IP Strategy and Trends
Agenda

- **Formulation of a IP Strategy & Trends**
  - IBM T&IP
  - Trends in IP
  - IP Strategy and Policies
  - IBM Approach
"The IBM Intellectual Property & Licensing organization generates approximately $1 billion annually in IP-related income annually for IBM. It works with our clients to enable them to enhance their business through the use of IBM-created IP. In order to accomplish this goal, IBM has established a centralized IP management function and executes the necessary steps to identify, protect and maximize the financial and strategic benefits of IP. Over the years IBM accumulated a wealth of leading practices in IP management and currently offers these services to corporations worldwide to enable them to better manage their IP portfolio."

- IP at IBM is created globally but owned and managed centrally by our corp office
- We implement our Standard IP strategy, policies and best practices globally with geography specific transformations
Trends Impacting IP Strategy

Patent Portfolios Continue to Grow…

- High tech companies have dramatically increased patenting
- Patent value is increasing in the market, but patent risk is also increasing

U.S. Patent Leadership
1983 to date

Annual US Patent issuance grew from 166,000 patents in 2001 to 250,000 patents in 2011
Trends Impacting IP Strategy
… and there is a Strong Market in Patent Sales

- Major companies are selling patents
- Major companies are engaged in M&A
- Major companies & NPEs are buying patents
- Growth in supply & demand are increasing valuations

<table>
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<tr>
<th>Sellers</th>
<th>No. of Transactions</th>
<th>Total Transacted Assets</th>
<th>Assets/Transaction</th>
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<td>IBM</td>
<td>20</td>
<td>2,395</td>
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<td>NEC</td>
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<td>Hewlett Packard</td>
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<td>Freescale Semic</td>
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<td>Other Sellers</td>
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<td>10,464</td>
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</tr>
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</table>

- Top 15 Sellers with Most Transactions in 2011 -
IP Uses and Strategy Development

- Revenue and Profit
  - Products
  - Solutions
  - Services

- Income
  - Licensing
  - Divestiture
  - Joint R&D

- Protection
  - Freedom of action
  - Litigation
  - Open source

- Influence
  - Open innovation

- FOA and Protection
IBM’s Approach to Innovation and Intellectual Property

**Multistage approach to IP Strategy**

**Plan**
- Ecosystem
- Collaboration strategy
- Filing strategy
- Culture of innovation
- Competitive position

**Create**
- Invention harvesting
- IP lifecycle management
- Portfolio management
- Protection mechanisms

**Leverage**
- Market / share expansion
- Influence and goodwill
- IP licensing
- Standards and open innovation
Conclusions

- **Intellectual Property Management is Vital**
  - Understand what IP types are critical to your business
  - Ensure that the appropriate level of expertise is either developed or obtained

- **IP Strategies vary according to Business Needs**
  - IP Strategy must align with business strategy
  - IP Strategy often transforms over time

- **Many Trends underscore the need for savvy IP Management**
  - Large increase in litigation in recent years
  - Rampant increase in China-based IP filings and registration

- **Policies must be Developed to Handle Numerous Scenarios**
  - Ad hoc policy development can damage business opportunities
  - Learning from experienced party can expedite development of the right policies

*We believe IP expertise, strategy, and policies, and an understanding of the surrounding ecosystem, are all necessary.*