

# The intangible investor

Written by  
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## Model behaviour

**Diverse businesses have made monetising patents more lucrative and less painful. They have come a long way, but are yet to be fully understood**

Civilisation required more than 2 million years to evolve from the Palaeolithic or Old Stone Age and the use of crude tools to the beginnings of the pre-industrial Bronze Age. It has taken the patent ecosystem about a decade to establish the foundation of its future.

IP humans are indeed working with better tools, but they are also doing what they do best: using their imagination.

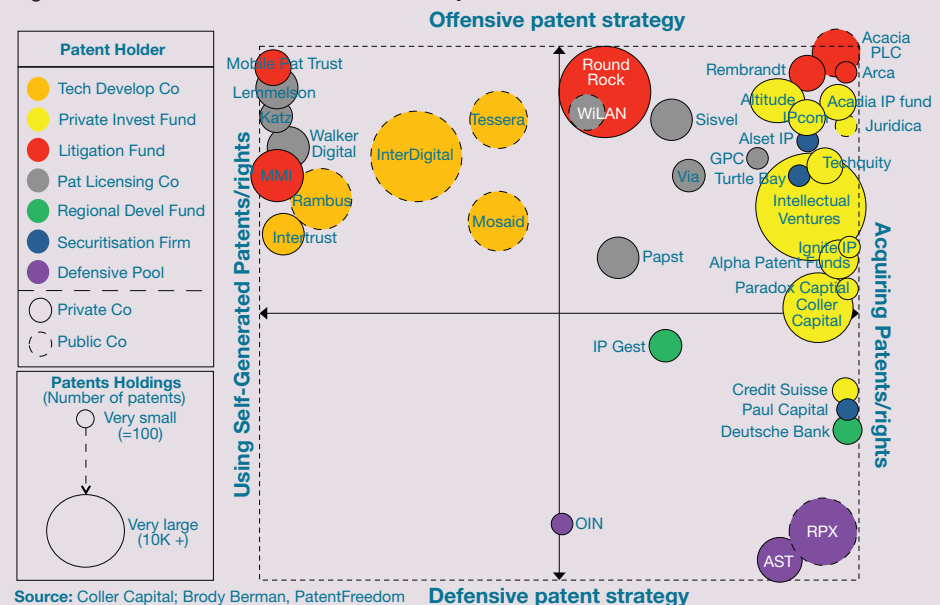
Peter Holden, head of IP Investments at Collier Capital, recently came to me with a graph which illustrates the IP acquisition marketplace. Peter asked me to review the approach and otherwise challenge the assumptions before going public with it. The result appears in “New models in response to changes in the global IP market” (*IAM* issue 48).

The acquisition marketplace looks at the amount and nature of key players’ funding. What the survey chose not to cover at that time are the number and source of their patents (ie, whether they originate internally or are acquired, or both), and the extent to which litigation plays a role in strategy. Brody Berman Associates fleshed out this alternate view in conjunction with Collier. We call it the patent monetisation landscape. (The graph is not drawn to exact scale and excludes operating companies.)

The result provides insight into how far IP management has come and the variety of ways in which patent value is now being leveraged. This portrait is far from definitive and invites further discussion, which we sincerely hope that readers will engage in. A full screen slide can be found on my blog, *IP Insider*.

It is not only the landscape for monetising patents that is evolving rapidly; so too are the business models and attitudes towards them. There are more buyers and there appears to be less of a stigma associated with selling to or sharing patents with businesses in a better position to extract value from them. At current count,

Figure 1. The Patent Monetisation Landscape



there are at least seven distinct types of patent monetiser. The myth of the simple patent troll has given way to complex business models (some with their own internally developed patents); those that acquire patents to combine with their own; and still others that acquire all the assets in their portfolio.

I hope that the patent monetisation landscape provides a springboard for discussion about the differences between current IP business models. I find them more compelling than the similarities. Some patent businesses do not sue; some do so occasionally; still others are almost entirely about litigation. Most appear to be well capitalised and some are under the radar. The landscape is more crowded than a decade ago, and it is likely to evolve as even more complex structures for extracting value are created and as operating companies grow more comfortable with alternative models.

Operating companies are learning that defraying those costs through a rights sale, purchase or partnership can provide valuable efficiencies and increased return without necessarily increasing the risk of litigation.

Specialty businesses (call them patent

monetisers), representing both non-practising and practising entities, are often in a better position to extract patent value than operating companies, small and medium-sized enterprises or independent inventors. The reasons include the ability to move faster and with fewer encumbrances; more experience; better access to monetisation capital; and added leverage through aggregation.

The reluctance on the part of many holders to allow third parties to extract financial return from their invention rights is finally abating. Monetisation is more of a necessary than many had initially realised (or were willing to admit). The past 10 years have made it clear that when it comes to generating a return on patents, one type of business strategy will not satisfy all rights or holders. Expect the next decade to offer an even broader range of monetisation styles and options and a more diverse group of participants to take advantage of them.

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