

Intellectual Property Supply Chains



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Information sharing among business partners forms the foundation of the Intellectual Property Supply Chain: customers and vendors, agents and distributors, producers and creatives, marketing and legal. Unique to intellectual property, any single company or individual may play from one to all of these roles. Over the past decade the Internet has simultaneously increased marketplace complexity and allowed partners to demand more timely and detailed information. In cases where the end-product itself is digital (music), actual delivery becomes an integral element of information flow. Intellectual Property stakeholders in physical products (apparel designers) wish to monitor final consumer distribution as well.

Contracts play the pivotal role in IP Supply Chain Management. Transactions of various types (payments, royalties, deliveries, approvals) are relevant as well. However, without a unifying contract intelligence, transactional information becomes dead financial reporting unable to dynamically alter product distribution plans to reflect current marketplace and supply channel reality. Without contract intelligence semi-manual business processes offer general ledger consolidation as the only point of information useful for clear-eyed global decision making. The greater the complexity of the IP Supply Chain, the greater the obscurity faced by management. Best case, information that could be available on a daily, weekly or monthly basis, is gathered annually, or worse, through continuous ad hoc scrambling. A contract-driven information systems relationship automates delivery of the following exchanges:

Licensee to Licensor

- Contract Performance Status – Pending & Executed Sub-Distribution Deals
- Contract Payment Calculations – Estimated & Actual Royalty Statements
- Concept Approval Submission – Preliminary & Final Intellectual Property Use

Licensor to Licensee

- Contract Performance Status – Advance & Guarantee Recoupment
- Contract Payment Calculations – Participation Estimates, Participation Statements
- Concept Approval Response – IP use rejection, modification, acceptance

Supply Chain

- Consumer Distribution Performance – Subscription Estimates, Yield Rates
- Rights Availability/Commitment – Granted Rights Validation, Marketing Analysis
- Critical Event Management – Market Release Dates, Wholesale Availability

System 7 Role

- Transactional processing, validation, quality assurance and integration
- Sarbanes-Oxley auditability, transparency and control points
- Contract Intelligence fully operational on both sides of each exchange

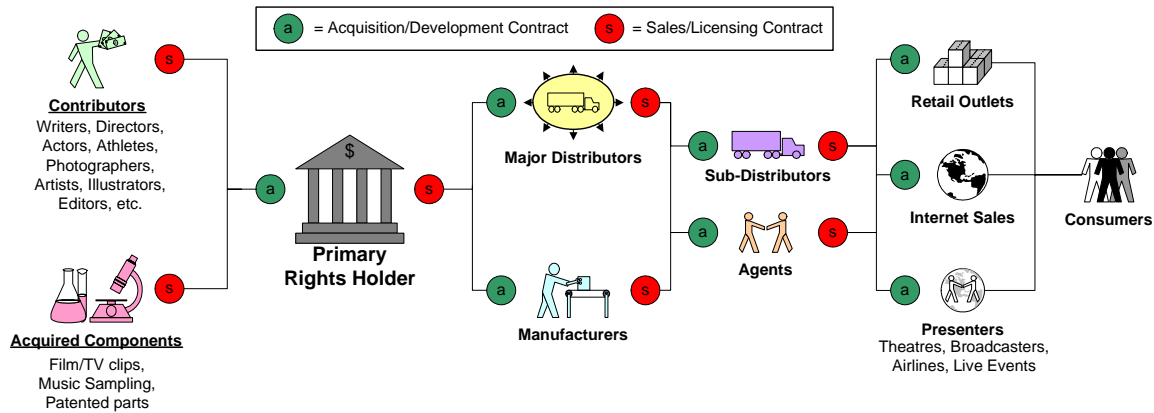
Essential to the above exchanges is the ability for computer systems on both (or all) sides of the equation to interpret and validate the information being moved. Present “success” in this field is generally achieved with use of spreadsheets on one or both ends of the exchange - abuse of a personal productivity tool. Use of System 7 to produce and receive data gives direct access to early-stage information through queries, digital dashboards and reports specifically designed for widespread use.

Search Engines

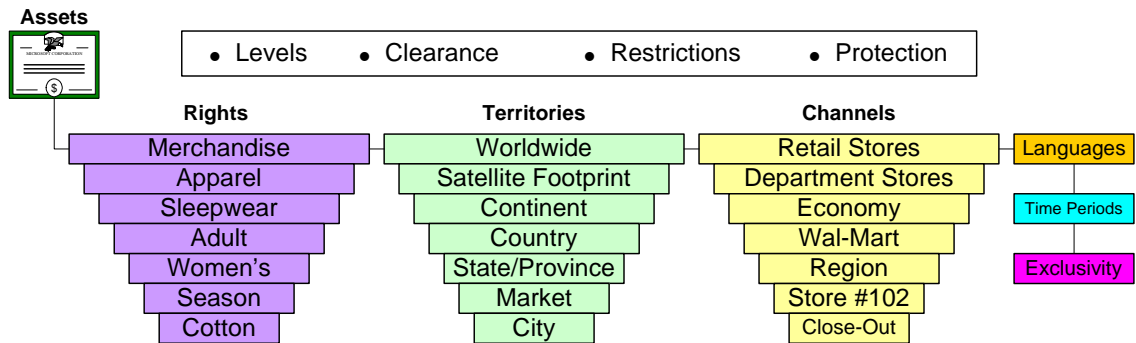
The majority of the information exchanged within a supply chain is confidential to that supply chain, and in some cases, to subdivisions within the overall chain. A goal of the intellectual property supply chain is to produce industrial rights availability information of sufficient consistency, detail and reliability that it becomes valuable material for intellectual property search engines for publication to a larger subscription or membership based business population. Should this information be published for relatively broad consumption, the opportunity for promotional exposure emerges for the operator of this search site.

Supply Chain Workflows

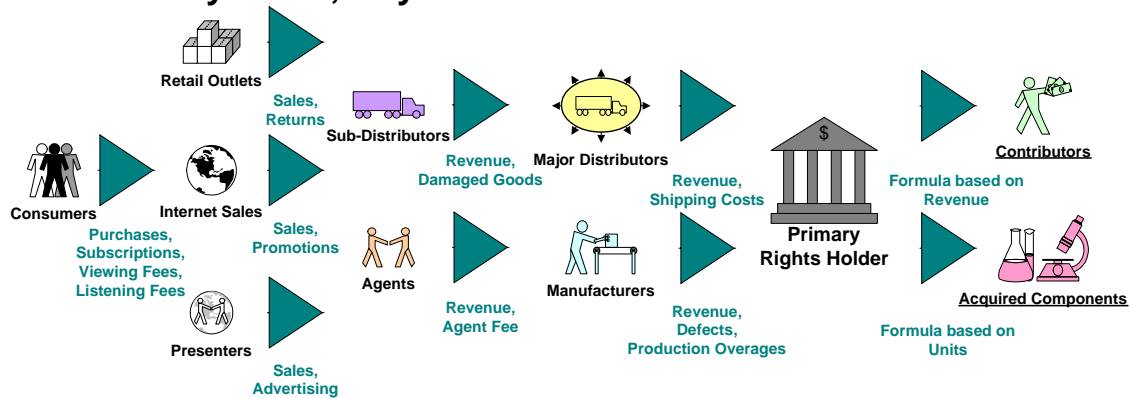
Chain of Contracts



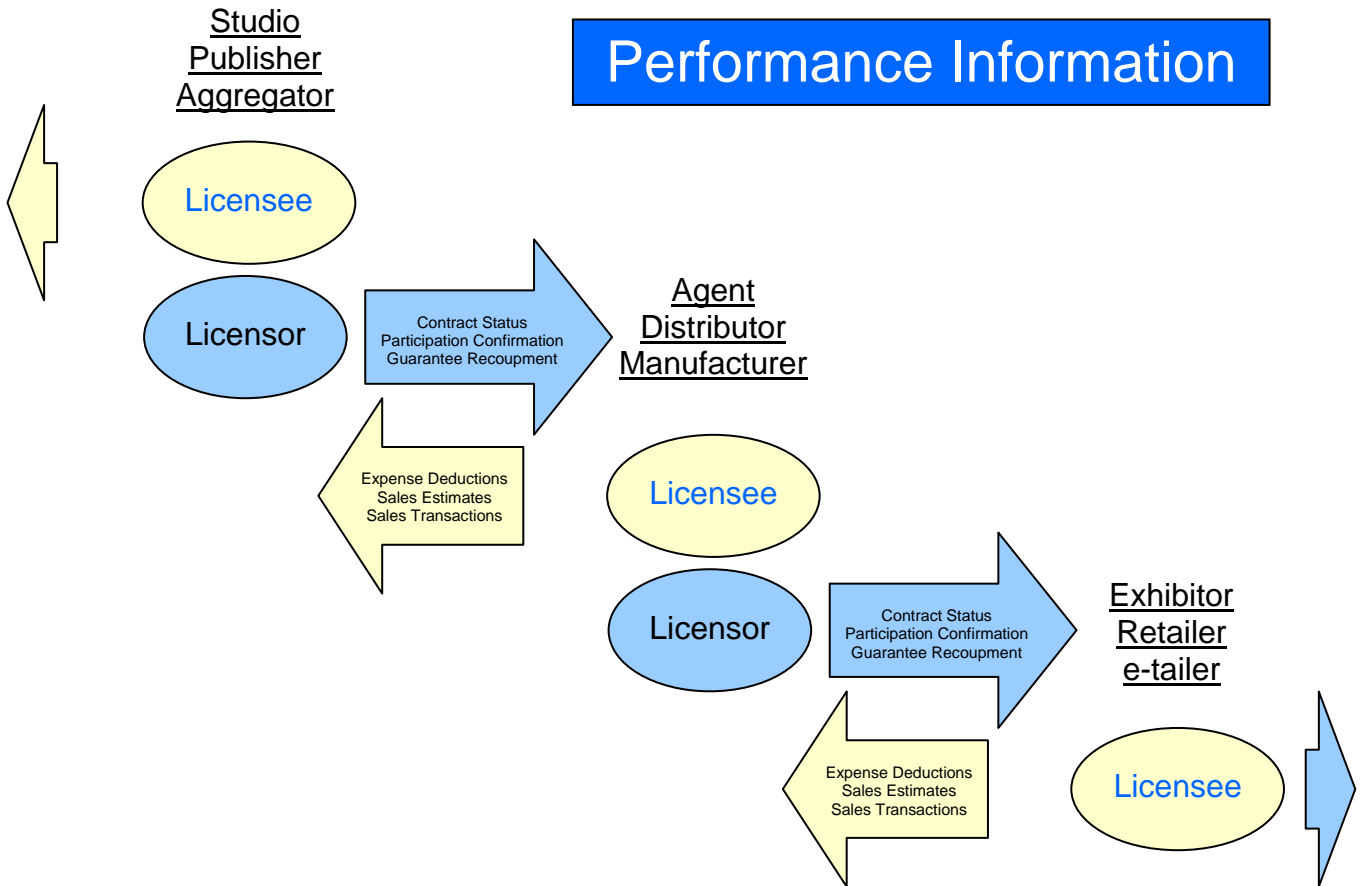
Chain of Rights Distribution



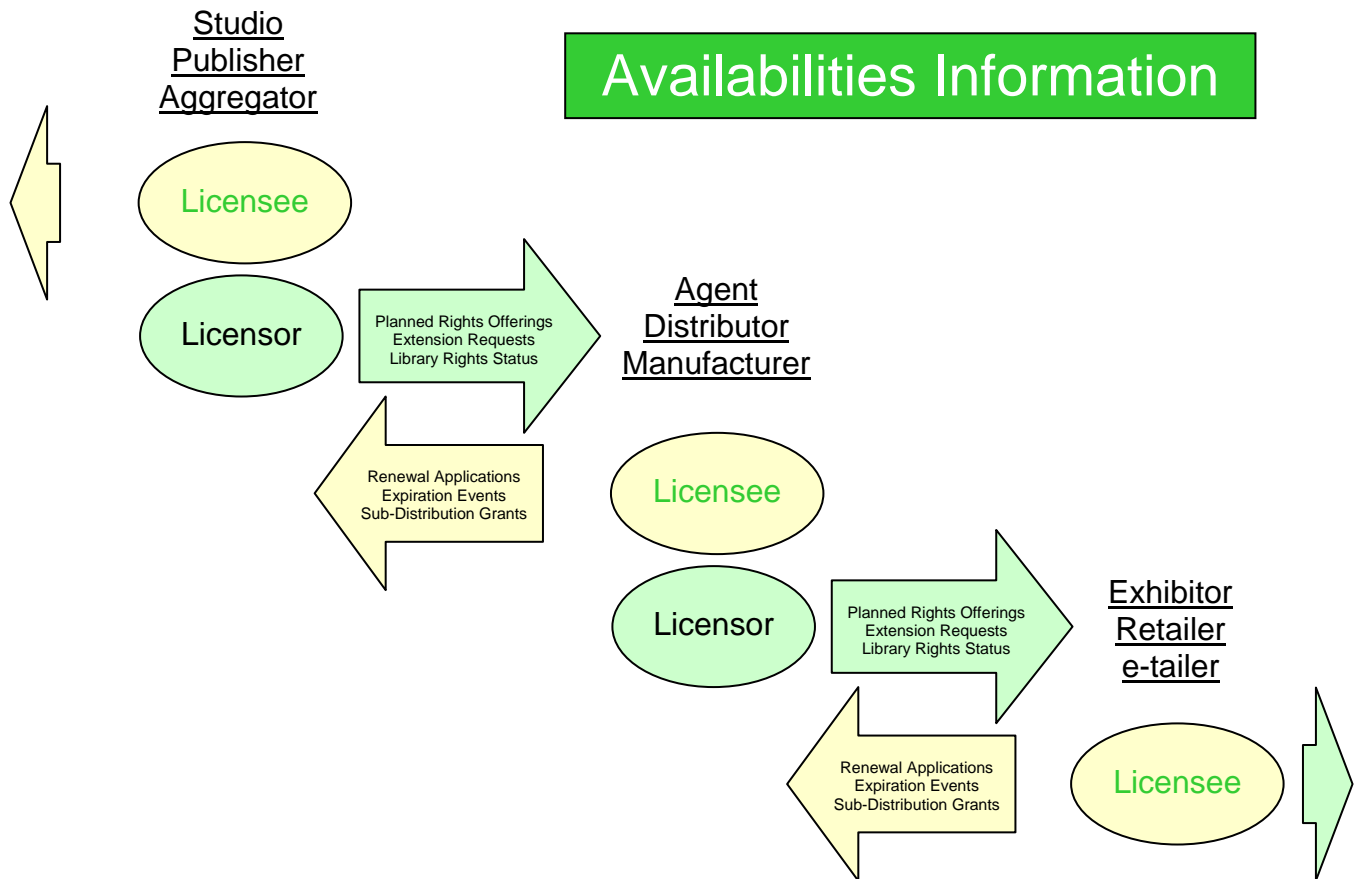
Chain of Payments, Royalties & Deductions



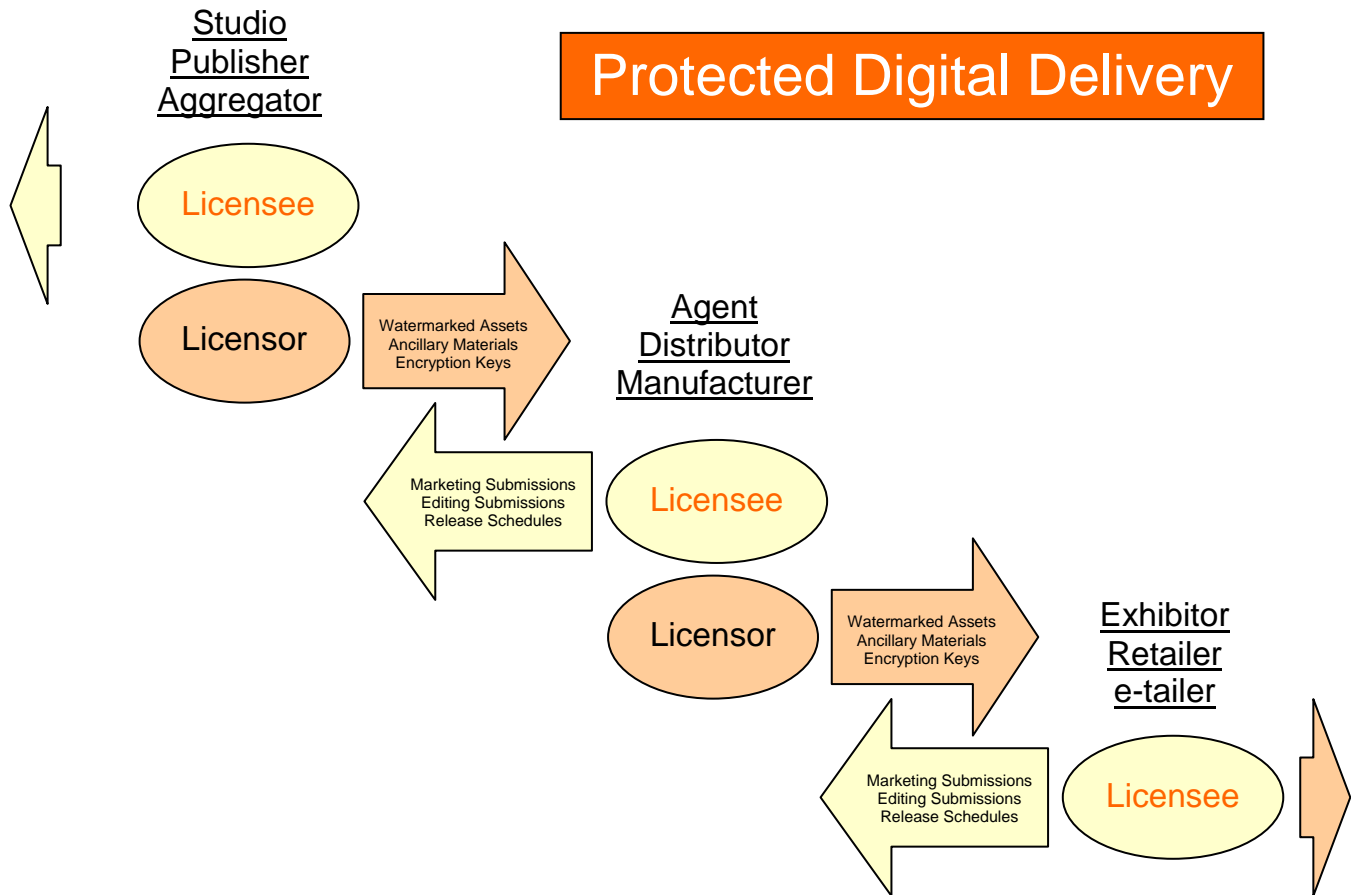
Supply Chain – Performance



Supply Chain – Availabilities



Supply Chain – Digital Delivery



Intellectual Property Security

Intellectual Property Supply Chains represent the missing piece to the anti-piracy puzzle. Unlike embedded digital rights management and hardware-based piracy protection, supply chains support **industry-wide standard setting** through a web of **precisely administered contractual relationships**.

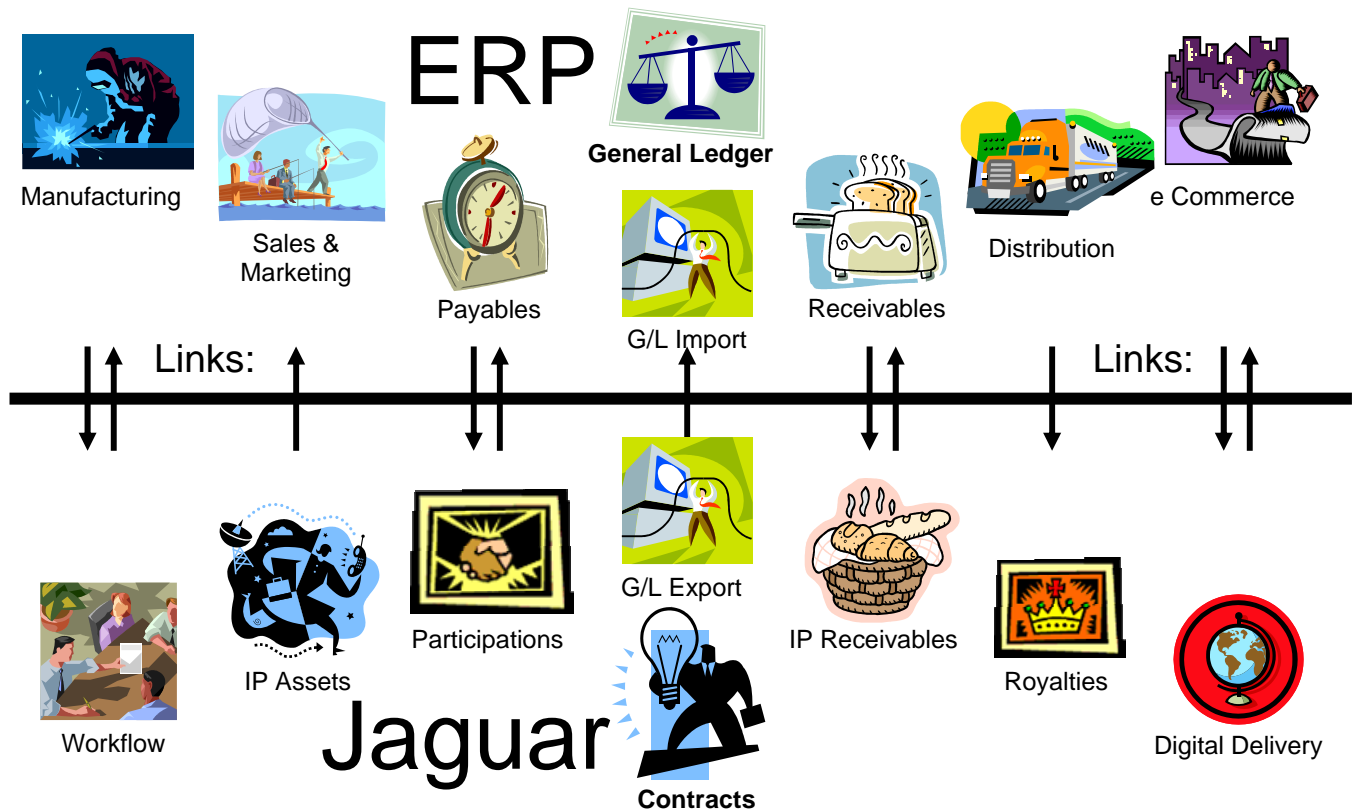
IP Supply Chain Management prepares content providers for effective access management by setting standards for **asset identification, rights definition, information flows** and **business practices** that are compatible with profitable distribution and authorization: commercial, promotional and pay per use.

Personal Computer software developers reduce piracy in developed countries through Internet registration. **Digital Convergence** offers opportunities for music, video and information resources to benefit from this same possibility. This grand view requires extraordinary consistency across traditional competitive lines. Without proper infrastructure, promising efforts such as Movie Link go nowhere.

The anti-piracy impact of IP Supply Chain Management is to leverage better results from standards setting and technology development efforts in various digital and physical intellectual property segments, to create convergent inter and intra-company information systems that transcend competitive conflicts.

While **next steps in hardware configuration and embedded restrictions seem elusive and fragile**, supply chains offer potential far greater consistency in digital rights management and use authentication.

Just as is constantly happening among industrial giants (current news: **Boeing and Airbus on RFID**), **standardization among otherwise bitter intellectual property rivals becomes virtually inevitable**.





Evolutionary Pathway: CRM to DRM

Digital Rights Management has proven to be extraordinarily elusive, with a number of standards, methods, patents and concepts competing for support within the media, publishing, research, music, software and hardware industries. Everyone sees an opportunity for control. Everyone sees danger in ceding control to others. A merger between business rights management and consumer rights management resolves this apparent paradox. System 7 operates as a vehicle for developing business rights management standards that streamline business information and authorization interchange today.

Five System 7 capabilities drive convergence of IP supply chain and digital rights infrastructure:

- **Rights Inheritance** allows a single contract to define rights ownership for millions of intellectual property assets and to allow new, related assets to be created without human intervention
- **Collateral Contract Analysis** continuously updates rights availability information from current acquisition and sales contract activity
- **Unlimited Asset Groups** enable Digital Delivery and Digital Asset Management systems to understand their contents without metadata corruption
- **Contract-Driven Materials Deliveries** automatically engages Rights Clearance and Account Release at each shipping/transmission authorization
- **Dynamic Royalty/Rights Definition** interprets licensee royalty statements against governing contractual grant of rights, regardless of divergence of grant levels or sub-groups

System 7's Custom Rights Framework is the evolutionary result of 20 years of intellectual property business systems practices: Real people using real software to accomplish real business tasks. The diversity of consumer delivery mechanisms obscures the core business issues driving the creation, production and delivery of intellectual property products. This diversity may diminish over time. The requirement for businesses to **understand, communicate and control their rights to patents, copyrights, trademarks, proprietary works, likenesses and authorizations** will not. The drive to organize wholesale, retail and consumer use of these products in relation to the incorporated intellectual property profile remains valid in perpetuity. **Layers upon layers of participant/vendor/licensor relationships require consistent rights-based performance reporting and payment infrastructure from bottom to top.** Consumption Control extends this rights infrastructure to ensure revenue integrity.

Granted Rights Standardization (B to B)

- Royalty Reporting Definitions
- Participation Statement Formats
- Availabilities/Validations
- Expiration Confirmations

Contract Reference Attachment (B to B)

- Concept Approval Submission
- Digital Asset Management
- Intellectual Asset Components
- Document Archive Management

Product Rules Attachment (B to B)

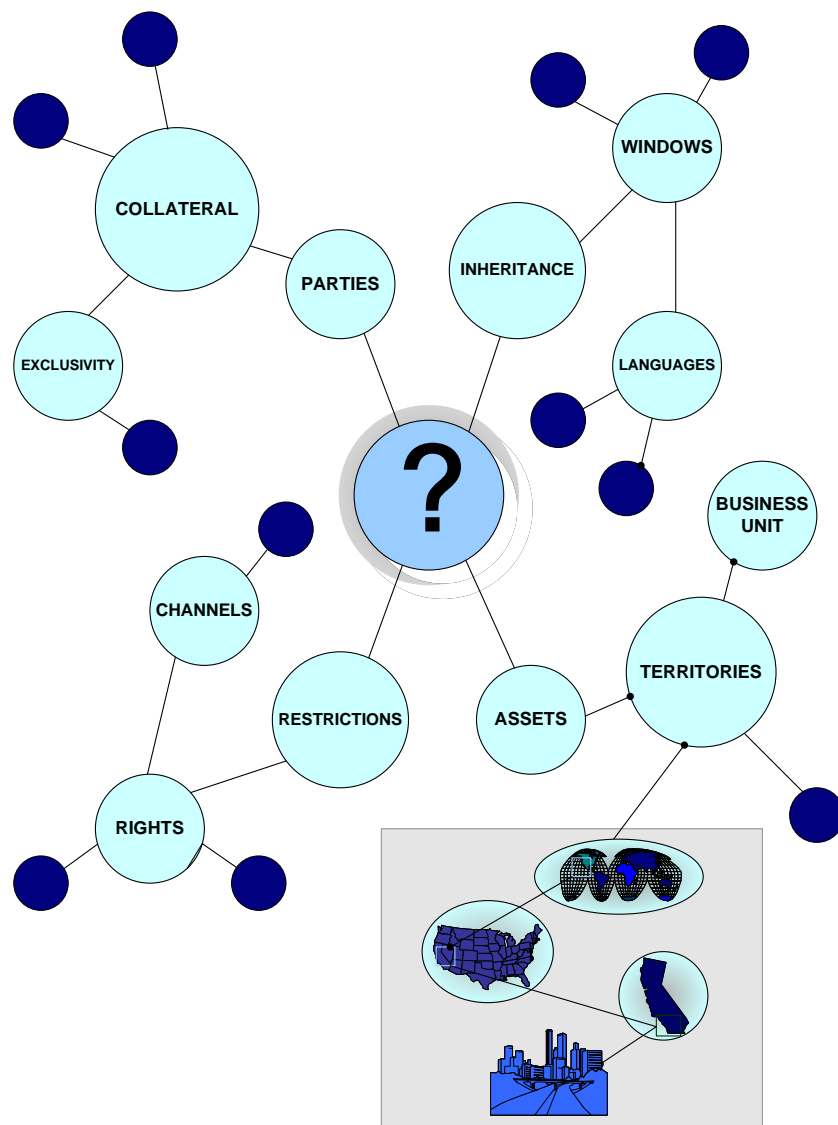
- Replay Limits
- Distribution Channel
- Specified Device
- Release Authorization

Consumption Control (Business to Consumer)

- Portable Devices
- Desktop Computers
- Entertainment Consoles
- Editing Prevention

Custom Rights Framework

This schematic is intended to highlight the twelve major elements of any complete intellectual property rights definition. Territories have been further dissected to present the reality that many of these rights components are multi-level. Assets, Territories or Rights may become particularly intricate, descending as many as a dozen levels, each level potentially containing one or more parallel groupings (for example, Switzerland belongs to parallel Italian, German and French territory language groups). Jaguar's Custom Rights Framework adjusts all twelve master rights components to correspond with the level of precision or simplicity required by each business unit. System 7's Availability, Collision and Validation functions understand the countless permutations that result.





Rights Management on Every Desktop

Microsoft's April licensing of the **InterTrust Digital Rights Management Patents** for \$440 million highlights the strategic value of rights management infrastructure in the world of business to business, business to consumer and consumer software applications today. **System 7** stands alone as a Business Rights Management application capable of fully supporting automation of rights creation, segregation and application as part of an industrial contract workflow process. This capability offers value in Business to Business rights management scenarios, in which exclusivity, non-exclusivity and co-exclusivity restrictions to intellectual asset use are subject to change with each new acquisition, sale or proprietary grant.

System 7 standardizes rights management administration across all types of contracts, properties and business models within Intellectual Property Management. System 7 is built upon a Universal Contract Database, Custom Rights Framework and Dynamic Workflow Management foundation designed to enable an unlimited variety of configuration possibilities. Moreover, these configurations may be differentiated and cross-referenced by workgroup, department or IP development project.

For many years, attempts at producing useful standards for data management in this area have faltered due to an endemic lack of software products capable of cutting across the demands of various forms of intellectual property licensing models. Various committees and marketing initiatives have been born whose goal was to dramatically expand the selling opportunities in the field, which then faltered when the marketplace realized that the "metadata model" in question, was either too simplistic or too inflexible.

System 7's **Custom Rights Framework (CRF)** resolves this dilemma. CRF defines licensed Assets, Territories, Rights, Restrictions, Distribution Channels, Contractual Parties, Languages and Deal Types in an unlimited combination of levels and interrelationships. For anyone actively working in the IP field, such a requirement has always been apparent, the deficiency has been in evolving a software system capable of bringing such information to life.

Each intellectual property class has evolved business practices and relationships that are particular to the creative, production and distribution methodologies required to impact ultimate consumer demand in their field. The data fundamentals of asset, territory/language, exclusivity, use, rights window, release dates, market outlet and financial participant remain constant in all situations. The variability comes in the form of parent/child relationships in all phases of origination, combination, initial market release, secondary exploitation and re-creation. In other words, television licensing may specify the precise television station or localized advertising market within a region, within a country, within a language group, within a continent, within a hemisphere. Book publishing would start with a language within a country, within a distribution zone. In today's cross-licensing world, a single standard must handle both situations and countless more to be of any practical value.

In System 7, **a concise set of rights definitions with a proven track record of administrative success has been achieved.** Seven generations of direct client design input were required to bring CRF to fruition. CRF now forms the core of System 7's unique integration of contract administration, rights management and business accounting for intellectual property management. This standard can now reach millions of desktops across patents, copyrights, trademark, permissions, brand management, proprietary works, likeness and franchise contract applications. Standards can enable communications and analysis opportunities that are presently considered to be elusive. Just as **Microsoft Office** and **Internet Explorer** have brought countless benefits through the **sheer power of consistency**, Custom Rights Framework represents that opportunity for all who are touched by the use of intellectual property in its endless variety of legal and practical forms.



Impact of Sarbanes-Oxley Legislation

Auditability has become a key watchword of corporate governance within US corporations and, by extension, public companies around the world. **Within the intellectual property field, many companies do not meet minimum requirements for accounting systems integrity.** In other words, there is no direct senior management control of how revenue is defined and recognized from intellectual property distribution and licensing activities. Accounting data is typically entered into multiple documents, databases and accounting systems to then be manually cross-analyzed. General Ledger transactions cannot be traced back to source work orders, invoices or contractual triggers. Departmental interpretations of contracts drive major revenue allocation and cash application decisions without automated support from normal contract administration workflow.

Sarbanes-Oxley (SOX) is designed to legally restrict all types of corporations from obscuring, mis-timing and falsifying key accounting data. **Corporate intellectual property licensing divisions are particularly vulnerable to non-compliance findings during routine audits.** The dynamic nature of contract accounting within Apparel, Consumer Products and Entertainment industry production and distribution licensing relationships challenges finance departments to maintain acceptable revenue recognition audit trails. Sarbanes-Oxley at the operational level is intended to produce integrated accounting systems, consistent accounting policies and the ability to document past, current and pending implications of in-force contracts.

System 7 is the only IP contract accounting system that meets the SOX transparency standard.

All other attempts at producing this functionality rely too heavily on manual adjustments, redundant data entry and non-transactional record keeping to be acceptable under new audit review standards. Parallel licensing divisions are no longer allowed to maintain separate redundant contract systems. Such administrative nightmares are seen as undue “complexity” inviting abuse. The combination of non-transactional accounting data and replicated contract databases places most IP organizations in direct contradiction to the intent of Sarbanes-Oxley.

System 7 provides the transactional integration and single-entry simplicity envisioned by the US Congress in enacting this legislation. System 7 makes all processes 100% visible, months, years or decades after their inception.

Control Points

Sarbanes-Oxley 404 focuses on the establishment of documented, maintained and tested Control Points to assure that management is reasonable in relying upon the internal financial reporting of a corporation’s various departments, divisions and subsidiaries. Control Points come in two basic forms, manual control points and financial software application control points. Application and manual control points frequently blend wherein the role of the accounting software is to create a documented decision point or exception report requiring human involvement. System 7 supports the following Control Points:

Contract Quality Assurance Redlining
Delayed Contract Execution Alarm
Contract Inception & Revision G/L Posting
Contract Rights Clearance Validation
Approval Process Standardization
Contract Version Documentation

Licensee Royalty Report Validation
Automatic G/L Account Generation
Contract Inception & Revision A/R Posting
Exceptional Transaction Notification
Unapplied Cash Receipts Tracking
Payment Authorization Monitoring