



Re-inventing the business of innovation

The greatest challenge – and opportunity – facing the business of innovation is to innovate around the business models it employs

Beyond the readership of *IAM*, when most people think of commercialising IP/innovation assets (assuming that they do at all), they most likely think of patent assertion. Patent litigation has been a high-profile, high-return, albeit uncertain and costly vehicle for realising value from IP assets. Yet the direct-to-product path for innovation assets – arguably the best use and image that intellectual property can have – is often overlooked. People walk the aisles in their local stores and see products and services, not vessels and delivery vehicles for innovation assets. If this, the most straightforward and prevalent business model for realising innovation value, is effectively invisible to people, then perhaps it's time to explore some of the new business paths to innovation value.

The business of innovation isn't just about inventing new technologies. In fact, the business of innovation is increasingly about innovation turned on itself: innovating new vehicles, assets and ecosystems; in short, success hinges on constantly innovating new business models. Like the underlying innovation assets, the business itself needs to evolve to stay relevant, efficient and profitable. Business innovation is our industry's strength and its future.

I have always been a huge believer in developing new theories for advantaged business models and marrying that with best practice in application. Intellectual property is a profoundly powerful and versatile business instrument, and lends itself to an equally profound breadth of commercial vehicles. To highlight the breadth of business models possible and profitable in the innovation business, for this issue of *IAM* I brought together a group of talented authors, each experienced in a different facet of the innovation business. They each speak to

the innovation ecosystem and the advantaged business models in their respective domains. I have also asked them to polish their crystal ball and hint at what new business models might look like.

To set the stage, following is a little context for the assembled articles and a foreshadowing of some of the themes that they visit. I am not worried about stealing their thunder, since these articles are lightning-strikes of information. And I am hopeful that the light they shed will open up new vehicles, paths and perspectives on how best to capture value from innovation.

We begin the journey with a fairly traditional vehicle, M&A. Nader Mousavi, a partner at Sullivan Cromwell, is our guide. Following a growing recognition of the value of intangibles in most operating companies, intellectual property is justifiably moving from an afterthought to a driver in M&A deals. This has helped to move M&A to a place where IP issues both inform and shape deal structure, valuation and even target selection. And by way of a teaser, Nader points the way to best practice by highlighting some spectacular failures to comprehend IP issues in M&A deals.

The increasingly demanding IP monetisation environment forces companies to think beyond corporate boundaries. Enter private equity. The private equity community, well funded and accustomed to aggregating assets from multiple sources, has found itself well positioned to exploit this kind of environment. Yet these favourable market conditions have also enticed more buyers to the market, inflated prices and strained supply. Peter Holden, head of the IP investment group at Collier Capital, walks us through the state of the private equity sector and how it may approach some of these challenges.

Next, Vincent Pluvinaige takes us on a whirlwind tour of the economic drivers and strategic objectives that either advantage or disadvantage the various IP-centric business models. It's an intricate balance, as creators and consumers of IP assets struggle with incentives, disincentives and the differential tension between them. Scale

also feature prominently, influencing asset aggregation, financing and even the size of entity involved. Speaking of scale, we explore the import and potential of small and medium-sized enterprises (SMEs) in this IP ecosystem, and equally how best to realise that largely nascent potential. SMEs are considered a primary source of both innovation and job creation, so their careful nurturing serves the broader innovation ecosystem.

Finally, we refocus our ideas about IP creation, from the traditional image of centralised R&D grinding out patents in assembly-line fashion to distributed communities of users spontaneously and independently contributing intellectual property. Dan Figueroa, director of legal & business affairs for Sony Computer Entertainment, guides us in our exploration of this user-generated content (UGC) business model. In many ways, creation of UGC intellectual property takes on a life of its own, often becoming living growing communities, extending what others have done. Because of this, UGC has proven equally as powerful and profitable in the marketplace as its deep research counterpart. Perhaps you have heard of some of these UGC communities, such as FaceBook and YouTube.

As guest editor of this issue, it was my great pleasure to help bring you these articles and I hope that you enjoy them. I also hope you take to heart a theme from Dan Figueroa's piece on UGC: build on these ideas and share them!

Damon C Matteo is Vice President and Chief Intellectual Property Officer of the Palo Alto Research Centre in Silicon Valley. cipoforum@gmail.com

The opinions expressed are solely those of the author