is highly recommended that a business professional manage the marketing assessment of the patent asset. While a lawyer can be peripherally involved, she should not manage the process

because she will most likely review the third party analysis with an eye toward potential patent infringement, not toward making a win-win deal with a third party.

Preliminary valuation of the potentially saleable patent asset is conducted using a combination of business and patent legal analysis. The business aspect of the valuation reviews the potential purchasers identified in the assessment and attempts to determine a range at which those purchasers would pay for the patent asset. In the patent legal aspect of the valuation, a patent professional reviews the patent's record to identify any flaws in the procurement of the patent that would markedly reduce the price that a willing purchaser would otherwise pay for the asset.

It is quite probable that the patent asset market assessment and preliminary valuation will reveal that the organization's unwanted patent assets do not constitute good candidates for monetization efforts, either because there is no likely purchaser or that the quality of the patent is low as a result of mistakes made in the patent procurement process. Value exists in this "bad news," however. An organization that obtains effectively valueless patent assets should recognize that it may be wasting considerable corporate resources. As such, the patent asset marketing assessment and preliminary valuation presents a strong opportunity for an organization to improve its patenting efforts so that better patents can be obtained to allow monetization to become a reality in the future.

If the marketing assessment and preliminary valuation reveals that the organization owns patent assets in which a third party might show an interest in acquiring, a marketing plan can now be executed upon. This is described in Step 3 below.

### **Step 3: Execution of a Patent Monetization Marketing Plan**

After the organization identifies potential purchasers of a patent asset and how much a willing buyer might pay for it, a plan for monetization marketing plan can be developed. As many potential marketing plans can exist as there are potential purchasers. In short, monetization marketing plans will differ depending on the organization's level of internal expertise, business bandwidth and type of technology involved and, due to such variability, will not be discussed in more detail in this article.

In addition to the monetization marketing plan, the marketing channel must be selected. Even in the fairly nascent patent monetization market, several channels of patent asset marketing have developed to date, each of which consists of a unique business model. Some examples of existing marketing channels include:

- Marketing through an internal patent licensing business (e.g. [AT&T Intellectual Property](#))
- Engaging a consultant having significant licensing expertise (e.g. [Gnossis LLC](#))

- Sale through a patent broker (e.g. [IP Investments Group](#) and [IP Value](#) )
- Sale through a patent auction (e.g. [Ocean Tomo](#))
- Online "matching services" (e.g. [Yet2.com](#), [Innocentive.com](#))

Notably absent from the above list of suitable patent asset marketing channels is engagement of a lawyer to assist in marketing of the patent asset. There is little doubt that if a lawyer approaches a third party with an "offer to license" a patent, the offer will likely be viewed as a threat of litigation. As such, if an organization truly plans to monetize its patents, as opposed to litigating them, a lawyer should not execute the marketing plan, nor should she appear to the potential purchaser to be managing the process in any way. Put simply, the organization should treat a patent monetization plan as a business, where consummation of the deal forms the primary objective of the process.

Even if an organization successfully undertakes a business-based patent monetization marketing plan, many third parties will find the approach by a patent owner with an offer to acquire a patent to be akin to a threat of future patent litigation. This is a natural reaction to the existing paradigm where patents are legal rights, as opposed to corporate assets. As the market for patent monetization evolves, third parties will hopefully view offers to sell or a license a patent in a less threatening manner. In the meantime, however, any organization seeking to market a patent without intending to enter litigation should engage a marketing partner that is more likely to be viewed as non-threatening to the third party. Litigation will always be a possibility for any organization seeking to engage in patent monetization. With a well-crafted marketing plan and a careful execution, the possibility of litigation can be minimized.

#### **Step 4: Bring in the Lawyers to Consummate the Deal**

At the end of Step 3, the patent owner should know whether a willing buyer likely exists for its patent assets. At this point, each party will bring in its respective lawyers to consummate the deal for their respective benefits.

This stage of the patent monetization process requires diligence by the parties to ensure the deal does not get away from them. The end of the deal should be a win-win: the patent owner successfully generates a new source of revenue and the purchaser obtains exclusive rights to a desirable product or technology under favorable terms. While this may be easier said than done, for patent monetization to become a viable source of revenue for organizations in the future, it must be so.