

# **INTELLECTUAL PROPERTY PORTFOLIO MANAGEMENT**

**Professor Name – Prof. Rajat Agrawal**

**Department Name – Department of Interdisciplinary**

**Institute Name – IIT, Roorkee**

**Week - 08**

**Lecture - 37**

Welcome friends, we are talking of various aspects of IP portfolio management and one of the important issue in this IP portfolio is doing the IP audit of our portfolio or rather I can say simply doing audit of our portfolio. Why audit is required? We do audit in finance, we do audit in accounts. The basic purpose of auditing is whatever we have specified.

whatever we have identified as our process whether things are happening as per that process or not. So, it is a kind of a controlling activity. So, that if you can remember in one of the session we discussed about lean IP that whatever IP assets are not adding value to our portfolio we should identify and we should remove those IPs. Similarly, In creation of our IP processes, in entire IP management in my organization, if I want to become a lean IP organization, I need to see that whether there is any wasteful activity in my process or not.

We discussed about smart searches, that how smart search can reduce our time of doing the prior art survey and because of that, you will be able to do more effective IP management. you will be able to reduce the cost and same we are going to discuss in this particular session on IP audits. Now, when I talk of IP audit, we will be covering what is IP audit? Why should we do this IP audit? different types of IP audit like general purpose IP audit, event driven IP audit, limited purpose focused IP audit then who is the right person the insiders or the outsiders

who is the right person to do your IP audit, the various issues in completing the IP audits. We will discuss one or two interesting examples also related to IP audits that how you become lean also and you are able to save a lot of money because of appropriate IP audits. So, we see that we have tangible assets, intangible assets doing audit. of tangible

assets is very common every year like in our institutions also we do physical verification of all our assets. Whatever there is a register we have the register is known as our stock register.

And in that stock register there are two parts one part has major assets another part has minor assets. So, stock register is there and that stock register has major and minor assets. And in this major minor, every year, we have to do a physical verification. And with that physical verification, there are two very important purpose. One is whether all the assets, all the equipments, other tools etc.

are physically available in my store or not. It is quite possible that somebody has steal those assets. So, that is one thing verification. of existence that these assets are there. And second is you can also check their physical condition whether these computer, photocopy machines, printers are in the working condition or not can they be serviced or not and if they are not serviceable then you can think of

Writing off, if okay, very good. If, let us say, if not okay, you can think of a write-off. Remove it from your stocks. Why unnecessarily keep your space occupied because of these unserviceable printers, photocopy machines, furniture, UPS etc. And unfortunately wherever you go,

and I think you must be associated with some college, university, industry etc. In that also you must have seen that there are large number of printers, computers, UPS, cameras, projectors, screens, old wall clocks remain stocked in a corner that is unserviceable you are not going to use them but still they are there because proper physical verification is not happening. So, if physical verification happens, you can actually check whether all those items are there or not and how many of them can be serviced, repaired and how many of them are totally unserviceable. And therefore, this is a system we follow in our tangible assets case. Now, we also have a register where we have all our IP assets also mentioned.

So, we are saying that we need to do this kind of verification in terms of our IP resources also which we are terming as IP audit. Now let us see the issue what is there in this IP audit. So, it is the systematic review of owned IP, used IP or acquired IP by a business so as to assess and manage risk. remedy problems and implement best practices in IP asset management. Because when you have your IP portfolio, this IP portfolio may have own IP, it may have acquired IP, it may have joint IP,

because you are the owner and there may be some other academic institution or industry which is the joint owner of this particular IP. So, there may be different types of IP assets in your IP portfolio and you need to have that complete information when you are doing the IP audit. The second type of information which you are able to create or collect that what are the different types of risks you may remember that in one of the class we discussed about SWOT. SWOT (Strength Weakness Opportunity Threat). So, in fact, when we are doing IP audit that SWOT also becomes a part of this IP audit.

So, risk means the threats which we are having from the environment the remedy problems means how you are able to opportunity use that opportunity for your benefit etc. So, you do entire SWOT analysis for IP audit, and these are two very important outcomes of this particular exercise of systematic review. Now, it involves undertaking a comprehensive review of company's IP assets, related agreements, relevant policies and compliance procedures. So, not only it includes

that which IP I own, which IP I have acquired from somewhere else which are the joint IP. But I will also be able to list all my IP policies. I will be able to create a database of all the MoUs related to IP management. For example, I am an educational institute, I have done MoU with one company which is involved in marketing of IP. So, they will market, we will create and whatever is the realization out of this activity, we will share in a particular ratio may be 50-50, may be 70-30, may be 60-40 etc.

So, all these type of documentation. is creating at a single place is also the part of our IP audit. Now, why should we do an IP audit? What is the importance of doing audit? What are you going to gain with this IP audit?

One thing I mentioned in the beginning of this session that you will understand that what type of IP assets I have And accordingly, those assets which are not going to add value, you can discard them, you may become a lean organization, you will become more efficient IP portfolio holder, all those things are possible. So, it enables a company to identify its IP assets. what IP assets it has and what IP assets it is using which the company is not owning but the IP assets are owned by somebody else and you have taken the rights to use that. So, that is the one level of outcome you will get from IP audit.

Then you will be able to make decisions for these assets. and you need to keep your business objectives in your mind while you are using this information for making any kind of decision. Then for every type of IP asset you have which are useful, which are usable, you will also use this information that how you are going to exploit them, and

how you are going to create money, economic value from these IPs. Then another thing is does it own rights to them or do others what should be done to acquire rights.

For example, in your IP asset audit you realize that you are using some technology which you are not owning which is available with somebody else then what type of licensing assignment agreements need to be signed with them that also is only possible when you do a thorough IP audit. And then you also need to see Threats by others to those who have actual rights. And in that way, you are able to see the side where you are weak, because IP is owned by somebody else, you are using that IP.

So, what type of threats are possible to you, that is also a very important outcome, so that you can prepare for those threats. Otherwise, all of a sudden, a threat or a problem comes, and you may not be ready to handle those problems. So, that is also a reason we should do IP audit. three types of IP audits are discussed in the literature and practiced. General purpose IP audits, event driven IP audits and limited purpose focused IP audits.

So, let us see first general purpose IP audit. In the general purpose IP audit which can be done anytime which can be done anytime generally general purpose IP audit is when you are starting a new company and you should know in the beginning that what are the IPs you are owning. And if you are not owning the IP, whatever is the technology of your business on which you want to start your business, startup, whether there is a need to protect any kind of technology you have. That is the first important type of thing that is a routine activity.

So, it is known as general purpose IP audit. Then, whenever you are thinking of implementing new policies, then also you can do your IP audit. So, new policies, new standards, and procedures related to IP, if you want to implement, you do an IP audit, so that you see that what is the impact of these new policies, standards, etc. when a business is considering implementing a new marketing approach or direction or is planning a major reorganization of the company. So, if it is happening the IP audit is happening at this time it is also general purpose IP audit.

whenever a new person is joining or becoming the head of your IP management activities, then you also do an IP audit because now you have to monitor and track the performance of this particular person. So, you see that when you joined in 2023 our IP portfolio was having this much of size and now in 2025 our IP portfolio has become of this size. So, whenever someone new joins your ecosystem then, you also need to do this general-purpose IP audit. Then second type of IP audit is event driven IP audit.

This is the first type. this is the second type of IP audit. Event driven event means some particular incidence. So, event driven IP audit is often called IP due diligence when done to assess the value and risk of a target company's IP assets. So, in this case you do proper due diligence

and you have to do this IP audit in a more comprehensive manner including the financial, commercial, other legal risk associated to the target company's IP portfolio and this IP audit event driven IP audit. So, you can think of various types of examples like I will give in case of startups. When startup is going for getting some funding from investor. So, it is an event.

and the other party the investor it may be VC it can be angel investor they do a kind of IP audit. So, this IP audit is event driven IP audit where you have a very specific event of getting the funding and therefore the company which is supposed to help you may do an IP audit of your company that is event driven IP audit. So, generally whenever you have the issue of M&A or JV financial requirements, buying or selling a business division or IP transfer, launching a new product or service, bankruptcy, layoff, etc. So, these are the different situations where we do this event driven IP audit.

Then the third is limited purpose focused IP. So, like in case of personal turnovers, foreign IP filings, or significant changes in our IP law and practices, it is quite possible that you do an IP audit for a very limited purpose. The purpose can be personal turnover. For example, before a major personal turnover of in-house R&D or marketing staff, especially if they are dismantled employees and IP audit should be done to secure the status of company's IP assets.

And I have seen various such cases where you are head of your IP activity, now you are leaving the organization. So, entire knowledge is also transferring with you to a new organization. and then this person transfers that entire knowledge to that new organization. So, this is related to personal turnover that is generally happening. So, whenever there is a possibility of someone leaving your organisation, you need to have limited purpose focused IP audit.

For an IP filing, before a company takes up an aggressive program of filing IP applications in other countries, IP audit helps to sensitise the company to market specific IP laws, rules, customs, and practices affecting IP rights. Because different countries have different rules, rules mean what can be protected, what cannot be protected. So, this IP audit whenever you are going for foreign filing, it is very useful to take a good call

without wasting much of your monetary resources. significant changes in IP law and practice that is whenever there is some kind of change happens in IP related laws and practices that is also a trigger point for doing your IP audit.

Now, another important question that we would like to answer is who should perform an IP audit. Who should perform your IP audit? As I said in the beginning of the session that either company personnel, in-house counsel, and management people in the organization who understand IPR, they can also do the IP audit for your organization. Here, the audit team should include expertise in IP, the relevant technical areas as well as from other relevant areas of the company.

So, that is one possibility that you create in house team and there is a presentation etc or whatever is the form you can do the IP audit in this case. A basic understanding of the product lines, relevant business environment, company future plans etc all these should be known to the team which is going to do the IP audit. The second is outside expert. So, this was company personals are inside and outside are who are not on the role of IIT. And should have experience in technology involved.

So, there are different types of consultants these days available. These consultants may come from two fields. One is field of IP and another is field of technology. For example, there are fields like healthcare. there may be field like agriculture, there can be field like manufacturing etc.

So, you need to have experts who are experts in technology and, at the same time, in IP-related matters. So, you can do in house or you can involve the outside experts also. Now, when we are auditing our IP assets, so in that case what is the process? So, to start the audit of the IP assets of the company, there are four stages process, and these are those stages.

Identifying and recording the IP assets, we can follow a particular classification scheme. Determining ownership and legal status of the IP assets. So, let us say Rajat, Shyam Sharad and Pankaj. So, you need to see that how many IP assets I have and then whether it is owned by Rajat, owned by Shyam, owned by Sharad and owned by Pankaj.

Now, the second question I have to answer whether this is owned or this is licensed. own and license. So, not only have you identified the ownership of the status IP status as well but you have also identified their current status, whether they are live or dead.

Determining infringement of IP rights. whether there is any chances of infringement of a particular IP or all IPs are properly protected under your exclusive right.

And then taking necessary steps for creating and maintaining IP assets. So, it is a continuous process. you have identified, recorded, and detected infringement, but you need to see what new innovations you do to strengthen the IP ecosystem by creating and maintaining IP assets. After completing the IP audit, what we do? So, the results of IP audit,

are very well used by IP analysis organizations. IP analysis, as I already discussed in our earlier sessions, is a field of IP analytics. So, the entire data which you have generated in IP audit can be used for IP analysis or IP analytics. Evaluating IP assets, what are the different types of IP assets you have. So, evaluation of all the IP assets, overall review of IP assets, IP policy, preventing or being prepared for litigations and business strategy formulation.

So, you understand that using your IP knowledge, you can go up to the business strategy formulation. There is a very interesting example I would like to share. The example comes from the American multinational chemical organization 'Dow'. Now, "Dow" this example we have taken from WIPO it says that a patent audit was done when they were having around 29,000 patents. And what they did as part of the audit it is very important to note that each patent was classified either as company is already using company has a plan to use that patent and company is also ensured that they will not be using this particular patent.

So, you have a three categories one is using already on the second is they say that yes we will use in future. And then, third category is which is interesting that they will not use. Now, when they say that they will not use it, it means these are non-value-adding IPs and therefore, you can remove them from your basket. So, the decision were made as to the value of the patents and what should be done about them. Now, once we have understood that using will be using that is the future applicability and will not use means these are totally wasteful died patents.

So, the result of the audit was that only 30 % of Dow's patents at the time were of a strategic nature. So, out of all the 29,000 patents you see that only 30% patents. somewhere close to 8500 patents are under strategic rule, and the remaining more than 20,000 patents either will be used or will not be used. So, that is the kind of issue we are able to identify by doing this IP audit and when they used to tell others it was difficult to

believe, but what they did while the others were expendable either as donations or to collect tax deduction or to be sold or abandoned.

Now, what happened that after these exercises of "Dow Chemical" they realized instant saving of 50 million US dollar, 50 million US dollar over a period of 10 years and an increase in annual license revenue from 25 million per year to 100 million per year. So, you see that with this IP audit there are so many benefits related benefits that you save the cost, you are now managing only few limited you can say IP portfolio. So, you have achieved the objective of lean IP also, you have minimized your waste and that is why this "Dow Chemicals" example is a very interesting example.

And with this we come to end of this particular session where we understood that what is IP audit, what are the different types of IP audit and what is the process of doing the IP audit, what types of information you are going to get from this IP audit activities. So, with this we conclude this particular session. Thank you very much.