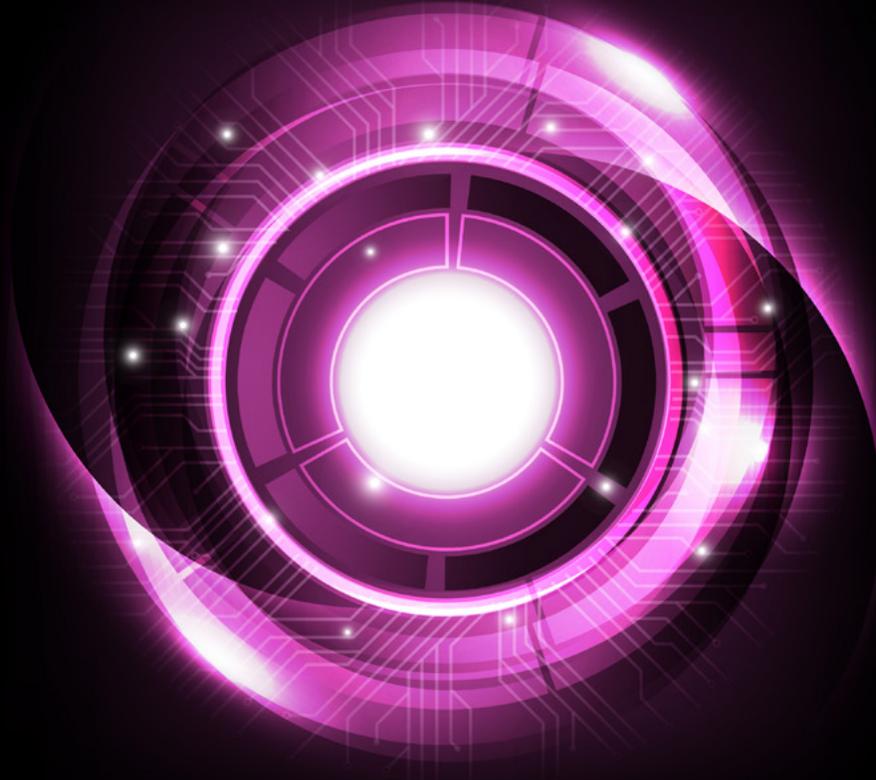


Deloitte.



The CLO strategist: Intellectual property

A framework for CLOs to lead in developing an effective IP strategy

Introduction

Suppose your organization made an important discovery and leveraged IP protections to secure your interest in it. If you kept the rights to the discovery, it could generate significant business revenue. If you released the rights, it could unleash broader, faster innovation.



Keep IP proprietary

Preserve the organization's business interests



Middle ground

Protect IP and then liberally license with restrictions/requirements



Make IP public

Unleash broader innovation

! CASE IN POINT

In 1995, in collaboration with Washington University in St. Louis, Merck launched a public database of gene sequences. By enabling the unrestricted exchange of this information, the Merck Gene Index helped researchers identify disease-related genes faster and unpack different ways diseases can progress, opening the door to the formulation of new drugs designed to help combat these diseases.¹

A strong IP strategy can guide decisions like this. At the same time, it creates an opportunity for the chief legal officer (CLO) to:

- Lead in an area of commercial significance
- Wield greater influence within the organization
- Support the success of the enterprise

But what formula makes an IP strategy strong?

The two key factors to the formula are alignment with the enterprise strategy and the CLO's ability to build and leverage cross-functional relationships.

Alignment

+

Relationships

=

Strong IP Strategy

Strategic alignment is important because the way IP assets are managed can affect growth, asset value, and the company's success in the marketplace. As business decisions shift in response to changing conditions, an effective IP strategy shifts in tandem to continue supporting commercial goals.

Relationships are important because responsibility for IP strategy is usually not the sole purview of the CLO. It may also fall to other functions, such as:

- Research and development
- Marketing
- Sales
- Finance
- Cybersecurity
- Human resources
- Technology teams

Getting this formula right yields an IP strategy that may:

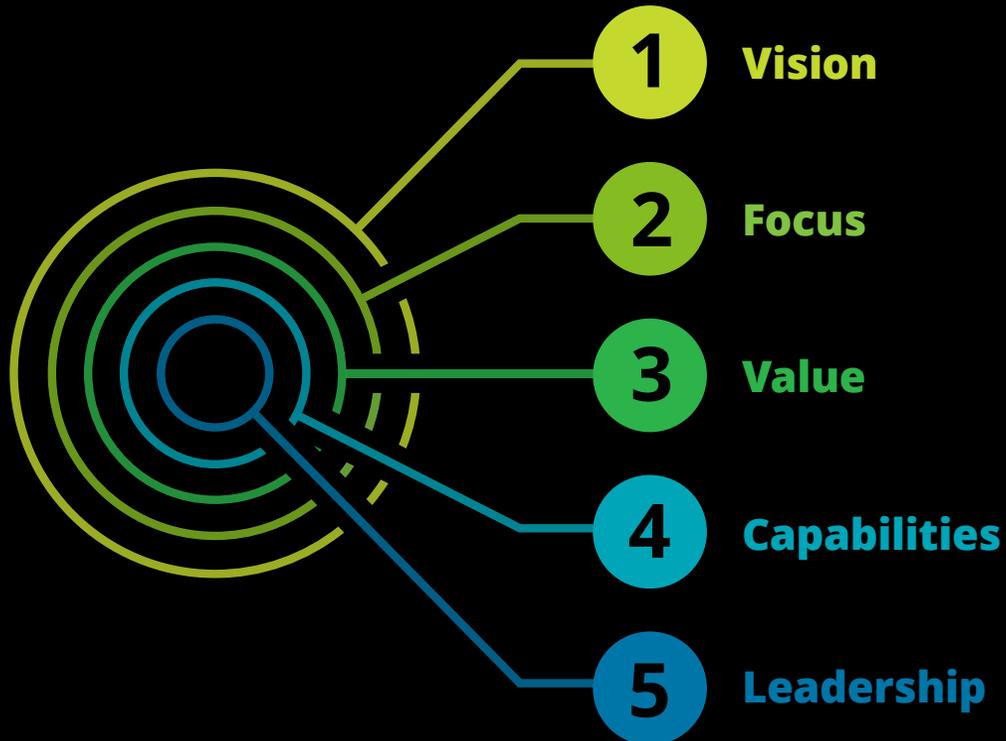
- Drive competitive advantage
- Boost revenue
- Protect and preserve assets
- Safeguard investments in research and development
- Mitigate risk of infringement

To develop a strong IP strategy, aligned with the business strategy and focused on the strength of cross-functional relationships, consider the five self-reinforcing choices.

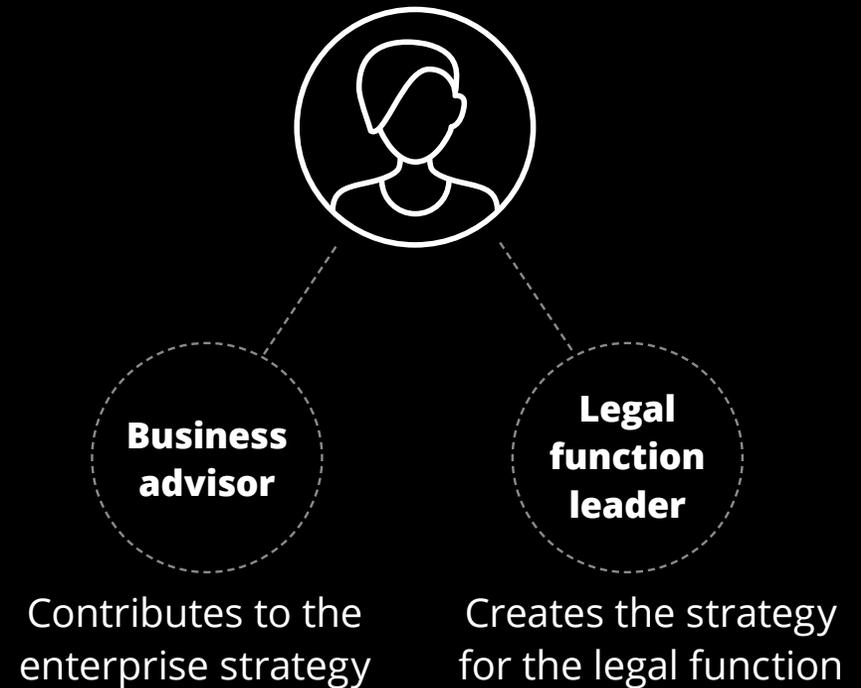
For a deeper discussion of the five self-reinforcing choices, please see "The CLO strategist" overview article.²

The five self-reinforcing choices

Strategy can be viewed as the result of five self-reinforcing choices, which we've adapted from Lafley and Martin's seminal guide:³



As a strategist, the CLO wears two hats:



Let's look at IP strategy through the lens of these five choices.

1

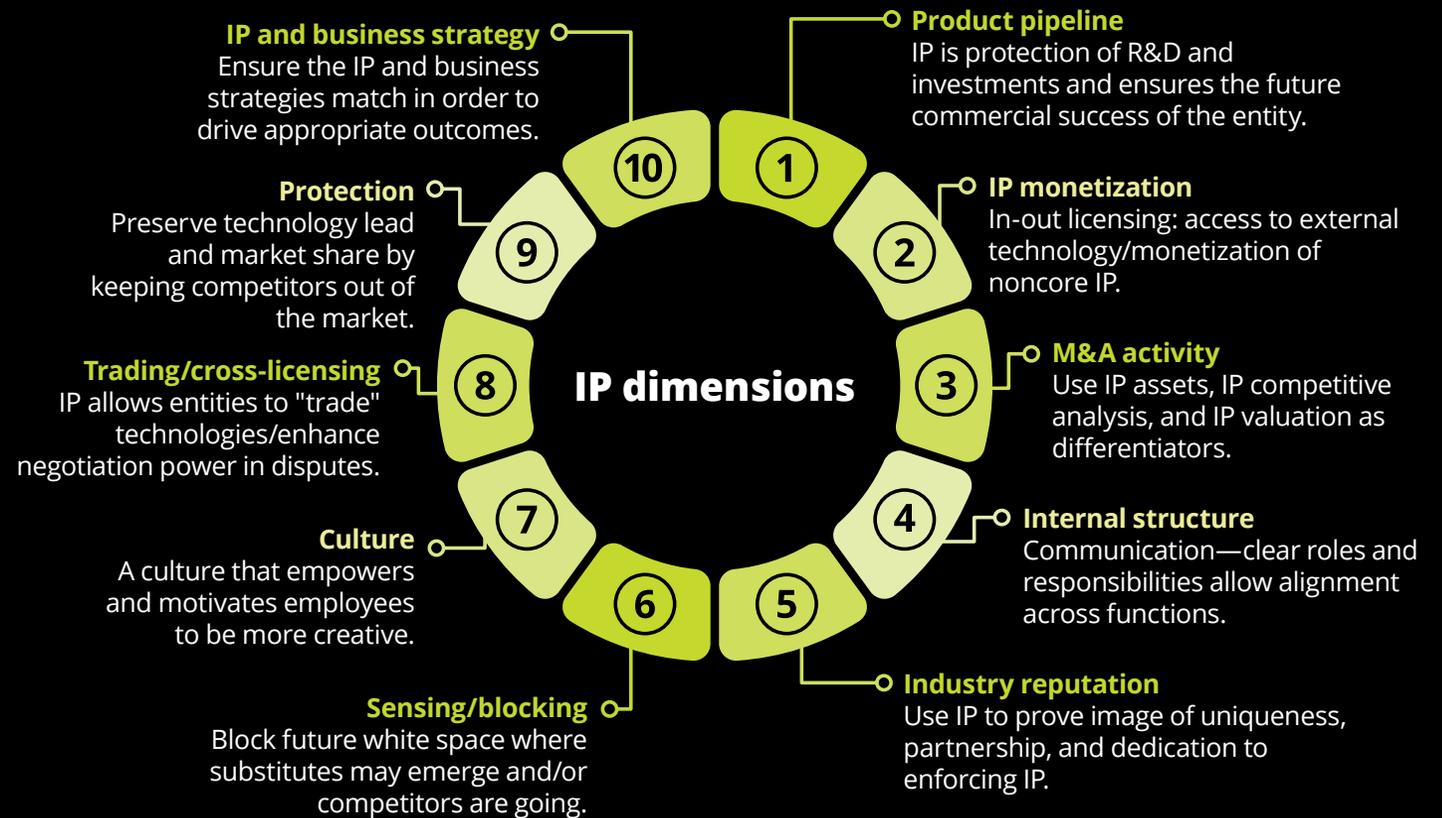
Vision

Articulate a sense of purpose, define your aspirations, and describe what success looks like.



As a **business advisor**, the CLO may seek to enable the enterprise goals. In this role, relationships and listening are critical to the CLO's ability to understand business issues, challenges, and goals. By fully integrating with leadership across the organization and endeavoring to understand specific business or functional considerations, the CLO can determine where the business needs IP strategy support. The credibility built through these relationships also positions the CLO to proactively work with business leaders on ways that intellectual property can help them identify, grow, and build new areas of opportunity.

Dimensions of an effective IP strategy



Source: Content adapted from *Deloitte Review*, "The hidden costs of an IP breach."⁴

1

Vision (cont.)

Articulate a sense of purpose, define your aspirations, and describe what success looks like.

“We dedicated a small IP team to each of our 20 operating units, then empowered the teams to work locally with each unit on IP strategy.”

Courtney Nelson Wills
Chief Intellectual Property Counsel
Medtronic

As the **legal function leader**, the CLO may seek to enlist the legal team in setting the legal function’s vision for supporting the respective business units, where appropriate, and communicate the overall IP strategy across the team. Also helpful: training everyone on the team to recognize and suggest IP opportunities aligned to the strategy.

In either role—**business advisor** or **legal function leader**—when setting the vision, the CLO may want to:

Engage multiple perspectives

What is R&D creating?
Who is it for?
How does it impact the market?
How can an asset be commoditized?

Frame the issues

Why is this important to us?
How will it affect the business?
What will the revenue streams be?
Are the assets properly protected?
Does our cybersecurity plan appropriately protect our IP assets?

Lay out a plan

How will we manage the risks?
Who else needs to be involved?
Do we have the appropriate buy-in?
Which assets most contribute to the company’s competitive advantage?

2

Focus

Clearly define what you will and won't do.

How can the legal department best enhance the use of IP to achieve business strategies? One place to start is the IP incentive system. Incentives can work for or against the IP strategy. A careful examination of incentives, and their relationship to the business strategy, can help to determine where the IP strategy should fall along the spectrum of innovation capture.



Low key

Fold innovation into ongoing workflow

Middle ground

Identify and patent select innovations

High profile

Maximize volume of patents

! CASE IN POINT

Medtronic's IP strategy has become more focused on prioritizing IP that supports the company's growth areas.⁵

Meanwhile, CarMax developed a system for identifying and rewarding patentable innovation broadly, to encourage innovators across the company to come forward with their ideas.⁶

2

Focus (cont.)

Clearly define what you will and won't do.

As a **business advisor**, the CLO may seek to encourage and participate in regular innovation planning and portfolio evaluation. This includes:

- Continuous evaluation of IP assets (both current and in development)
- Educating innovators to understand the legal risks of conducting their own patent searches
- Collaboration across the various functions and business units to keep the IP strategy relevant as business circumstances and competitive challenges evolve
- Regular communications and alignment with senior leaders on IP strategy choices

For example, many organizations may find it impractical to litigate every instance of IP infringement. The CLO can help senior management decide when to defend against infringement and how aggressively they want to do so.

As the **legal function leader**, the CLO may seek to communicate the high-level strategy to functional leaders within the legal department so that everyone is aligned on how to execute. That way, the team can make clear-eyed decisions, such as:

- When to prosecute
- Whether to share trade secrets
- What rules and regulations apply across different jurisdictions

This way, the results are more likely to be consistent with what the organization expects.

3

Value

Identify the differentiated contributions that enable competitive advantage.

A strong IP strategy enables—and potentially accelerates—competitive advantage through monetization.

Monetization begins with reviewing the portfolio to identify underused and noncore assets. With these assets, the CLO can formulate ways to generate revenue from IP divestment, licensing, and technology transfers. Along the way, the organization can also realize savings from a more streamlined asset portfolio.⁷

Objective data is key to an effective monetization process

because it provides a basis for understanding value for price setting and negotiation. Market and rights analytics can add further decision support.⁸

As the **business advisor**, the CLO must understand how the various types of company IP drive business advantage. Competitive intelligence can make this clearer. So can a thorough understanding of the organization's IP assets and other monetization strategies.

3

Value (cont.)

Identify the differentiated contributions that enable competitive advantage.

Because IP value can mean different things to different groups within an organization, it's important to understand how each function and business unit develops and uses the company's IP. That means looking at IP from the function's perspective.

R&D:

Where can we innovate?

Sales:

What do our customers want?

Finance:

What payments should we account for?

Senior management:

How can we grow the business?

Marketing:

What makes us different?

Procurement:

What should our business agreements cover?

IT:

How are we protecting ourselves from cyberthreats?

Likewise, it may be necessary to spend time with functional and business unit colleagues to help them understand what it takes to manage, protect, and monetize IP appropriately.

3

Value (cont.)

Identify the differentiated contributions that enable competitive advantage.

“When people work on projects that are part of their day-to-day wheelhouse, an effective IP strategy gives them an additional lens through which they can discern whether they’re doing something that’s new, unique, and potentially worth protecting.”

James Hess
Associate General Counsel,
Marketing and Intellectual Property
CarMax

As the **business advisor**, the CLO may seek to help function and business unit leaders understand the risk-value proposition. For example, are there types of IP that are no longer adding value to the company’s portfolio but are perhaps expensive to maintain or defend?

As the **legal function leader**, the CLO may seek to empower the legal team to work with their respective business partners to support risk mitigation.

This includes regularly monitoring competitors’ filing and litigation activities. Searches can turn up high-risk patents owned by entities buying rights just to monetize them. Some searches may reveal existing forms of inventions that can help build a defensive arsenal. Either way, what the legal team learns from regular monitoring can inform workaround designs and defensive strategies such as acquiring IP rights.⁹

Legal team members responsible for IP may also seek to lead transaction execution.¹⁰ Although technology can help the respective business leaders take the lead role in these transactions, the technology, processes, and ultimate decision-making responsibilities will likely fall to legal.

4

Capabilities

Determine existing and in-demand assets and competencies, then identify investments, processes, and technologies to support them.

As the **business advisor**, the CLO will likely need to make a strong business case for investing in upgraded processes and technologies to support the IP strategy. To help with the business case development, apply lessons from the functional assessment of IP needs and show other leaders how improved IP processes and technologies can benefit the business. To foster utilization of the new systems once they're in place, invite select colleagues from business units and other functions to pitch in on process improvement and IP vendor selection.

As the **legal function leader**, the CLO may seek to identify opportunities to improve legal department processes so that they're more integrated with the business. For instance, automation can help the CLO's team focus on the legal aspects of IP while empowering the businesses to take more responsibility for what they specifically need.

To encourage adoption and improve utilization, consider having legal department IP leaders train researchers and other stakeholders to update the system for themselves. That can lighten the administrative burden on legal counsel while allowing them to keep tabs on the innovation process.

DID YOU KNOW?

Advancements in IP technology include notification systems that help the legal function stay on top of expiring patents and inform their decisions around IP. IP systems can be intuitive and useful to business users as well, especially if the technology reflects business users' input on what they need.

4

Capabilities (cont.)

Determine existing and in-demand assets and competencies, then identify investments, processes, and technologies to support them.

Weighing technology needs

Technology can help with management of the IP portfolio, including prosecution of registrable rights (patents, trademarks, design rights) and maintenance of registrations. Beyond this, an IP solution can assist to enable the IP strategy in line with the CLO's vision.



Evaluate IP solutions

- What technology do we already own that we might use?
- Are we using the technology we have to its full advantage?
- How well do other IP solutions on the market fit our needs?



Close processing gaps

- Are our people using the technology effectively?
- Do the right people have access to the outputs?
- How can we connect IP assets to each other and to our enterprise systems?
- How can we quickly access information in case of a business disruption?

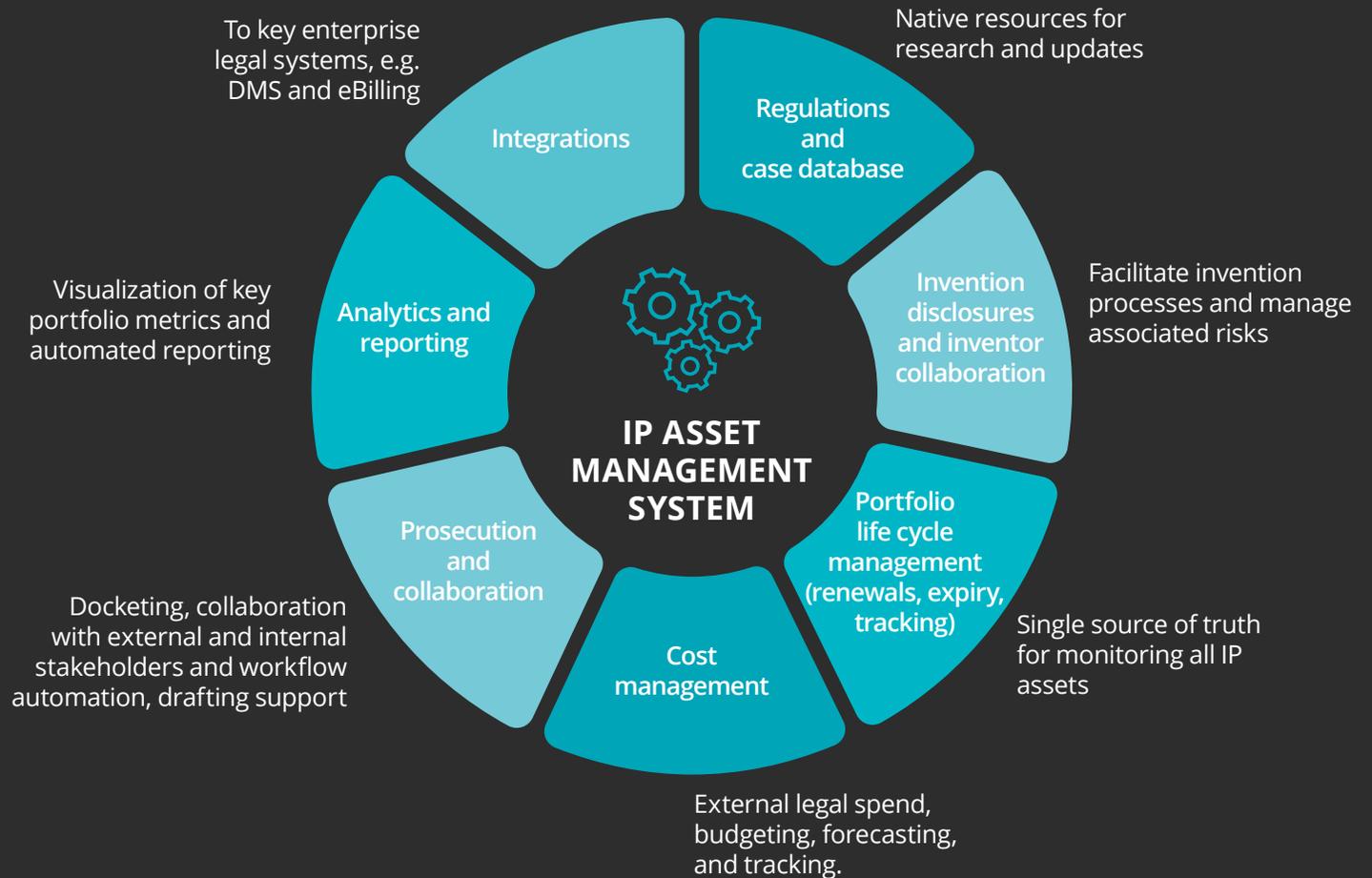
4

Capabilities (cont.)

Determine existing and in-demand assets and competencies, then identify investments, processes, and technologies to support them.

! GETTING READY FOR TOMORROW, TODAY

An IP management system can seek to provide an effective, efficient, and comprehensive set of tools for end-to-end portfolio management. It can also provide a single source of truth for the IP team and legal department.



4

Capabilities (cont.)

Determine existing and in-demand assets and competencies, then identify investments, processes, and technologies to support them.

Buying new technology: A checklist of key considerations

Purchasing technology to support the IP strategy is often a collaborative decision between the legal function and the other functions impacted by that technology. Considerations include:

- ✓ **System capability**
 - User interface
 - Single source for IP assets
 - Invention disclosures
 - Patent prosecution
 - IP docket/portfolio maintenance
 - Documents
 - Integration support
 - Security
 - Reporting
 - Public IP reports
 - Differentiators
- ✓ **Implementation plan**
 - Implementation approach
- ✓ **Support**
 - Software administration
 - Support model
- ✓ **Strategic fit**
 - Alignment with objectives
- ✓ **Vendor review**
 - Maturity

5

Leadership

Consider the culture, talent, training, and behaviors necessary to enable success.

IP isn't just a legal conversation. It's a *business* conversation, where IP strategy and corporate strategy are aligned and mutually reinforcing.

So an understanding of the value of IP—along with a bias for protecting IP assets—can often be woven into the fabric of the organization's culture. That's a task for the CLO as both **business advisor** and **legal function leader**, in collaboration with compliance and other relevant leaders.

A leadership position on IP strategy typically includes:

- Staying active with innovation and R&D so legal can intervene to maintain proper disclosure

- Training across the enterprise so people can accomplish their tasks without excessive oversight
- Setting the tone from the top that everyone has a responsibility to protect the IP of the company

Cultivating talent

Litigation experience and expertise in IP law and processes, while necessary, may no longer be sufficient to support an IP strategy on their own. Analytics capabilities, an understanding of mergers and acquisitions, and forward-looking business and technology perspectives may also be required in order to determine where IP opportunities exist in line with the business strategy.

5

Leadership (cont.)

Consider the culture, talent, training, and behaviors necessary to enable success.

Key characteristics of an IP intelligent culture

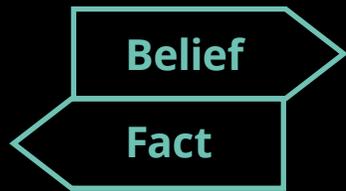
Commonality of purpose, values, and ethics:	People's individual interests, values, and ethics are aligned with those of the organization's IP strategy, appetite, tolerance, and approach.
Universal adoption and application:	IP is considered in all activities, from strategic planning to day-to-day operations, in every part of the organization.
A learning organization:	The collective ability of the organization to manage IP more effectively is continuously improving.
Timely, transparent, and honest communications:	People are comfortable talking openly and honestly about IP using a common IP vocabulary that promotes shared understanding.
Understanding the value of effective IP management:	People understand, and enthusiastically articulate, the value that effective IP management brings to the organization.
Responsibility—individual and collective:	People take personal responsibility for the management of IP and proactively seek to involve others when that is the better approach.
Expectation of challenge:	People are comfortable challenging others, including authority figures, without fear of retribution. Those who are challenged respond positively.

! CASE IN POINT

CarMax stood up a cross-functional patent advisory group to uncover pockets of innovation throughout the company and educate the business on how to capture and protect the IP it creates. By providing targeted opportunities to become a named inventor on a patent, CarMax also hopes to improve its ability to retain talent.¹⁴

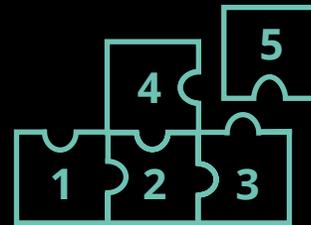
When strategy goes awry

In our experience, when an IP strategy goes awry, the culprit can be found among three main sources of friction:



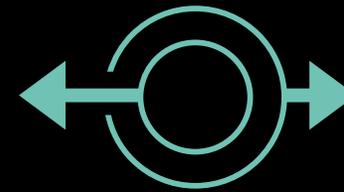
Incoherence

Incoherence results from pursuing innovations that are unrealistic or bear little relevance to the organization's business.



Incongruence

Incongruence refers to a misalignment between those who are driving innovation and those who are managing it.

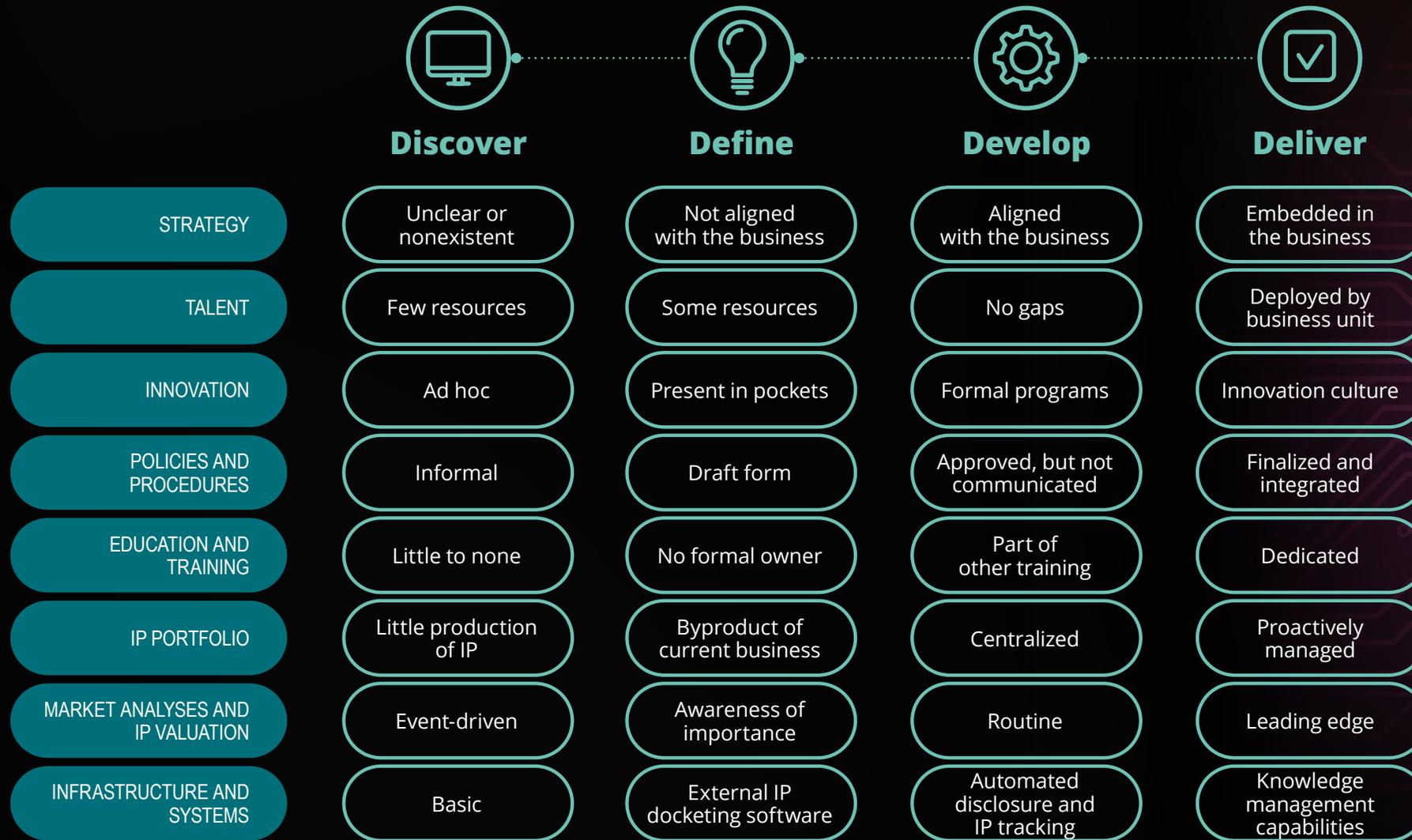


Inconsistency

Inconsistency occurs when the organization fails to send a clear message to the market about enforcing its intellectual property rights.

For a deeper discussion, please see the Deloitte article, "[Why good strategies fail: Addressing the three critical strategic tensions.](#)"¹⁵

Putting strategy into action



Making an impact on business outcomes

When IP is largely a matter of searches, filings, negotiations, and enforcement actions, its world begins and ends in the legal department. Add strategy to the mix, and suddenly the world expands across the organization and beyond. Managing IP in line with enterprise strategy—and in collaboration with other functions and the business units—is a multidimensional endeavor. It's also an opportunity for CLOs to flex their business muscles and bring real impact to the success of the organization.

More in the CLO strategist series:

[The CLO strategist: A new kind of legal officer for modern business](#)

Authors

J. Donald Fancher

Deloitte Forensic global leader

Principal

Deloitte Financial Advisory Services LLP

dfancher@deloitte.com

Lori Lorenzo

Chief Legal Officer Program Research & Insights director

Managing director

Deloitte Transactions & Business Analytics LLP

lorilorenzo@deloitte.com

Theresa Pak

Manager

Legal Business Services

Deloitte Tax LLP

tpak@deloitte.com

Endnotes

1. "Merck releases first 'gene index' sequences," *Nature* 373 (1995): p. 549.
<https://www.nature.com/articles/373549c0>
2. Lori Lorenzo, *The CLO strategist: A new kind of legal officer for modern business*, Deloitte, 2021.
3. A.G. Lafley and Roger L. Martin, *Playing to win: How strategy really works*, Harvard Business Review Press, 2013.
4. Emily Mossburg, J. Donald Fancher, and John Gelinne, "The hidden costs of an IP breach," *Deloitte Review*, Issue 19 (2016).
https://www2.deloitte.com/content/dam/insights/us/articles/loss-of-intellectual-property-ip-breach/DR19_TheHiddenCostsOfAnIPBreach.pdf
5. Courtney Nelson Wills, interview by Lori Lorenzo, November 5, 2021.
6. James Hess, interview by Lori Lorenzo, November 5, 2021.
7. Deloitte IP Advisory, "Deep value creation for tech companies through Intangible Asset Management," 2020.
https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Finance/gx-Technology-IP-Management_06ps.pdf
8. Ibid.
9. Ibid.
10. Ibid.
11. Deloitte, "IP Management System" presentation, October 2021.
12. Ibid.
13. Deloitte Australia, *Cultivating a risk intelligent culture: A fresh perspective*, October 2012.
<https://www2.deloitte.com/content/dam/Deloitte/au/Documents/financial-services/deloitte-au-fs-cultivating-risk-intelligent-culture-1012.pdf>
14. James Hess, interview by Lori Lorenzo, November 5, 2021.
15. Deloitte, "Why good strategies fail: Addressing the three critical strategic tensions," 2019.
<https://www2.deloitte.com/content/dam/Deloitte/us/Documents/deloitte-analytics/us-da-sgt-why-good-strategies-fail.pdf>



This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

About Deloitte

As used in this document, “Deloitte” means Deloitte & Touche LLP, Deloitte Tax LLP, Deloitte Financial Advisory Services LLP, and its affiliate Deloitte Transactions and Business Analytics LLP. These entities are separate subsidiaries of Deloitte LLP. Please see www.deloitte.com/us/ about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.