

10 Questions an Investor Should Ask About Intellectual Property

Intellectual Property (IP) is one of the most valuable assets of an innovative company even if it is intangible. However, IP is very complex, and it can be challenging to manage it cost-effectively. As an investor, you oversee that the company's funds are spent optimally and that the company is taking steps to avoid legal disputes while harvesting the power of IP. Here are some questions to regularly put on the agenda when you meet with your portfolio companies:

Q1 Does the company foster an **innovation minded culture** are employees knowledgeable about IP? Do they know how to avoid unintentional loss of IP? Does someone have a clear mandate to devote the necessary resources and time to implement the IP strategy?

Q2 Does the company implement and effectively use **consistent IP processes** such as invention disclosure and patent marking processes? Is there an IP check-in gate in the product development processes to make sure a decision is made on what needs to be protected (including trademarks and trade secrets)?

Q3 Do all the company's **employment contracts** (including the founders) include proper non-disclosure and IP assignment clauses, not only for patents but also for trade-secrets, industrial designs, copyrights, and trademarks?

Q4 Does the company have consistent and reliable **portfolio management processes** to ensure the portfolio is always due-diligence ready while tracking the cost of each application and operating within a defined budget?

Q5 Does the company implement an effective process to **manage trade-secrets** to ensure their value is optimized?

Q6 Does the company use **IP searching** to help with competitive positioning and proactively finding new competitors/partners and assessing competitors?

Q7 Does the company **evaluate the freedom to operate (FTO)** risk involved in implementing new features and establish contingency plans ahead of time (design around or licensing cost built in the pricing)? Is the FTO risk assessment updated after 6 months to review recently published applications?

Q8 Does the company have a **planned filing strategy** to maximize value of the IP (i.e. patent vs trade secret vs industrial design vs proactive publication)?

Q9 Does the company look for **existing IP available for acquisition** as a cost-effective source of R&D and to augment their IP war chest?

Q10 Does the company have **regular IP portfolio review** to identify the "crown jewels", and to divest assets no longer core to the business and create a revenue source? Is the value of the IP portfolio taken into account in the company's valuation?

As you review your investments and prepare for follow on rounds you want to make sure you are harvesting the maximum value of the IP portfolio. If it is managed cost-effectively, the company can truly harness the power of Intellectual property to significantly increase its valuation and profitability therefore delivering extra value to the investors.