

The Last Asset Standing

When the company fails, but the technology doesn't — monetizing intellectual property in distressed situations.

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One of the biggest misconceptions in distressed situations is that failed companies produce failed technology. This is oftentimes a false assumption. For development-stage, technology-enabled, and innovation-driven businesses, intellectual property often represents the greatest opportunity for recovery.

Clinical assets

Negative clinical trial results may still hold value with different indications, specific patient cohorts, or stricter trial design.

Hardware businesses

Equipment recoveries may be limited, while the underlying engineering and design knowledge drives meaningful value.

Enterprise software

Platforms may fail commercially but retain highly valuable code bases, integrations, or development frameworks.

In reality, many businesses run out of runway long before their intellectual property runs out of value. By the time liquidity becomes critical, stakeholders are typically focused on cash, receivables, inventory, and equipment, while the company's most strategic asset sits largely overlooked. Patents, proprietary software, engineering know-how, technical processes, clinical research, and trade secrets can retain significant value even when the operating business itself is no longer viable.

The challenge is that intellectual property does not behave like a traditional asset. Unlike inventory or equipment, there is no standardized market value. The worth depends entirely on who the buyer is, how they intend to use it, and when it is brought to market. A patent portfolio that appears commercially immature to one buyer may accelerate another company's product roadmap by years, while software that no longer supports a standalone business may still create value through integration, licensing, or talent acquisition.

As a result, the highest-value buyer is often not the most obvious one. Successful IP sales frequently require looking beyond direct competitors to adjacent industries, strategic acquirers, or specialized financial buyers.

Common mistakes that destroy IP value.

01

Waiting too long

Delaying the process until liquidity is nearly exhausted leaves companies without the resources needed to properly market or diligence the IP. Key technical personnel may have departed, access to systems or documentation may be limited, and stakeholders are forced into compressed timelines that reduce optionality.

What could have been a strategic marketing effort instead becomes a rushed liquidation exercise.

02

Running a generic liquidation process

Traditional liquidation frameworks are rarely optimized for intellectual property. Fixed auction timelines and broad sale procedures may work for hard assets, but IP monetization typically requires a more targeted approach. Buyers often need additional diligence time, direct access to technical personnel, or alternative transaction structures before they can fully assess value.

The most effective efforts borrow from a strategic sell-side playbook: define the right buyer universe, position the asset around its strategic value, and run a competitive process designed to maximize outcomes.

03

Underestimating strategic interest

Distressed companies often assume that if the business failed, the technology must have failed as well. That is not always the case. Buyers may value IP for reasons entirely separate from the original company's success, including accelerating internal development efforts, leveraging years of third-party R&D investment, blocking a competitor from acquiring the technology, accessing technical talent or domain expertise, and creating future licensing or enforcement opportunities.

The better question is often not whether the IP has value today, but whether it can create economic value in the future.

Who buys distressed IP?

Strategic buyers

Direct competitors are typically the first group considered — and for good reason. They already understand the market, the technology, and the commercial applications.

Adjacent industry participants

A technology developed for one application may solve a problem in an entirely different market, creating opportunities never part of the original business plan.

Financial & specialized investors

Royalty investors, IP aggregators, licensing platforms, patent monetization firms, and investors seeking recapitalization opportunities.

A more effective IP monetization playbook.

Successful IP monetization processes should begin long before a formal liquidation. The first step is developing a comprehensive inventory of the intellectual property assets — not only patents and patent applications, but also source code, proprietary datasets, customer information, trade secrets, technical processes, licensing rights, and internal development materials.

Ownership and assignability should be verified early, particularly where third-party licenses, contractors, or collaborative development arrangements are involved. From there, the focus shifts to identifying the right buyer universe — extending beyond obvious strategic acquirers to categories of buyers with different motivations and valuation frameworks. Equally important is creating an efficient diligence process: clear materials, organized documentation, and access to personnel who can communicate the technical and commercial significance of the IP.

Flexibility around deal structure can also materially improve outcomes. Traditional asset sales are not always the optimal solution; depending on circumstances, recoveries may be enhanced through earnouts or milestone payments, royalty arrangements, field-of-use or geographic licensing structures, and joint ventures or strategic partnerships.

QUESTIONS FOR BOARDS, LENDERS & FIDUCIARIES

- 01** Has the intellectual property been properly inventoried and ownership verified?
- 02** Is there enough runway to market the asset strategically rather than simply liquidate it?
- 03** Are the right technical resources still in place to communicate its value?

Intellectual property should not be viewed as a residual asset category. In the right circumstances, it may represent the most meaningful recovery opportunity remaining.

Select intellectual property and asset sale engagements.

The assets of  have been acquired by UNDISCLOSED in an ABC sale process	The assets of  a portfolio company of  have been acquired by  in an ABC sale process	The assets of  a portfolio company of  have been acquired by UNDISCLOSED in an ABC sale process	 Managed wind down and asset sale
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