

Book Review: Edison in the Boardroom*
Thomas G. Field, Jr.**

Few variables are more likely to dictate short- and long-term commercial success than a firm's ability to convert intellectual assets into intellectual property (IP).¹ The smaller the firm, the bigger the need,² and the need only grows.³

Most companies are careful to avoid IP infringement and are eager to sue direct competitors who do not. Many firms also educate key employees on their roles in perfecting and protecting intangible assets. Fewer give full attention to IP and antecedents that might nevertheless be regarded as assets. For example, those who would not hesitate to monitor and sue infringing competitors may not monitor non-competitors as potential licensees.⁴

To extract the most from intellectual assets, many factors, e.g., legal, technical marketing and sales, must be weighed.⁵ *Edison in the Boardroom*⁶ offers important advice for helping firms meet that need. Despite its reference to "assets" in the subtitle, however, most of this book focuses more narrowly — on IP⁷, and on patents specifically.

Davis and Harrison, said to bring "a quarter century of IP consulting accomplishments between them,"⁸ document that some companies have long engaged in trying to optimize the

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¹ For present purposes, "property" is defined as representing alienable, divisible and enforceable rights; "assets" (or "capital") are anything else that might play a role in generating enterprise value.

² See, e.g., Thomas G. Field, Jr., *The Need to Convert Intellectual Assets into Property*, forthcoming 18(4) Corp. Counsel's Q., Oct. 2002, from which portions of this review are derived.

³ See, e.g., Sabra Chartrand, *Patents: How Do You Put a Price on Intellectual Property?* The New York Times, Dec. 18, 2000 (IP has "assumed an enormous role in the economy"). Compare, e.g., Wayne S. Upton, Jr., Business and Financial Reporting, Challenges from the New Economy, Special Report, Financial Accounting Series, (Fin'l Acctg. Stds. Bd. 2001) (no consensus on ways to value such assets), <www.fasb.org/sr_new_economy.pdf> (visited Mar. 30, 2002).

⁴ See, e.g., Andrew J. Sherman, *A Checklist for Due Diligence Issues when Acquiring Technology Targets*, M & A Lawyer, Sept. 2001, at 12 (stressing the need to determine whether a firm under consideration for acquisition monitors infringement, for example).

⁵ See, e.g., Gerald G. Udell et al., *Guide to Invention and Innovation Evaluation* (University of Oregon, 1977) (discusses 33 factors to consider; the very last question is: "Can the inventor legally exclude others?").

⁶ Julie L. Davis and Suzanne S. Harrison, *Edison in the Boardroom: How Leading Companies Realize Value from Their Intellectual Assets* (2001) [ISBN 0-471-39736-9].

⁷ See *supra* note 1. Compare, e.g., Roundtable, *Boost Your Client's Intellectual Capital IQ*, Corp. Legal Times, Oct. 2000, at 104 (discussing distinctions between intellectual assets, capital and property).

value of their intellectual assets. The authors also assign companies to a five-level hierarchy based on a range of IP-management strategies. A goldmining metaphor is usefully advanced at one point to describe those levels as: defensive (staking claims), panning (cost control), mining (deeper profit seeking), processing (integration), and sculpting.⁹ The heart of the book consists of five chapters that discuss these levels seriatim¹⁰ and offers a host of useful ideas and anecdotes.

The book is generally well-structured.¹¹ For example, early in each of the five core chapters is a description of what “companies are trying to accomplish” at the corresponding level of IP-management sophistication. At the defensive level, of course, companies have processes for seeking, maintaining and enforcing IP.¹² Yet, in the discussion of second-level companies, said to seek to reduce costs by exercising judgment about what is brought into and kept in their patent portfolios,¹³ it becomes clear how much various levels overlap. The first two topics may usefully be segregated for purposes of discussion, but it is hard to imagine any company that can afford, literally, to pursue protection without attempting to balance portfolio goals against concomitant costs. Indeed, one thesis of the second chapter is that no firm can seek the strongest protection for everything of potential patentability, much less seek it in every possible country.¹⁴

The third chapter diverges considerably. Companies featured there are said to seek, e.g., to extract portfolio value as quickly and cheaply as possible. Several have gone well beyond suing competitors or easily discovered, non-competing infringers. The most aggressive of such firms regard IP departments as profit centers and actively solicit licensees. Their success is sometimes remarkable. As the authors point out, “Worldwide revenues from patent licensing have grown from \$15 billion in 1990 to over \$100 billion in 2000.”¹⁵ Echoing the central theme of another recent book,¹⁶ Davis and Harrison also point out that, “Some experts estimate that companies

⁸ Kevin G. Rivette, *Foreword*, *Edison in the Boardroom*, *vii*. However, their formal training is unstated and presumably not legal.

⁹ *Id.* at 19. *See also, id.* at 12-13.

¹⁰ A sixth chapter offers a case study of the Dow Chemical Company, at 143. In addition, the book contains three appendices: Mining a Portfolio for Value, at 159; Competitive Assessment, at 169, and Integrated Performance Reporting, at 181.

¹¹ It could have, however, been edited more carefully. For example, note 14, at 37, refers to a work cited in note 13, at 200.

¹² *Id.* at 20.

¹³ *Id.* at 44.

¹⁴ *See, e.g., id.* at 59 (setting detailed guidelines for filing and renewal).

¹⁵ *Id.* at 73. *See also*, Ellen Rodgers & Alan Ratliff, *How to Launch a Successful IP Management Strategy*, ACCA Docket, Nov./Dec. 2000 (licensing income increased from \$3 billion to \$100 billion between 1980 and 1997).

¹⁶ Kevin G. Rivette and David Klein, *Rembrandts in the Attic: Unlocking the Hidden Value of Patents* (Harvard Business School 2000).

are sitting on \$1 trillion per year in unexploited licensing fees.”¹⁷

Fourth- and fifth-level firms are difficult to distinguish from ones discussed earlier — or from each other. For example, level-four companies are said to seek to integrate “IP awareness and operations throughout all functions of the company.”¹⁸ That seems necessary, too, for allegedly less capable compatriots. Further, when level-five firms are described as embedding intellectual assets and their management into the company culture,¹⁹ it is difficult to find divergence.

The last are said to have as additional objectives: (1) staking a claim on the future and (2) encouraging “disruptive technologies.”²⁰ Still, these could easily be collapsed into “Get a Crystal Ball!” Heuristics for meeting them non-serendipitously are weak.²¹

Consider, for example, the mouse and graphic interface as commercialized on Macintosh computers. Steve Jobs is said to have derived both from the Alto computer developed by Xerox’s Palo Alto Research Center. While Jobs became a billionaire, “Xerox completely failed to get into the personal computer business, missing one of the biggest business opportunities in history.”²²

To avoid repeating such mistakes, Davis and Harrison suggest that companies should “identify ways the corporation can benefit from [ideas outside their business capacity] before moving on.”²³ They, not surprisingly, can offer little guidance.²⁴

One IP attorney recently stressed the need for his colleagues better to understand the identification, protection and use of intellectual capital “effectively to address strategic corporate objectives.”²⁵ Those for whom this is novel terrain will find *Edison in the Boardroom* helpful.

Also, senior IP counsel better acquainted with the topic may find the book useful. Some will face difficulty in convincing those at the same level or higher in the corporate hierarchy of its importance. To the extent that their advocacy of the critical role to be played by IP counsel is perceived as serving selfish aims, the book should help allay suspicions.

For these and other attorneys, the value of *Edison in the Boardroom* could easily, and vastly, exceed its modest price.²⁶

¹⁷ Edison in the Boardroom, at 73.

¹⁸ *Id.* at 96.

¹⁹ *Id.* at 123.

²⁰ *Id.*

²¹ For possibly more helpful suggestions, see Clayton M. Christensen, *The Rules of Innovation*, Technology Review, June 2002, at 33. See also, generally, Christensen's excellent book, *The Innovator's Dilemma* (2000).

²² Jason Krause, *Will Xerox Shut the PARC?* The Industry Standard, Oct. 20, 2000, online at <www.thestandard.com/article/0,1902,19567,00.html> (visited Mar. 29, 2002).

²³ Edison in the Boardroom, at 57.

²⁴ Compare Christensen, *supra* note 21.

²⁵ Michael E. Melton, *Transforming Intellectual Capital into Strategic Corporate Assets*, in Handling Intellectual Property Issues in Business Transactions, 414 (PLI Feb. 2001).

²⁶ Hardback, \$29.95.