



Transitioning IP Departments from Cost Centers to Profit Lines

■ Parag Thakre

Businesses around the world increasingly understand the importance of Intellectual Property (IP) assets, such as patents, trademarks, copyrights and trade secrets. This includes many tech companies in India, as evidenced by the most recent Global Innovation Index published by the World Intellectual Property Organization. Last year, India was ranked 40th in innovation ecosystem performance, an improvement of six places on 2021 and a leap from its ranking of 81st place in 2015.

This Index reflects the growth in IP activity in India in recent years. For example, the number of patent applications has more than doubled, from less than 29,000 in 2006 to over 61,000 in 2021. Many of the country's most innovative and fastest-growing businesses are in sectors such as Information Technology (IT), software services, manufacturing, pharma, biotech, automobile, deep tech, etc. – where strong IP protection is vital to success.

Despite this recent progress, Indian companies lag many of their counterparts in Western Europe, North America and East Asia when it comes to generating revenue from innovation and putting IP at the heart of corporate strategy. Addressing this challenge is key if Indian businesses are going to succeed in the future knowledge-based economy.

WHAT IS THE BEST IP STRATEGY?

The first priority for any IP-based business should be to ensure IP is a revenue generator. There are many ways to do this, but they fall into three groups:

1) The most common strategy is product based: using IP rights to take innovation from the laboratory into the marketplace. The most successful product-focused businesses have rigorous processes to ensure that all the IP in the invention cycle is captured and fully commercialized and that the costs and revenues are properly mapped.

2) An alternative strategy is to create a licensing program to exploit IP assets. This requires investing in building a licensing team and creating partnerships, but once up and running, it can be highly profitable due to low

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ongoing costs. Licensing is critical to establishing standards in sectors where interoperability is crucial, such as telecoms and the Internet of Things.

3) A hybrid approach sees core intangible assets exploited internally and non-core assets licensed or sold. This can be very effective but requires planning to identify and assess new opportunities and respond to them on a continual basis. U.S. technology company Dolby, for example, has developed a sophisticated three-pronged IP strategy based on (1) the sale of cinema products, (2) branded technology licensing and (3) patent licensing, including through patent pools.

Whichever strategy your company pursues, certain steps will help your IP department thrive as a profit center

rather than persist as a cost center.

FIVE TIPS FOR SUCCESS

1. Earn Respect, Get Support

Earn respect and get support at the highest levels of the company. This ensures that IP is at the core of business decisions. For example, Fujio Mitarai, Chairman and CEO of Canon Inc., has emphasized the Japanese company's mantra of "Read a patent, rather than a paper; write a patent, rather than a report." Leading from the top, Mitarai himself has supported the IP Strategy Headquarters of Japan and the creation of the IP High Court. He has written about the importance of IP in creating a better society.

2. Get the Structure Right

Having the proper structure is essential. IP has traditionally been seen as the

legal department's responsibility, but an advanced strategy also involves marketing, accounting and tax functions, among others. In this regard, the importance of working closely with R&D, other business units and tech offices is difficult to overstate. Working collaboratively, these teams can devise a scoring system to rank inventions and then track that rating at different toll gates to assess the quality of the IP.

3. Build IP Literacy

Building IP literacy throughout the organization, from R&D to sales and marketing, is vital to ensure that new opportunities are grasped and strategic decisions are understood. Ideally, this should reach out to all stakeholders – investors, employees and customers – for instance, by publishing an annual IP report. Other initiatives could include



training and workshops, quizzes and recognition drives, such as awards and bonuses. Last year, for example, Chinese tech company Huawei hosted an event at which its IP Head presented the company’s patent business model and announced its annual top 10 innovation awards.

4. Identify IP Opportunities

Stepping back to identify IP prospects is crucial. It is very easy to get tied up in day-to-day management, so time should be allocated – including at the board level – to define the IP strategy and identify how to harvest innovation opportunities. In this context, Tata Consultancy Services (TCS) has developed collaborative invention mining to align inventions and business strategy. The TCS IP team has won national and international awards for commercializing IP and boosting creativity and innovation.


5. Review IP Strategy

The IP strategy should be constantly reviewed – preferably on a biannual

or annual basis – to ensure that it is relevant and appropriate and corresponds to any changes in the business, broader industry trends and competitor behavior. Consider how Nokia has evolved from being a product-based company, manufacturing mobile phones and other devices, to a highly successful licensing firm, extracting millions of dollars in revenue from its extensive portfolio of patents.

BECOMING A REVENUE GENERATOR

Intangible assets – including both registered IP rights such as patents and unregistered assets such as software, algorithms, technology know-how and data – are the bedrock of high-growth technology companies.

The scale of innovation in India suggests there is great potential for the next decade – but this will only be fulfilled if companies pay attention to turning IP management from a reactive or defensive support function into a proactive driver of corporate success. 



Parag Thakre is the Managing Director for the Dennemeyer Group in India, which provides end-to-end IP services and solutions globally. He is a technology and innovation-focused multidisciplinary leader with 20+ years of industry experience in applied research, IP, leadership and management. Parag has extensive experience leveraging holistic IP strategy and analytics as a business tool, including due diligence for M&A deals and new investments. Before joining Dennemeyer, he played an instrumental role in setting up and developing an IP monetization and valuation analytics team from the ground up for GE Global Research and GE Licensing & Tech Ventures.