

Optimizing Intellectual Asset Valuation

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Revalyst

Harnessing the Power of Expertise

Revalyst™ is a very powerful knowledge based assessment framework. Revalyst™ can be purchased with expert libraries which can be used to promote organizational health by making use of its repeatable and highly efficient assessment and management tools. A corporation can also inventory its expertise and make use of Revalyst™ to author expertise and make it available for re-use. Revalyst™ allows you to capture, transfer and exploit internal expertise in a practical and all inclusive framework. Imagine all of the expertise that never gets articulated into a best practice, a review, evaluation and training or inspection framework. How valuable would it be for employees to capture and systematically apply an ever improving knowledge base to their work? Employee know-how is a highly valuable intellectual asset. Revalyst™ can capture that know-how and convert knowledge into an identifiable, structured and reusable asset for the benefit of employee development, quality assurance and productivity gains.

Revalyst™ can also be used as a consistent tool for evaluating intellectual asset management and providing a review mechanism to rationalize your intellectual asset management inventory and perhaps evaluate critical agreements. This process can be especially valuable when asset inventories are being built up for the first time or if a transaction such as an acquisition is being undertaken.

Revalyst™ for IAM is a sample assessment library, which is meant to be supplemented to meet a firm's analysis requirements. This document is intended to provide an understanding of the benefits of using Revalyst™, in conjunction with Nucleus and Catalyst, to optimize intellectual asset management.

Defining the Need

Intellectual assets represent a significant portion of market valuation. If you're a publicly traded company then we have an ongoing measure of valuation, market capitalization. For small or medium science and technology-based companies, your intellectual assets are likely to make up almost all of your valuation. If you are a government, university, foundation or some other institution, then your societal value is your market valuation. Regardless, you are principally worth much more than your financial and physical assets represent. That's because human capital and intellectual assets represent the bulk of the "going forward" value of any organization.

Unfortunately, many organizations do not even have an adequate inventory or understanding of their intellectual assets and the associated "idea, contributor and inventor" teams. Alignment of corporate strategy and intellectual asset investment is typically not "very in tune". It's easy to lose focus and invest in; non-beneficial ideas, irrelevant research and development, push through flawed agreements and over invest in non-performing teams and unproductive collaboration. The solution to this is to have, in place, an ongoing practical assessment capability that will assure alignment to corporate strategy.

There are a substantial number of people who make a living performing audits and or assessments of intellectual assets. Usually these individuals are external to the organization for three reasons; objectivity, availability and expertise. We believe that subject matter expertise should be retained in an information system that provides repeatable assessment capability against a corporation's assets, intangible or otherwise, and that the information should be retained and therefore remain perpetually useful to the organization. Furthermore, we believe that it is critical that the embedded expertise serves to educate the internal constituency and therefore, in and of itself, increases the probability of best practices through use of a self-assessment tool. Even if an external resource is used to assist in any given audit or assessment, at least the information will be retained in a consistent, organized, searchable and comparable basis.

Traditional approaches to auditing and assessment are exceedingly weak in a number of ways. Primarily they are inefficient, usually interview based, with weak collections of paper forms that are primitive in their orientation, guidelines and purpose. Secondly, they suffer the same expiry problem in terms of any paper output. They also need to be digested by some system or some analysis, a further redundant and inefficient step. The knowledge is

not what's on the page; it's what is in the person's head. Yet for many, if not most assessments, the knowledge can be and should be imparted into a knowledge system that is inherently integrated with the assessment. In doing so, you lower the bar on expertise and enable lesser skilled and/or inexperienced resources to be able to succeed, by providing them with assessment guidelines, a sound understanding of associated risk and opportunity factors, scoring wizards to remove subjectivity and access to references and solutions to provide "education on the spot". In other words, you grow your internal competency. Key to this strategy is that you are also retaining the value. External professionals often simply provide a series of documents that have limited value by their very nature. Each author will deliver substantially different content and in a variety of formats, each with, limited, future use.

Furthermore, each external professional, by necessity, will be providing assessments centered on assets, users and supporting information. They will do so by sampling or re-keying information. Sampling may be a reasonable auditing technique but when you are performing sweeping and or incremental assessments, you are performing best practices as a part of routine process. You therefore don't get the benefit of integrating the content with the assessment. These major components, which need to be integrated for both efficiency and ongoing utility, are largely disconnected in the old model.

It is by the very nature of assessments - a tedious, labor intensive requirement - that they are usually outsourced. We advocate that outside experts can certainly be complimentary, but that due diligence is a perpetual requirement and internal competency, information systems and knowledge must be foundation capabilities for any organization.

This is particularly true when it comes to intellectual assets, because we are frequently dealing with a large pool of content and a large disconnect in terms of succession. Frequently, case, trade secret, patent, agreement and inventor information resides in the heads of individuals. Many questions can be better addressed when internal talent is involved, possibly complimented by external expertise; What it's worth? Who might license it? Are there competitive alternatives? Could we create a portfolio? Is it in our strategic interest? Should we cross license? Should we abandon? Should we proceed? The questions go on at infinitum. More importantly, the relatively ineffectual discussions that break out every hour of every day in intellectual asset oriented companies are a huge invisible and hidden cost. Best practices must come in to play but around what framework? A substantive portion of corporate valuation is now predicated on the management of intellectual assets, yet traditional frameworks don't apply.

Our Solution

Our solution suite for **IAM (Intellectual Asset Management)** is novel in that it addresses the three pillars of valuation: (1) Nucleus™: IAM Accounting & Analysis, (2) Catalyst™: IAM Community and Culture and (3) Revalyst™: IAM Expertise and Due Diligence.

In principle, Revalyst™ is a knowledge based risk and opportunity management system. It allows a perpetual assessment (scoring) of knowledge-based criteria against assets of any type, including intangible assets. It serves as a means towards adopting best practices. At it's core is Analyst for™ which serves as the authoring tool and Revelation for™ that serves as the assessment tool. Analyst allows the authoring team to reference research information and to link to a solutions library. The solutions library could include products, services, web sites/portals, books, white papers, or link to Knowledge for™, our policy, procedure and process engine. Additionally, employees can receive pertinent questions on the assessment through our Survey for™ capability. These individuals may or may not be internal to your organization. Survey for™ provides an efficient way to poll the results.

Revalyst™ and Catalyst™ can be used with any custom or proprietary intellectual asset management system. You can import any type or kind of asset information using the user defined asset forms capability and you can associate categories to different types of assets. Below are some examples of the types of analysis that you can perform on a regular and or periodic basis.

What can it be used for

- (1) Intellectual asset marketing assessments
- (2) Intellectual asset protection assessments
- (3) Determining valuation of intellectual assets or strict IP
- (4) Pre-project commercial assessments
- (5) Pre-project social-impact assessments

- (6) Assessing strength and quality of R&D plans
- (7) Assessing performance of an R&D initiative
- (8) Assessing business, admin, IP and R&D/scientific staff's understanding, use and experience with internal policy, procedure and process and working tools
- (9) Collaborative agreement assessments
- (10) Assessing formulaic differences in licensing strategies
- (11) Assessing spin-offs successes and failures

Additionally, you can sweep an entire portfolio of intellectual property, resources, companies and agreements. Revalyst™ can import Nucleus™ information or perspective views from Catalyst™.

- a. Import light weight agreements
- b. Import license agreements
- c. Import financial agreements
- d. Import patents, trademarks, trade secrets etc.
- e. Import patent applications
- f. Import new invention disclosures
- g. Import inventors
- h. Import licensees

Example 1 : Marketing/Licensing Assessments

A classic example of ongoing analysis and triage would be the marketing and licensing assessment for intellectual assets, typically associated with formally protected assets ie intellectual property.

In Analyst for™ you can use this sample library and add to it or amend it as you see fit. But a classic example of IAM is the standard marketing and or licensing assessment. This is a common analysis for a science and technology firm, but it is also highly applicable to any innovation- based company.

CATEGORY: INVENTIONS

Assets : **Cases**
Group : **Marketing/Licensing Assessment**
Sub Group : **Strategic Fit**

- ❖ Science Engineering or Expertise base
 - Does the invention have a correlation to the organization's scientific, engineering and expertise base?
- ❖ Products and or Services
 - Does the invention have a fit with the organization's other Cases and or products?
- ❖ Markets
 - Does the invention have a fit with the organization's markets (which may include customers and or licensees?)
- ❖ Partners
 - Does the invention have a fit with strategic partners, cross licensees, contractors/suppliers, customers, philanthropic partners, barter channels etc?

Sub Group : Strategic Significance

- ❖ Uniqueness
- ❖ Alternatives
- ❖ Visibility and brand enhancement
- ❖ Revolutionary
- ❖ Market size

- ❖ Impact or potential position in market place
- ❖ Proprietary life expectancy

Sub Group : Economic flexibility

- ❖ Philanthropic
- ❖ Spin-off
- ❖ Cross-license/trade/barter
- ❖ License
- ❖ License with exclusivity
- ❖ Finance and go to Market

Sub Group : Leadership strengths

- ❖ Matching new societal and regulatory requirements (Compliance for safety, environmental, disclosure, quality etc.)
- ❖ Efficiency/accuracy/effectiveness
- ❖ Founding technology

Sub Group : Economic yield

- ❖ Reliability and significance of gross margin spread
- ❖ Predictable revenue
- ❖ Predictable cost structure
- ❖ Size and continuity of profit margin
- ❖ Accessibility to markets at reasonable cost
- ❖ Vulnerability to lengthy sales negotiation cycle

Sub Group : Societal Regulatory and Legal Risks

- ❖ Health and safety
- ❖ Privacy
- ❖ Security
- ❖ International/global issues

EXAMPLE 2 - CONSISTENT ASSESSMENT OF LICENSE AGREEMENTS AND THE STATUS OF SUCH AGREEMENTS AND RELATIONSHIPS WITH LICENSEES

Category : Agreements

Assets : Licenses

Group : License Agreement Assessment

Sub Group : Accruing Benefits

- ❖ Revenue rewards
- ❖ Exposure to new opportunities, brand or image enhancement
- ❖ Further development prospects and lowering of costs
- ❖ Philanthropic or social benefits

Sub Group : Associated Risks

- ❖ Strength of reporting requirements
- ❖ Ability to audit
- ❖ Probability of high audit costs
- ❖ Audit result enforcement risks

Sub Group : Strength of Terms and Conditions

- ❖ Termination
- ❖ Geographic limitations and risks
- ❖ Sublicensing rights
- ❖ Fields of Use
- ❖ Improvements

All of these issues can be authored with full supporting guidelines and scoring wizards for performing the assessment. Weighting can be established to correspond to your corporate objectives and or priorities. Multiple assessments can be performed and compared since time changes perspective, valuation, risk and opportunity. Any Category, Group, Sub-group or Issue can be authored with supporting information from URL's to Portals to documents, white papers, books, periodicals or Knowledge for™ our policy, procedure, process and guidelines engine.

Additional Benefits

Revalyst™ provides integration efficiencies when used with Nucleus™ and Catalyst™. Revalyst™ can also be used for a broad variety of knowledge based due diligence. In particular for science and technology environments, standard libraries for Health, Safety and Facilities as well as Information Technology may prove to be highly valuable. In addition, research lab managers will likely find it prudent and beneficial to create custom libraries for regular assessment tied to equipment, storage, testing, material transfer, disposal, cleanliness, work logs, event management etc. Through it's integration with Catalyst™, an organization can develop and tune policy, procedure process and guidelines that are highly accessible and provide for discussion feedback, revision management, multiple authorship and distribution. The survey capability can assist in efficiently polling your research and development members on issue related content.

An Ongoing Trusted Relationship



Revalyst™, Nucleus™ and Catalyst™ represent the foundation™ for life cycle intellectual asset management and due diligence in a practical and highly productive framework. Unlike a book, Revalyst™ is ever evolving, through our continuously updated content publishing, and your specific additions and improvements that are unique to your situation.

Future Path is committed to providing the best foundation software for the optimization of organizational value whether that value is measured in societal or economic benefits. Our company is committed to providing efficient and effective life cycle intellectual asset management and due diligence. Measure, mentor, and manage.



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