IP is All About Implementation and Customer Satisfaction

Vernon P. Essi, Jr., Principal at Adams, Harkness & Hill

Intellectual property, or IP, takes on many different meanings depending upon the context within which it is utilized. Our IP discussion focuses on the rapidly evolving world of technology IP and, more specifically, semiconductor IP. Our core belief is that in order to be successful, semiconductor IP must be more than an idea or innovation. It must be implemented seamlessly, with little resistance from the customer and have compelling value add to the customer upon implementation and thereafter.

The heart of the customer’s purchase decision is where we believe semiconductor IP models need to be the most focused. Is there a right model in every case? No. In fact, we would argue that the right model is the one that makes your customer’s adoption the easiest.

In some respects, we would compare most IP purchase decisions as fitting the classic make or buy scenario. Customers are only willing to embrace third party IP to save costs. Sure we can get off the track and discuss technology leads or other forms of “killer IP”, but cost is at the root of almost every IP decision and, more precisely, a make or buy analysis.

We argue that it is difficult to offer the customer value-add in just a stand alone idea or notion. IP must be surrounded by a supporting infrastructure and be appropriately implemented to add real value to the customer.

Regarding the intellectual property itself, an IP company that spends an inordinate amount of its resources, say more than 5% of its revenues, on legal matters is probably taking the wrong approach to semiconductor IP. As most participants realize, there is no perfect defense or barrier to entry. The adage of a best defense is a strong offense usually applies. Even a sound barrier to entry, or locked door to your party doesn’t always stop the uninvited guest from materializing. “We forgot to patent energy to mass conversion through a chandelier!” This can often be disconcerting, but it is usually a signal that the company milked a static business model built upon a singular IP idea and not an implementation model.

Take our simple example of a customer that is looking for a path to get from point A on one side of a mountain range to point B on the other side. If a company’s IP provides a direct path, let’s say a tunnel through the mountains between the two points, the conventional wisdom is that it is a better solution. Certainly Wall Street would draw that conclusion. The company, Tunnetech, files a patent on its tunnel IP, gets major VC funding, and then sits back and cashes in on its ingenious tunnel. Right. Well, maybe not.

Let us look at this through the customer’s eyes. They are looking at the mountains in front of them, but they know them well. They have been moving towards them for some time. In fact, they have already headed to a spot in between the two peaks where a pass may exist. In fact, they even sent a survey team ahead to scout out this potential passage and they bought mountain climbing gear just in case.

Then, along comes Tunnetech, in the form of a nomad, preaching the virtues of his tunnel. The customer already has several concerns. How long is the tunnel? Was it built with the proper architecture? Will I lose party members in the process? How do I find it? Do I trust this nomad to my fate? These are implementation issues. Ease of use, full disclosure, maintenance, etc. These criteria really make the solution all the more palatable as opposed to a stand alone tunnel, or IP.

Then there is the point of cost, or the business model. How much of a toll do I pay? Do I pay before I enter or after I exit? Is there a pass license I can purchase for a bulk fee? All of these questions are valid and a business model should accommodate all these scenarios. If the infrastructure surrounding the IP is maintained and the implementation is seamless, the form of money collection (licensing, usage, royalties, etc.) is somewhat irrelevant. Once the customer is through the tunnel, or completed the IP implementation, make sure they are satisfied. Continue to maintain and improve the tunnel and the relationship will be strengthened.

Because once on the other side of that mountain range, the customer can see the other side of that potential passage they almost found. It is only human nature to find that passage instead of taking that tunnel. So keep your customer satisfied because no IP company can ever put human nature out of business.