

HOW THE SHELL PLAN FOR PATENT MAPPING & IP MONETISATION CAN HELP YOUR COMPANY

The current oil price downturn has put pressure on companies, both big and small, to retrench and take stock of their assets. As well as their physical holdings, organisations are weighing up the value of their intellectual property (IP).

In this interview, we speak with a top patent lawyer at Shell International about how his company is tracking, marshalling and monetising the IP assets that it controls for maximum advantage in these tough times.

SPEAKER KEY

TH Tim Haïdar, Editor In Chief, Oil & Gas IQ

RM Robert Matthezing, Associate General Counsel, Shell International Ltd.

TH Robert, thank you for joining us today. Could you give us a breakdown of your responsibilities at Shell?

RM Sure, Tim, and thank you for having me. I'm Associate General Counsel for IP for the oil products business in Shell, and in that capacity I'm responsible for providing patent and agreement related support to the oil products business and as well as trademarks related support. We have a separate function that I'm also responsible for, which is M&A. There are a lot of M&A and divestment transactions that go on in which IP is a central element.

TH Obviously you've got quite a varied portfolio under your aegis, so what are the best ways to develop a successful portfolio management system for all of the patents that you have filtering through your department?

RM I think the best portfolio management system is one that does not only concentrate on patents. Patents are of course an important element, but IP is much wider than that, so one of the things that we've been doing is whenever we deal with intellectual property, we try to link the relevant agreements with the patents, trade secrets, or technology it relates to, with the part of the business it is relevant for. That gives us one overview of all the IP, how it is developed, how we're dealing with it et cetera. We can also see how the patent portfolio is actually encumbered, by rights that we've been granted or that we have granted, or if we have entered into an agreement where we get rights from a third party, and the patents of that third party.

TH Okay, now, let's talk about patent mapping to align products with corporate strategy. How should you go about drawing up a patent map? What are the significant relief features?

RM For me, developing a patent map is an essential part of developing your strategy because it not only looks at your own portfolio but also that of competitors, so it informs competitive pressure and that also helps you to focus your portfolio on the really critical parts of the supply chain you want to differentiate yourself in.

The way we approach patent maps is really from the perspective of what is needed to use particular technology in a business? What are the steps involved and how does that fit into the overall value chain? From that we can see if it is really a critical piece of the value chain that we want to compete in, or do we want to compete in another area? It could be differentiating for other companies, service companies, or whatever, but maybe not necessarily for us.

TH In order to get the full picture, you're going to need more than the buy-in from just your legal department in order to understand what you've got, how it functions. You're going to need to have significant buy-in from across a lot of other departments all the way to operations.

RM Yes, absolutely, we try to have multiple discussions during the year with the R&D team and with the business team, to really understand where the business wants to go and why we want to focus on certain things. If we have clarity on the objectives of our R&D and business professionals we can really begin to define an IP strategy that really matches those aims.

It is a sort of iterative and consultative process, whereby we often volunteer to develop a patent map and can use that as the basis for discussion.

TH You've underlined the importance of understanding what you actually have, what you own and what that means. Let's talk about how we assess that: the importance of audits, categorisation and updates. How important are they? How should they be done and on what periodicity?

RM This is very much part of our day-to-day operations. We have a team of support staff that really help us to develop all those links that we are building into our databases, and provide us with the additional information. This helps us develop goals for all of the lawyers and patent attorneys involved and they need to supply critical information to the support team within a certain time frame, to allow us to keep updated as we go along.

So, within a few weeks of concluding the agreement we are tasked to provide information on the relevant business and the relevant patents that are linked to it and any relevant trade secrets, etc, and then we have an automatic pop-up, say, 12 months later, as a reminder to check whether anything new has been developed as a result of the agreement.

It is safe to say that we have a fairly extensive system in place to ensure that this is kept up-to-date, because it would be easy to let this fall by the wayside. If you're busy, you ignore it. And then you are creating an enormous backlog for yourself. If you're doing it whilst the information is still fresh in your mind it is so much more time and resource efficient.

TH A lot of companies are now seeing more and more value added from their IP leaps forward, especially those larger companies that have, very large and worldwide R&D capabilities. What would say is the best way to gear up your R&D processes to add value to the business in an IP context?

RM I think one important element is that when you're developing solutions is whether you should be developing solutions for a particular problem or, perhaps, be promoting to suppliers that they develop solutions themselves

Often there are multiple potential solutions to a particular problem, and on paper, at first sight, it may not make that much of a difference which solution you're going to explore, but if you really look at the end-to-end value, one option is often more attractive than the other.
For example, if you're looking for a particular maintenance problem, if one solution is quicker to implement in all plants, because of logistics or availability of service provider assistance, then the payback time for R&D investment is less and could lead to a higher overall value for the company.

As Shell, we may opt to say that this is really something we want the service industry to compete on and come up with the best price, and we're not that worried if other oil companies then benefit from this as well.

TH Robert, we know that R&D is one of the areas that suffers the most, during an oil price downturn. Do you see that necessarily happening over the next two or three years before we go back to an $80 per barrel oil price? Does it heighten or alleviate some of the pressure on you in the patent field?

RM This is always the big debate, of course. Your R&D programme needs to be affordable, so if you don't have the money in harder times, then you simply have to scale back. Usually, that means that when the oil prices go up again then you're at a disadvantage because you're several years behind your competition, who may have continued on an R&D uptick in the areas that you really want to differentiate in.

So, it's a bit of both. Obviously, if there is less money available, then you will have the tendency to focus more, but you do need to keep up the areas where you really want to stand out from the crowd, otherwise you will be a few years behind the growth.

TH Speaking from the Shell perspective, rather than the perspective of a small or mid-size company, it's probably easier for you to maintain that. I am guessing it is probably somewhat more difficult for companies that innovate as a side-line to their core business.

RM Absolutely, but if you are doing R&D as a side-line, then why are you doing it in the first place? You need to maintain at least a certain minimum of innovation and maybe do away with some of the R&D projects that were "nice to have" to focus on the critical pieces.

TH Robert, the last thing I wanted to ask you refers back to one of the first things that you mentioned. Part of the remit in your job is to be dealing with the IP that comes through from mergers and acquisitions. One of the major parts of inorganic growth is having to deal with IP from various sources. What are the best ways that you've found of dealing with that?

RM Well, M&A also contains elements of divestment, so maybe I should start with that. You need to be really clear on what intellectual property is linked with that particular business unit, and whether there are needs to use that intellectual property outside of that particular unit. The next step then is to decide which parts of my portfolio of IP assets I'm going to license, which bits I'm going to assign, and then license non-exclusively or exclusively within the field. Then, of course, it is also about, whether I have done the proper due diligence with regards to understanding what my IP risks are.

In an acquisition or a merger situation, we try to do due diligence, firstly, by drawing upon publicly available data sources. So, asking questions like whether the company is involved in litigation? Do they have joint ownership? Do we have access to any publically available information about how they do their research? What does the portfolio look like? Do they seem to have a strategy of filing in the same countries, or is it a bit haphazard? Posing these questions you will get a view of how intellectual property is managed in that particular company and how IP risks are managed, and you can use that as a basis for asking relevant questions.

Once a company is acquired, you then obviously need to sit with the relevant people and really try to understand what the intellectual property assets and associated agreements of that company are and really try to integrate it with the intellectual property that you already have, so, build it into the same database.

TH Robert, thank you so much for your time today.

RM No problem, Tim. It was a pleasure.

To hear more from Shell and the likes of Nexen and GE Oil & Gas, join us at the Oil and Gas Intellectual Property Summit 2016 from the 26 - 28 January, in London, UK. For more info and to book your place now, please contact us on +44 (0)20 7036 1300 or email enquire@oilandgasiq.com now!