



## LES Standards

### The Purposes of LES Standards

The purposes of the LES Standards Program are to:

- Raise the standards of business conduct in IP-oriented transactions
- Improve the practice of IP management
- Reduce the cost and time required to do IP-oriented transactions and IP management
- Protect and preserve the value of IP for innovative individuals and enterprises
  - Thereby encouraging investment in innovation and enhancing the economic well-being of society

### The Motivation for LES Standards

Today, in North America and across the world, innovation is the principle source of differentiated and defensible advantage for operating companies. Innovation is the basis of advantaged products and services, and it drives sales and profits. It is the source of jobs. It is the engine of the economy. Yet the intricacies of the innovation economy are not well-understood by our political, financial, and business leaders.

For example, while intellectual property (or intangible) value makes up approximately 70% of the equity value of our publically traded companies, the Generally Accepted Accounting Principles (GAAP)—the standards by which the U.S. Securities and Exchange Commission manages reporting by publically traded companies—treat the accounting for intangible value almost as an incidental issue.

In addition, in business schools around the world, intellectual property management is not treated seriously as a business subject. In fact, to the extent it is dealt with at all, IP is taught as a legal subject, not as the largest component of value in the modern corporation. IP valuation, the business processes employed in IP management, and IP strategy are barely touched upon.

No wonder IP and its value are nearly invisible to most of our business, financial, and political leaders. They have little if any instruction in it. There is little accounting for it. And very often, no one has business responsibility for its protection and management, outside of the attorneys.

The LES Standards Program is therefore conceived to develop and teach best practices in many aspects of IP management and, where appropriate, offer enterprises the opportunity to differentiate themselves based on their use of these best practices. LES Standards will be to IP management what ISO 9001 is to quality management.

LES Standards is conceived to offer a toolkit with which enterprises can improve the way they do IP transactions, the way they protect their innovation, the way they use IP in their business strategies, and the way they manage third party IP.

### Areas of Standards Development

The first three standards committees being established are the following, with the following standards areas being actively considered:

- Patent Licensing Entity Standards
  - Ethical conduct in patent licensing
  - License templates
  - Patent assignment agreement templates
  - Stand-still agreement templates
  - Composition of claim charts
- IP Brokerage Standards
  - Ethical conduct in IP brokerage
  - IP brokerage agency agreement templates
  - Due diligence steps in IP brokerage
  - Service minimums in IP brokerage
- IP Protection in the Value Chain Standards
  - IT security
  - Physical security
  - Employee training
  - IP management maturity assessments
  - Audit
  - Reporting

### INFORMATION

[July 2014 Focus Group Meeting Artifacts](#)

### IP BROKERAGE STANDARDS COMMITTEE

[IP Brokerage Standards Committee Charter Document](#)

### IP IN SUPPLY CHAIN STANDARDS COMMITTEE

[IP in Supply Chain Standards Committee Charter Document](#)

### PATENT LICENSING ENTITY STANDARDS COMMITTEE

[Patent Licensing Entity Standards Committee Charter Document](#)

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The standards areas listed for each committee above are suggestions for consideration of the committees. It will be up to the committees to decide what areas they would like to work on (and in what order it would be best to work on them) to achieve the purposes of the LES Standards Program. It is important to keep in mind that all journeys begin with relatively small steps, and this will likely be the case with LES Standards development work. The earlier standards may be easier to develop consensus on than standards developed several years from now.

Will there be additional standards committees that we will want to establish over time? Yes, certainly. One broad area that comes to mind is IP valuation. There will be others.

#### The Cost of LES Standards Participation

There will be an annual membership fee charged to each enterprise that participates in an LES Standards committee. For that flat fee, each enterprise may provide as many participants as it likes and may participate in as many committees as it likes. However, there will only be one representative from an enterprise empowered to vote on each committee's work.

We are charging an LES Standards annual enterprise membership fee because we have to hire additional staff to support the work, to purchase software that we do not have, and to incur additional related costs. The rationale for the fee structure is that there are other standards development organizations (SDOs) that have similar structures, which are revenue or budget based.

Please keep in mind that these fees enable an enterprise's named participants to participate in the LES Standards committees. Individuals wanting membership access to other LES resources (such as the royalty rate surveys, the compensation survey, the searchable LES library of meeting content going back many years, a searchable database of archived *LES Nouvelles* articles, the LES membership directory, and LES webinars) will need to take out an individual LES membership.

Below is the fee table for LES Standards annual enterprise memberships.

Organizational Revenue/Budget	Annual Enterprise Member Fee
\$0-\$1M	\$1,000
\$1M-\$3M	\$2,500
\$3M-\$5M	\$3,500
\$5M-\$100M	\$5,000
\$100M-\$500M	\$6,500
\$500M-\$1,000M	\$8,000
\$1,000M-And Up	\$9,500

#### Conclusion

Until now, the IP management community—the community of experts in IP management—has not organized itself to speak with one voice in answer to urgent queries from around the world as to what should be done in the licensing of patents, what should be done in the selling of patents, what should be done from a business process perspective to protect other-party IP. It has not organized itself to develop and implement scenario-based standards of IP valuation, standards of enterprise conduct in IP transactions, IP agreement template standards, and so forth. This is a short-coming that we need to fix.

The IP management community needs to come together in an open, fair, and balanced way—under the rules of the American National Standards Institute (ANSI)—to answer those queries being made of the legislatures and courts around the world and of the IP management community in its current disarray. The IP management community will come together in the LES Standards Program to begin the process of answering these and many other urgent and important questions that politicians, judges, juries, business leaders, financial leaders, citizens, inventors, entrepreneurs, and enterprises of all kinds have been wrestling with for many years. LES encourages all organizations and individuals who have a stake in the answers to participate in the LES Standards development process. LES is moving forward to set up a process in which everyone around the globe is welcome to participate, whether a governmental organization or agency, an educational institution, a consulting company, a law firm, a sole proprietor, a product company, a services company, or any other professional group.

We look forward to working together with you and your organization as we focus on the critical questions an IP-based world economy demands to have answered. And we promise that the very best minds in the IP management community will be enlisted to lead us to success in this significant task.

#### LES STANDARDS LEADERSHIP

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**The Licensing Executives Society**

The Licensing Executives Society (LES USA & Canada) is the global leader in the business applications of intellectual property (IP) rights and their management, and it is devoted to standards development, education, and certification. It is an independent, non-profit, professional society that promotes best practices in IP transactions, IP protection, and IP strategy. LES counts among its members lawyers as well as experts in the IP strategy, business management, accounting, business development, supplier management, program management, sales, marketing, and IP valuation fields. Among these are representatives of innovation oriented companies from all business sectors, government agencies, and university labs. LES (USA & Canada) is a community of approximately 4000 IP management professionals, and it is part of a world-wide network (LES International) of more than 9,000 IP management practitioners in 32 sister societies.

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