

Large Enterprise Engagement and IP Monetization Considerations

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Why Most IP Monetization Efforts Fail inside Operating Companies

- 1. Failure to Establish an IP Baseline:
 - Lack of visibility into what the company actually owns.
 - Proprietary information, Models, Traditional IP
 - Lack Understanding what value the IP represents.
 - Differentiation, Operational Leverage, Monetization Potential
 - Solution
 - Build comprehensive visibility into IP assets to avoid ownership conflicts and support scalable monetization.

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- 2. Misaligned Incentives Across the Organization:
 - Functions are rewarded for different outcomes.
 - Sales, Engineering, Legal, and Business each prioritize different goals.
 - IP is filed but rarely valued or leveraged.
 - Custom work is favored over reusable IP.
 - Short-term revenue takes priority over long-term scalability.
 - Solution
 - Align incentives to reward scalable IP creation and reuse.
 - Assign a dedicated owner for IP strategy and monetization.

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- 3. Bringing IP Strategy in Too Late in the Game:
 - IP strategy must be set early.
 - Before architectures, partnerships, scopes, and contracts are finalized.
 - Late decisions push IP into a defensive role instead of enabling commercial growth.
 - Limiting differentiation, operational leverage, and monetization potential.
 - Solution:
 - Define IP strategy early and revisit it at major architectural, commercial, and contractual milestones.
 - Use IP strategy to guide engagement structures, model training/deployment, and ownership allocation.

Balancing Customer Input and Long -Term IP Value

- 1. Anchor All Work to Pre -Existing Platforms and Background IP:
 - Anchor customer requests to modular, reusable components.
 - Clearly Define and Contractually Specify:
 - What counts as Background IP and its confidentiality protections.
 - What constitutes Foreground IP and who owns it.
 - Rules for Derivative works built on Background and/or Foreground IP.
 - Use contract terms that grant limited, nonexclusive rights necessary for the engagement.

Balancing Customer Input and Long -Term IP Value

- **2. Frame the Engagement to Monetize IP without Compromise:**
 - Define the engagement to enable IP commercialization while retaining full ownership.
 - Define deliverables as configurable components instead of client specific solutions.
 - Understand how data residency affects ownership, control, and commercialization rights.
 - Emphasize Adaptation and Configuration over Customization.
 - Avoid terminology that implies joint creation or client-owned work.

Balancing Customer Input and Long -Term IP Value

- 3. Understand How IP Dilution Actually Happens:
 - Ambiguous scoping and Uncontrollable customization lead directly to IP Dilution.
 - Uncontrolled tailoring makes solutions appear client specific, weakening claims to standardized, reusable IP.
 - Client-specific tailoring may strip assets of the qualities required for reusable, scalable and long term monetizable IP.
 - Derivative work rights may be challenged.
 - Enhancements become tied to specific clients.

How large enterprises evaluate economic return on patent filings (beyond licensing and enforcement)

- **1. Strengthening Competitive Position:**
 - Builds a defensive IP portfolio to block competitors and create barriers to entry.
 - Prevents copycat technologies and slow competitive replication of core innovations.
- **2. Enhancing Company Valuation:**
 - Boosts enterprise value: strong portfolios improve analyst perception and market capitalization.
- **3. Enabling Strategic Negotiation Leverage:**
 - Use of patents as bargaining tools in partnerships, JVs, supply agreements, and crosslicensing.

How large enterprises evaluate economic return on patent filings (beyond licensing and enforcement)

- **4. Defensive Insurance:**
 - Shields against competitive litigation by enabling counterclaims and reducing the risk of injunctions or costly settlements.
 - Broad portfolios across an industry create mutually assured enforcement, discouraging aggressive litigation.
- **5. Enabling Entry Into New Markets:**
 - Strengthens positioning in emerging tech areas (AI, digital platforms, automation, energy tech).