IP Tactics In Support Of The Business Strategy

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Intellectual asset management is now a common term. It has come to embody not only the tactics to obtain and to protect intellectual assets and the company's freedom to practice such, but also alternative strategies to extract value from existing intellectual property and know-how assets. However the real question is, "how are companies actually realizing this 'untapped' value?" An Add-on session at the September 2002 LES (U.S.A. and Canada) Annual Meeting, sponsored by the Intellectual Capital Management Committee (E-109), was designed to uncover the answer to just this question. This paper highlights two common IAM processes, IP Strategy and Competitive Assessment, that companies are using to realize their untapped value, followed by three specific diverse case studies of how companies have implemented Intellectual Asset Management (IAM) systems to obtain value based on the different strategic contexts of their environments.

IP Strategy

A strategy can be defined as "a careful plan or method, a stratagem toward a goal." "Stratagem" is further defined as "a trick of war for deceiving and outwitting an enemy, a clever trick or scheme for gaining an end, or a skill in ruses or trickery."

John Cronin, Chairman and CEO of ipCapital Group, Inc., has said, "Ninety-five percent of the companies I have encountered do not have an IP strategy, or even know why such a strategy might be extremely valuable! The remaining five percent say they have an IP strategy, but at most it is just a plan with no tactics to support it." Most companies do not link their so-called IP strategy with their business (financial, products, HR, R&D) objectives. Technical, business, and legal personnel do not necessarily speak the same language and, to be successful, an IP strategy needs to speak to, and be understood at, all levels of the business, from the inventor in the lab to IP legal counsel.

For companies to build a world-class IP strategy, they should have a strategy that:

1. Employs clever tactics;
2. Links to the business' (financial, products, HR, R&D) objectives;
3. Links to the company's vision, mission, and goals;
4. Includes inventors through invention strategy;
5. Empowers opportunities to be filtered by considering the market;
6. Allows opportunities to be filtered by competitors' IP and value chain IP;
7. Involves understanding of human capital (potential IP);
8. Involves the use of all IP vehicles (publications, trade secrets, etc.);
9. Links to other business processes within the organization (e.g., 6 Sigma, Stage Gate) through mapping of methodology;
10. Uses a "map of the terrain" to visualize the IP strategy and to clarify understanding of the dark, gray, green, and white IP spaces to assist in product clearance, patentability searches, and state of the art searches;
11. Allows assistance in drafting new claims through an invention review process; and
12. Has a complete "process in place" to execute the IP strategy.

Cronin defines IP strategy as "a strategy that defines the strategic intent and business goals of a company, aligns its IP portfolio and business objectives, and defines the responsibilities, authority, resources, and steps necessary to execute the strategic intent." An IP strategy provides a roadmap for a company to strengthen its intellectual property position vis-à-vis its competition and ensures that the company's IP development effort is truly aligned with and supports the overall business strategy and objectives. To ensure this alignment, the IP strategy needs to link the business world to IP by connecting the company's vision all the way through to its IP execution, as shown in Exhibit 1.

Vision/Mission/Goals

Many opportunities exist in the business world and the important question remains.... Which opportunities do you take? First, the company must determine which opportunities align with its vision (the "North Star" and the place to look to when determining direction in your strategy). The company's vision links to its company values. After the vision is defined, mission statements that support the vision

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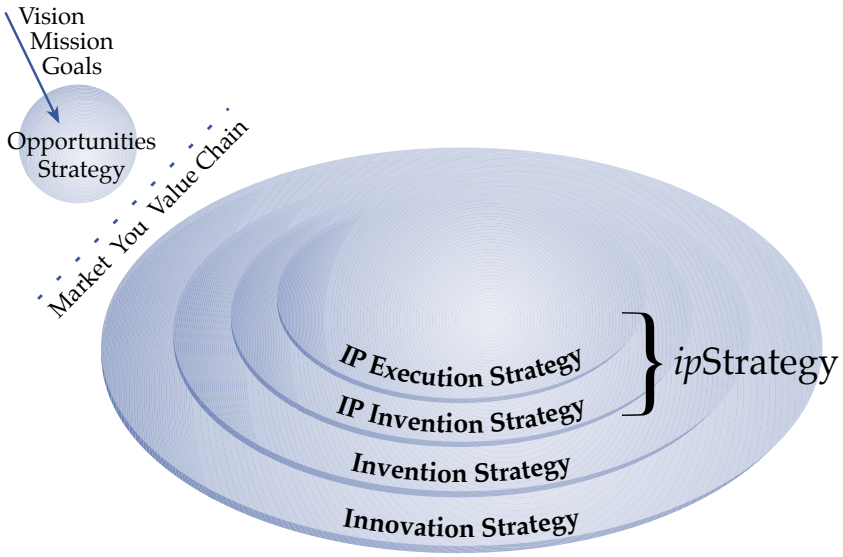


Exhibit 1

can be developed, which determines the business areas in which the company's IP is most important. The mission statement defines the amount of time and the specific direction taken to secure and direct the vision statement. Supporting the company's vision and mission statements are the company's goals, which define the "who, what, and when" of the company's vision and mission.

Opportunities

Setting vision, mission, and goal statements allow the company to provide direction to the "opportunities" it might take. Not all possible opportunities make sense. For example, there may be no market for the opportunity, no internal innovation capability, and/or too much competition. Once the company filters through the possible opportunities by analyzing and evaluating the market, its internal capability, and its competition, the company will then be able to identify legitimate opportunities and be assured of a successful innovative process.

Innovation Strategy

The innovation strategy supports the opportunity strategy and allows for the moving of ideas to the market, e.g., advancing a product from mind to market by leveraging clever schemes for execution. The strategy includes the following steps:

- Developing the language needed to communicate with the right people involved in the creation of the innovative process;
- Aligning the opportunities with the company's vision, mission, and goals and subsequently driving the innovative process;
- Creating a strategy to connect each piece of this process, discovering the true value of directed innovation—bringing your product from the inventor's mind to the marketplace.

The process of innovation must always be put in the context of and held subordinate to the business environment.

Invention Strategy

The invention strategy supports the innovation strategy and drives the power of an organization's inventive muscle. Invention is the process of solving a specific problem or discovering a new problem using defined elements in a specific arrangement. Innovation is a higher-level process of taking an idea from mind to market, and includes a series of inventions towards a total marketable product or process. The invention strategy focuses on solving pre-defined novel or difficult problems and allows the company to use defined pre-existing or novel resources to stimulate discoveries and create prototypes.

IP Invention Strategy

The IP invention strategy supports the invention strategy and defines the type of IP that is needed (patents, provisional patents, trade secrets, technically operable publications, or confidential know-how). Further, it provides clever schemes for developing, documenting and protecting low-cost, high-volume, broad IP.

IP Execution Strategy

The IP execution strategy supports the IP invention strategy and determines what to execute, e.g., to file patents or provisional patents, to publish enabled publications, to use NDAs, to hold trade secrets, etc. Further, the IP execution strategy determines timing and where to file (global market) for the purposes of maximizing leverage. It also employs clever schemes on how to lead competitors and the market

In summary, a successful IP strategy needs to connect a company's vision, mission, and goals to its IP execution strategy. An effective IP strategy must also consist of more than just a plan, and must include clever tactics to execute the strategy. A successfully developed and implemented IP strategy will align a company's business objectives and IP objectives, resulting in the company's IP leading its business.

Competitive Assessment

Competitive assessment supports the above Innovation, IP Invention, and IP Execution Strategies. As is the case for the IP strategy above, the struggle today is to put in place systematic, routine competitive assessment activities that proactively couple R&D, Marketing, Licensing, and IP activities.

The goal of competitive assessment is to make an informed high quality decision quickly at low organizational cost. To do so requires four sequential steps. The first step is to collect actionable information from sources like the Internet, databases, networking, scanning and crawling software, and Delphi panels. The second step is analyzing this data to convert it into meaningful informa-

tion. This requires development of scenarios, statistical representations, financial and business projections and models. The third step is to look at the information and forecast the actions companies are undertaking and for what reason. The outputs from this step include a list of strategies, capabilities, beliefs and assumptions. Finally, the last step is to disseminate the information into the executive information system. Traditionally this was accomplished via presentations, newsletters, written plans and intranet/email. With today's information overload the best practice is to use one page graphic overviews and metaphorical stories to complete the cycle from data to information to knowledge.

As one looks to license art, competitive assessment begins with generating two internal views that show the internal context in which the art lies. This is followed by five outside viewpoints that look at the art up for license versus art that protects other routes to the same business outcome.

The first internal view is created by locating the art proposed for license on a figure representing the continuum of all company IP versus its probable value. This is a lognormal distribution. It is important to place the art on this line quickly and accurately. The position of the art versus all other art on the curve shows immediately how much effort one should expend on licensing the art in question. There is no point putting inordinate time and effort into projects with poor prospects of paying off.

The second internal view places the art in question on a "Use Grid." Patents are placed on grid rows based on which business they are protecting—growth businesses growing in double digits, core business with growth in single digits, or mature businesses holding their own or declining. Patents are placed in columns based on commercialization state of the product or process protected—Art protecting commercial products go in one column, strategic patents that support written strategic plans in another column, potentially strategic art in the GM's eye in a third column, and that art outside all of the above categories in the last column. Art for license typically shows up in the growth/outside part of the grid. Note that art located in the growth/commercial square is usually hard to license, as business managers want to use this IP to protect current profits.

The first of five external competitive assessment viewpoints is derived from citation analysis indicators. Comparative cited-by counts with target companies are run on the patents up for license. The average number of cited-by document counts, plus three times the standard deviation of cited-by counts for the industry segment, indicates which patents are statistically special cases. The cited–by metrics may be used during negotiations to indicate interest others would have in the work. (A word of caution: Cited-by metrics can be subject to company policies over time. This is also true of self-citations.)

The second external viewpoint of competitive assessment is to look at the IP "Value Map." It is formed by placing the company's patents field of use, along with similar art of others, on a grid one by one. The x-axis placement is determined by the relative cost to create and deliver the product, and the y-axis placement is determined by the relative performance of the product as perceived by customers. The art in the upper left quadrant is of high value to any licensee and should be negotiated with this in mind. Art in the lower right should be donated or abandoned outright. The upper right and lower left quadrants show the licensing executive whether to target licensee companies with high performance branded products or those with value "cost conscious" branding.

The third external viewpoint shows the velocity (business intensity) of the field in which the art up for license is a member. The overall velocity (patent count per year) can be broken down by company to show target licensees' posture. For example the target's business intensity may have been sporadic, entering and the withdrawing from the field in response to technical and market challenges. Another competitor may, for example, be a late entrant with deep pockets, investing heavily to gain a foothold and then a dominant position.

The fourth external comparison is accomplished via a radar or spider diagram of many metrics grouped into four areas. First group of metrics show the size of the portfolio up for license as compared to the market basket comprised of target companies' art in the field. This is done by geography, and by patent versus application counts. The second group of metrics shows the potential strength and validity of the portfolio as gauged at a high level by the number of references cited in the patents and at a detail level by a subject matter expert deconstructing and mapping the claims. The potential value of the art is likewise shown via the number of times a patent is cited by others at a high level and at a detail level by a subject matter expert using valuation estimators. The third group of metrics shows high level licensing opportunities from the standpoint of size, depth and breadth of the portfolios of the licensee and target companies. These are compared using standardized metrics coming from US and International Patent Classifications. Sustainability metrics are the fourth cluster of comparison values. These look to the number of company patents that have more than one assignee, indicating that there may be an issue with joint ownership of know-how. Multiple inventor metrics gives a feel for the number of people that can participate in the technology transfer of the art.

The last area of competitive assessment is to map the technology/business landscape. Software is used to create a three dimensional view of art related to the technology up for license. This landscape is then marked to show the position of each target company. The patterns that emanate from this map give insight into the most appropriate licensing posture. For instance the map might show that the licensee's work is focused in areas distinct from the target

companies'. Alternatively it might show one target company's portfolio overlaps most with the licensee's, or which target might make the most synergistic and / or dominating portfolio when the target company licensees the art.

These vivid tables, figures, and maps provide the vehicle by which licensing, technical and business data is converted successively to information and then to knowledge. In so doing, licensing targets are more easily identified, their needs understood, and negotiations go smoother and faster. The return on investment from good competitive assessment is orders of magnitude.

In summary, the benefits of good competitive assessments are (1) obtaining maximum value from an organization's intellectual property via faster, more informed decision-making throughout the licensing process, (2) new opportunity identification and validation, and (3) increased operational efficiencies and throughput. This gives an increased certainty that licensing decisions are sound, of higher quality, and people will stick to them after they make them.

Case Studies

Strategic Approaches to Value Extraction at Procter & Gamble

At Procter & Gamble, business proposals are often fleshed out in famous "one page memos," and sent to senior managers for their input or approval. An R&D manager at P&G, known for "out-of-the-box" thinking, believed that there was significant untapped potential in P&G's intellectual property portfolio. He proposed a small team be chartered to explore whether P&G's patents could be commercialized by outside parties, and in return generate a handsome new revenue stream for the Company. As he closed his memo, he confessed that he didn't know whether the venture would ultimately be successful. But, he argued, it was prudent to invest a few resources to try, and find out whether P&G's patents were truly Rembrandts, or merely "Elvis on velvet."

That was in 1996, and P&G created "Global Licensing" to do just that. A small group of about five managers under the leadership of Vice President Jeff Weedman set out to mine P&G's vast patent portfolio, and generate a monetary return.

The group had some early wins, including a strong deal for a proprietary form of calcium licensed to Tropicana. In fact, they were able to more than cover their costs in less than two years, which is an important early milestone for such efforts. However, there were significant limiters. "We had several organizational issues working against us," says Steve Baggott, currently Director of External Business Development & Global Licensing, and one of the team's founding members. "We were a profit center, so all the value we generated came back to Global Licensing. Thus, it was very difficult to secure resources in the business to present the technologies, or handle technology transfer, when the business received no credit." Beyond this, there was little visible senior management endorsement of the work. Finally, the licensing managers faced 160 years of Procter & Gamble mindset which jealously guards intellectual property. Licensing was in many respects very counter-cultural.

The group realized that these issues would be limiting. Without some intervention they would likely remain a small group delivering some value, but not terribly exciting within a $40 billion corporation. So, in mid 1999, they secured CEO agreement to several fundamental changes, which were deployed broadly in the Company.

- As a policy, all P&G technologies are candidates for licensing and external commercialization. Further, the technologies default to licensing three years after first in-market introduction, or five years after the patent issued. This was designed to offer P&G businesses a period of exclusivity, but to put tension in the system such that after a certain period, the clear expectation was that the patents would go outside.
- Technologies can be offered to competition.
- All value generated flowed back to the relevant business units who owned the IP and/or participated in the licensing work.

These policy changes formed a tipping point for P&G's external commercialization effort. Following this, businesses created internal teams to mine their patent portfolios and work with Global Licensing on the external commercialization process. Deal productivity significantly increased, and income followed as deals closed and came to fruition. "We knew we had come into our own when we had business units buying slots in our group," says Weedman. "To get more of our services, a global business unit would put one or more of their people, still on their budget, into our shop to work on their portfolio." The thinking also was that when the individual rotated back into another assignment in the business after 2-4 years, he or she would have had a strong, externally-focused broadening experience, and be a better manager because of it.

As the external commercialization and out-licensing of P&G's portfolio progressed, there was a growing sentiment within Company management and R&D leadership that external connections could accelerate P&G's own innovation effort. The thinking was that if P&G could succeed in bolstering the bottom line by out-licensing its own patents, the reverse to import complementary IP from outside P&G would also work. This too was rather counter-cultural, given a strong R&D focus and a "do-it-ourselves" ethic dating back to the Company's inception. However, there was a growing appreciation for the value that external capabilities could bring. Thus began an effort dubbed "Connect & Develop," a concerted approach to identifying external assets and capabilities which P&G could access to accelerate its own innovation efforts. This could include licensing patents, partnering to secure some needed capability, or even the purchase of emerging businesses.

Crest Spin Brush is a classic case. A company with strong roots in the

toy industry had developed and launched a brand called "Dr. John's SpinBrush." It was a low cost battery-operated toothbrush designed to compete with manual toothbrushes, not with other high-priced electric toothbrushes. Dr. John's had gotten off to a very strong start with several retailers, and was looking for external partners to help it expand. Discussions with P&G began around a license of the Crest trademark, and quickly evolved into serious interest in purchasing the emerging business. P&G did acquire Dr. John's Spin Brush, and now Crest SpinBrush has helped reinvigorate the total Crest franchise, along with P&G's own innovative Crest WhiteStrips product. Tapping into the Dr. John's business allowed P&G to quickly innovate the toothbrush category, and P&G's global scale and marketing capabilities are taking the strong fundamentals of the Spin Brush product as developed by Dr. John's to new heights. The business is now in more than 20 countries, and is more than four times the size it was when acquired.

Another notable example of P&G's new and more expansive approach to bringing products to market is a recently announced joint venture with Clorox. P&G had developed a breakthrough food wrap, and had successfully test marketed the product under the brand name "Impress." Despite the positive results, there were hurdles in the way of P&G's successful launch of the brand. Notably, there were three well-established players in the market, and the cost of creating a new brand can be formidable. Thus, P&G decided to explore other ways of taking the product to market. What finally resulted is a joint venture where Clorox contributed its established Glad business, while P&G contributed the IP around Impress, and a pipeline of future innovations. P&G secured a 10-20% equity stake in the joint venture, and believes this collaboration will result in better in-market results for Impress than going it alone. Notable in this deal is that P&G and Clorox are competitors in certain categories, but are collaborating on Glad, recognizing they have very complementary capabilities. "We expect to see more of these type of non-traditional go-to-market approaches that create value for all parties involved," says Weedman, who was the P&G point person on the deal with Clorox.

Now, after more than six years, what started as an experiment to get a return from unused and underused patents has become a strategic capability to extract value from P&G's IP, while connecting with IP assets and capabilities outside the Company to drive innovation (and profitable sales). "We've torn up our org chart about every year," says Baggott, "and continue to reinvent ourselves and our mission to drive more value for the Company."

Creating an Intellectual Property Business at Boeing.

The Boeing Company has always been a strong engineering company and with $54B in revenue last year, has the financial results to prove it. Being a generator of world-class technology to enable its business, Boeing recognized that there was a significant opportunity to leverage this core strength for greater value to the company and to the industry.

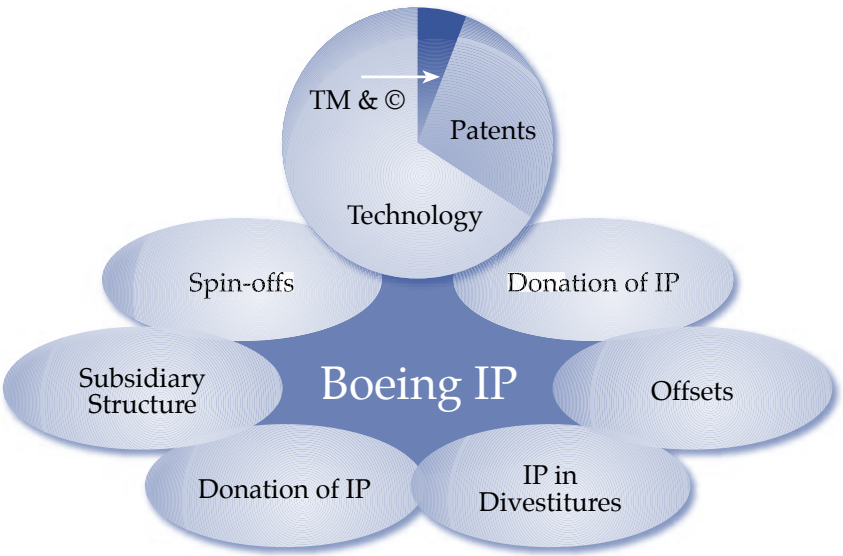
In 1999, Boeing's then senior Vice President of Technology understood that it would take a focused effort to leverage the strong intellectual property portfolio and broad technology base for greater value to the company. In addition to the creation of Boeing Ventures (Boeing's internal venture group), Boeing created the Intellectual Property Business. The first step was to recruit an industry veteran who had experience creating and successfully running a world-class IP organization. Gene Partlow was identified as the person who could do just that based on his successes at Lucent Technologies.

Under his leadership, Boeing created the Boeing Management Company, a wholly owned subsidiary of The Boeing Company, to be the organization responsible for the company's intellectual asset management. The subsidiary structure allowed the Intellectual Property Business (the internal organizational name) to become the one group overall responsible for IP matters within the Boeing Company while also maximizing the cost and management efficiencies of a separate unit.

This is not to say that the existing Boeing Business Unit's role decreased with respect to intellectual property. As we often see at companies with an established, centralized IP group, the business units and the IP group create synergies that allow the company to much more effectively create, manage and utilize its IP assets. This is a process that takes time and being a newly formed IP group, we are in the process of integrating and developing a tailored approach to each business unit and their particular strategy.

The Intellectual Property Business is one of three business units that report into the World Headquarters' Technology Office. The other two are Boeing Phantom Works, the company's advanced R&D group, and Boeing Ventures. Phantom Works, as a significant technology generator and member of the Boeing Technology Office, is an ideal partner for Boeing Ventures and the Intellectual Property Business. Part of the Boeing Ventures and IPB charter is to leverage the Boeing Company's technology and IP portfolio, and it has been important for the two groups to take a common approach to analyzing the portfolio and making joint commercialization decisions. For example, a certain laser technology may be best commercialized by creating a business around it or more value may be gained by licensing to an existing industry player. A high degree of communication is required to ensure the best decisions are made on the commercialization path.

The Intellectual Property Business has formed three operating groups based on the profile of the Boeing technology portfolio and overall market opportunities. These are Patents, Technology, and Trademarks & Copyrights. The Patent Group, led by Jim Tierney, a former senior licensing professional from Lucent, is focused on growing and leveraging the Boeing patent portfolio. This



Licensing at Boeing

group is comprised of technical and legal experts tasked with creating awareness for the value of patents to the company, encouraging the submission of invention disclosures to the Law Group, analyzing Boeing patents to industry uses, and engaging company's who would benefit from a patent license.

The Technology Group, led by Joe Chernesky, a former Intel licensing professional, is charged with working with all Boeing business units to better utilize the broad Boeing technology portfolio through various commercialization avenues such as licensing, donation, joint ventures, divestitures, transfer to suppliers, etc. For example, Boeing creates more individual software programs than Microsoft to support the diverse design, manufacturing, and support activities required of Boeing products. Through a focused Software Licensing program, Boeing has been able to transfer a number of these software technologies to enterprise software companies to enable a new product line or add features to their existing products. The Intellectual Property Group is also working with Boeing's supplier management organization to provide technologies to key suppliers more effectively.

The Trademark and Copyright group, led by Sandy Andrews, a veteran Boeing executive is responsible for leveraging the Boeing trademark and immense library of images and video. Boeing recently signed a long-term agreement with a toy maker to use the Boeing name on a line of children's science-based toys.

To summarize, the following illustrates the vehicles Boeing is using to gain greater value from its intellectual property and technology portfolio:

Being a large company with a variety of businesses, it is important to have a process that avoids conflicting uses of Boeing intellectual property. For example, one business unit may want to provide Boeing commercial airplane data to a supplier while doing so may impact another business units strategy for providing that data to an industry segment. Boeing has implemented an IP release process that facilitates communication between the various groups by having the sponsoring group "announce" their intentions to use Boeing intellectual property. If it is determined that that release will have a negative effect on another business unit, then the two groups meet to try to resolve by finding the optimal path. Occasionally, the two groups cannot agree and the issue is escalated through the management chain ultimately to the Chief Technology Officer.

The group chartered with developing and implementing the IP release process is the Intellectual Property Council which is made up of the President of the Boeing Management Company and senior technical and business leaders from each of the Boeing business units. The Council meets periodically to review the overall IP policy for the company and discuss ways to improve the overall process.

The Intellectual Property Business has the charter to develop the expertise to allow Boeing to protect and leverage more effectively its broad and deep technology and intellectual property portfolio. Even with a tough, dynamic economic environment, Boeing has been able to change its attitude successfully towards patents from a cost to an investment, and has been able to generate significant incremental value from this portfolio. With a focus on generating value by building a strong IPB team and doing it in collaboration with the many Boeing business units, Boeing will strengthen its position as a world-class technology provider to the industry.

Managing Intellectual Assets at BellSouth

On September 1, 1998, BellSouth Corporation in Atlanta incorporated the BellSouth Intellectual Property Management Corporation to manage and to protect BellSouth's intellectual property, and BellSouth Intellectual Property Marketing Corporation to market BellSouth's IP to third parties.

Prior to 1990, much of the emphasis on intellectual property was centered on trademarks. Most of BellSouth's equipment and software was purchased from Western Electric, which relied on Bell Labs to develop the technology which was shared among the Regional Bell Operating Companies. At that time, since BellSouth could not manufacture, no one worried about patents. However, BellSouth has always been a high tech company with many innovations so developing patentable technology was second nature. With the onset of fierce competition in the early and mid 90's, it became increasingly necessary to capture and

to protect those innovations.

In the early 1990's as BellSouth became more and more focused on meeting customer needs in an ever changing regulatory environment, they began to create unique products and services for customers and the next natural step was to move forward to protect those innovations with intellectual property. The education process on how to manage intellectual property alone was staggering and required changing the culture at BellSouth including educating nearly 100,000 employees over nine southeastern states. A day-long training awareness class was developed and the Science and Technology department, other development and engineering groups and the Supply Chain organization were all targeted for the first training classes. In addition, policies were formed and BellSouth implemented top down support for the intellectual property policies including how to handle confidential information and how to make sure we owned the technologies we were creating.

In 1997 the successes of the IP group were becoming well known throughout the corporation. BellSouth began getting requests from other telecommunications companies to license the technology that had been created internally. The idea of actually getting a return on investments for technology and patents was starting to take hold and BellSouth began to benchmark how the best in class intellectual property companies operated. Several Senior Officers recommended a business plan to the CEO that stated that if BellSouth committed resources to manage and to market BellSouth's intellectual property, a return on investment could come quickly.

In September 1998 BellSouth incorporated the BellSouth Intellectual Property Marketing Corporation and the BellSouth Intellectual Property Management Corporation. The group has always had a blend of legal and business folks that work together for a common goal. One of the most difficult jobs facing any intellectual property group was and is how to get the protectable intellectual property out of the minds of employees and to the patent office before the technology becomes outdated and stale or before someone else creates a competing product or service. BellSouth Intellectual Property Management Corporation hired an engineer to mine for patentable intellectual property and to make it easier to submit and file a BellSouth patent. In addition, professional licensing folks were brought on board and the IP Companies were off and running.

Goals

During the creation of the BellSouth Intellectual Property Management and Marketing Corporations, a set of goals was established to lead to success. As in any company, these goals are constantly reviewed and updated to reflect current business trends and mesh with BellSouth's competitive strategies. Protection is one of the main goals! Of course, in order to protect it, BellSouth still has to find innovative ways to educate employees on identifying IP and protection policies. Recently, that has included an intranet user-friendly training course for the masses.

BellSouth set up a program to reward innovation. Many companies reward their innovators with a nominal gift or monetary amount. BellSouth recognized the importance of protecting intellectual property by setting up a Patent Payments Program that offers payments to innovators who submit ideas that are filed with the U.S. Patent & Trademark Office, and an additional payment is made if and when that idea becomes a patent.

Public relations, both internal and external, are another key goal. Realizing this, BellSouth must continue to have a top down commitment for intellectual property and it is very important to socialize our goals at every level of management. Employees are BellSouth's most valuable asset in developing, identifying, protecting, and licensing intellectual property, so internal and external public relations are a critical component to the success of the IP Companies. External PR is important in "spreading the word" about our licensing program. Since 1999, numerous articles have appeared in national publications, trade journals and local newspapers on the success of BellSouth's IP companies. Much of this external PR leads to marketing opportunities that might not otherwise have occurred.

Marketing BellSouth innovations are another key objective. Revenue objectives are set every year and are key to the success of the IP Companies. Year after year, BellSouth IP Marketing has met and exceeded those revenue objectives.

R&D Efforts

The BellSouth Intellectual Property Management and Marketing Corporations have developed a strategy for IP development, protection and marketing that is closely aligned with BellSouth's overall strategic goals. Close association with the R&D groups from various BellSouth entities ensures competitive advantage in core strategic markets.

Internal partnerships with Supply Chain, Technology Directors, and the CTO have resulted in a huge increase in patent filings since 1998. Aggressive IP training and awareness have also contributed greatly to the dramatic increase in patent filings as well as resulted in a patent count of over 250 as of 2003. In addition, this year for the first time BellSouth made the PTO top 300 list as well as being granted the most patents of any Georgia company.

Licensing

BellSouth's strong patent portfolio has resulted in a wealth of marketing opportunities. Billing systems, call routing technology, data warehousing—all are technologies licensed to other companies. However, to be successful in licensing, the licensing directors must understand the technology and how it can potentially fill a need within a certain company. Contract specialists must have the ability to develop contracts that are beneficial to both parties.

Aggressive marketing is another key component to a successful licensing program. As mentioned earlier, external PR assists in making other companies aware of our IP li-

censing efforts. However, the licensing team must know the product and the competition in order to market BellSouth's IP aggressively. Licensing involves several components:

Source

- Potential assets are identified and market applicability is evaluated
- Internal commitment obtained
- Decide to move forward or not
- Extract the IP
- Document and "package" IP capabilities
- Protect
- Initiate asset protection plan
- Determine appropriate protections
- Gain asset legal protection
- Certify asset for offer and distribution
- Offer
- Create channel management strategy
- Determine appropriate channel partners, relationships and agreements
- Set joint channel partner strategy
- Monitor ongoing channel performance

Ongoing Challenges

Managing the ever-emerging patent portfolio has also been a challenge. Prosecution costs are high and the goal is to make good decisions on which technologies to pursue. Several patents that are related or a "family of patents" must be managed differently than a single-technology patent. As the numbers of pending and issued patents grow, it becomes increasingly more difficult to manage those assets closely.

Marketing technology, especially telecommunications technology, has been a challenge over the last two years. Despite the weak economy, however, BellSouth Intellectual Property Marketing Corporation has been able to meet and to exceed established revenue objectives. Identifying new technologies to market is always challenging and getting the licensing folks up to speed and knowledgeable on the technology takes time and much effort. Turning ideas and innovation into profitability is and will continue to be BellSouth Intellectual Property Corporation's biggest challenge and it's greatest reward.

Summary

The two general sets of practices, IP Strategy and Competitive Assessment are imbedded in the successful practices of the three company case studies that followed. However, each company's specific needs and culture have greatly affected the manner in which those Intellectual asset management practices have been employed. The lesson learned from the Add-on session at the September 2002 LES (U.S.A. and Canada) Annual Meeting, sponsored by the Intellectual Capital Management Committee (E-109), was that to realize untapped value from Intellectual Assets requires utilization of solid, known IAM practices by a committed team of practitioners under the sponsorship of senior company leadership. The current economic environment continues to put pressure on other corporations to follow the examples highlighted by the case study companies herein.