

## **An IP Audit Case Study**

The table below is a guide illustrating how to kick-start the IP Audit process.

As an example, Let's take the mythical Company, *Aglaia*. *Aglaia* is an SME employing 50 staff and has both import and export potential for its patented tea-tree formulations and associated health products. The company has been reasonably successful but faces stiff competition in the niche "Nutraceutical" market. The Company has a house brand and a number of product brands.

The first step in the Audit process is to identify the readily identifiable. Assets falling into this category will include any Registered Trademarks, copyrights, designs or patents owned by the business, any licenses to third parties and any licenses from third parties, including cross-licenses. Also included in this category are things such as in-house work manuals, databases, recipes, franchise agreements, publications and product/process know-how. Once identified the IP's are then scrutinized to determine who owns them, whether they remain Registered and enforceable and whether they are being used. The Individual components are also given an importance rating – by looking at factors such as whether or not they are to core technologies, the life expectancy of the technology and the exclusivity of the technology.

The second step is to itemize what might be termed external or market influences. These will include, the company brand, product brands, Company and Product Get-up, goodwill, Product Certification, Export certifications, Regulatory approvals, Distribution and Raw material networks, Client lists, and Marketing and advertising programmes.

In trying to estimate the value any of these items a good question to ask is how much will it cost to replace the item if it were lost, what potential does the IP have to increasing revenue and how is it being used.

Table 1 – An Example of a Provisional IP Audit

<b>Internal Assets</b>	<b>Product Life(yr)</b>	<b>Extent of Use</b>	<b>Importance</b>	<b>Estimated Value \$</b>
<b>Trademarks</b>				
<b>Tm1</b>	10+	☑☑☑	☑☑☑	100,000
<b>Tm2</b>	1-2	☑☑	☑	40,000
<b>Tm3etc</b>	10+	☒		10,000
<b>Patents</b>				
<b>P1</b>	15	☑☑	☑☑☑☑	2,000,000
<b>P2</b>	2	☑	☑	10,000
<b>P3 etc</b>	10	☒		5,000
<b>Designs</b>				
<b>D1</b>	4	☑	☑☑☑	25,000
<b>D2</b>	10	☑☑☑	☑☑☑☑	100,000
<b>Copyright</b>				
<b>Forms,</b>	5	☑☑	☑	1,000
<b>Charts, etc</b>	5	☑	☑	1,500
<b>Trade Secrets</b>	15	☑☑☑	☑☑☑☑☑	100,000
<b>Custom Software</b>	5	☑☑☑	☑☑☑	15,000
<b>Recipes/formulations</b>	10	☑☑☑	☑☑☑	60,000
<b>Manuals</b>	5	☑☑	☑☑	40,000
<b>Publications</b>	1-2	☑	☑☑	5,000
<b>Training</b>	1	☑☑	☑	50,000
<b>Licenses in</b>	1-2	☑	☑☑	50,000
<b>Licenses out</b>	5	☑☑	☑	100,000

## External Assets

<b>Company "House" Brand</b>	20+	☑☑☑	☑☑☑☑☑	750,000
<b>Product Brands</b>	10+	☑☑☑	☑☑☑☑☑	250,000
<b>Distribution contracts</b>	5	☑	☑☑	25,000
<b>Raw Material networks</b>	5	☑☑	☑	2,000
<b>Client Lists</b>	1-2	☑☑	☑☑	5,000
<b>Marketing/Advertising</b>	1	☑	☑	5,000
<b>Goodwill</b>	50	☑☑☑☑	☑☑☑☑☑	100,000
<b>Customer Loyalty</b>	5-10	☑☑☑	☑	20,000
<b>Product Certification</b>	2-5	☑☑☑	☑☑☑☑	100,000
<b>Import/Export networks</b>	5-10	☑☑	☑☑	120,000

The above example merely illustrates the hidden assets found in any company (in this case an SME) and how an IP audit can be used to focus attention on the importance that an IP in maintaining and creating competitive advantage.

In the example, the most valuable assets are clearly to the House and Product brands and to a Patent listed as P1. Having made this assessment the Company Management can then make decisions to ensure that the Patented technology is not being infringed and that the House and product brands are used effectively and appropriately. Understanding which of the company's IP assets are most important enables their full value to be realized and protected.