

INTELLECTUAL PROPERTY

Those lucrative intangibles

IN HARD TIMES, finance chiefs extract value from every asset in sight. But what about the assets they can't see, like copyrights, patents and trade secrets?

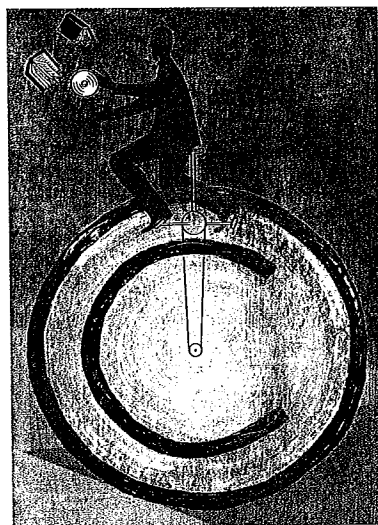
Intellectual property (IP) may be intangible, but it can fetch substantial sums. A growing industry has sprouted to serve companies seeking to shake loose extra cash from IP. "There's a new landscape out there for companies that need to figure out what their IP is worth and how to sell it," says Edward Black, partner at law firm Ropes & Gray.

In the past, corporate patents showed up on a CFO's radar once a year, "when they got a budget for patent filings," says Ron Epstein, founder of consultancy IPotential. "Even then, they just left it to the lawyers. Now they are asking for patents to be aligned with the business objectives." Companies such as Motorola and British Telecom have hired IPotential to sell licences for "non-core" patents.

"More and more, selling IP is a path to liquidity," says John Scully, co-founder and CFO of Ecliptic Enterprises, which makes hardware for rockets, missiles and satellites. There are a number of such paths in the emerging IP marketplace. Here are the most common routes, along with some of their pros and cons:

Contact a patent aggregator. All these businesses do is buy and sell IP. One example is Intellectual Ventures, whose co-founders include Nathan Myhrvold, former chief strategist at Microsoft. Intellectual Ventures holds 20,000 patents and other IP assets, which it bundles and leases. Pros: patent aggregators buy rights directly from owners, whereas most big companies don't. Cons: they are likely to drive a hard bargain.

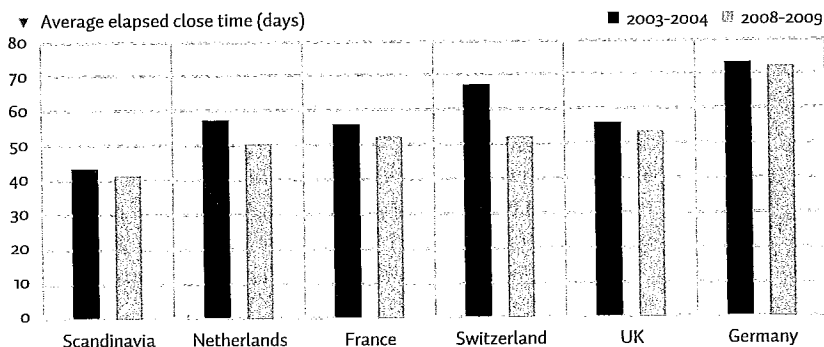
Find the highest bidder. In 2006 Ocean Tomo, an IP asset-management firm, began sponsoring public auctions of carefully screened IP twice a year. Potential bidders receive a catalogue describing up-for-grabs assets two months in advance, but are responsible for conducting their own due diligence. Pros: it's quick and uncomplicated and can be done by phone. Cons: the bidding crowd may include competitors. Also, bidders who may not know what the IP is worth could drag prices down.



REPORTING

Rapid reaction

LIKE RIPPING OFF A PLASTER instead of slowly prolonging the pain, companies are reporting unaudited results—the good, bad and (often) ugly—faster than ever before. According to a new report by BPM International, a consulting network, Europe's largest listed companies shaved time off the year-end reporting cycle this year. "Those who have the fastest external reporting close cycles will typically have some of the most effective and efficient finance processes and systems," the consultants note.



Hire an expert. A number of IP consulting firms serve as high-level matchmakers, much like traditional investment bankers. Companies such as IPotential and IPinvestments Group perform a market analysis, use their contacts to identify potential buyers and help conduct the transaction. IP expert Gabe Fried says his business, Streambank, has switched from mostly serving lenders looking to secure collateral to selling the IP of companies in liquidation. "When we show up, it's not a good situation," he says. "We're like the morticians." Pros: patent advisers streamline the process, using their networks to find prospects willing to pay a premium price. Cons: a hefty chunk of that payment (roughly 25%) becomes the broker's commission. —JOSH HYATT

Ken Orvidas/theisporc AP (opposite)