

Business Opportunity Alternatives to Assertion-Based Patent Monetization

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***Corporate Perspectives on
IP Monetization Strategies***

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Assertion vs. Business Opportunity Models

The assertion-based patent monetization model results from viewing a patent as ***an exclusionary legal right***

- Patent owner options:
exclude the competition (via injunction) or
tax the competition (via royalties for non-excl. license)
- Value proposition: *Pay us a royalty or we'll sue!*

The business opportunity model results from viewing a patent as ***a commercial asset*** (like real estate or corporate securities)

- Patent owner options: multiple bus-dev opportunities
- Value proposition: *We can both make money here.*

The Players - Assertion/Licensing Model

- **Single Inventor Licensing Entities -**
RAKL (Ron Katz), NTP, Lemelson, Fergason
- **Licensing Agents - ThinkFire, IP Value, General Patent, IPAC**
- **Institutional Patent Aggregators -**
Offensive - Intellectual, Ventures, Acacia, BTG
Defensive - Open Invention Network (IBM, Novell, etc)
- **Corporate Licensing Spin-outs -**
GE Commercial Finance, Lucent,
AT&T Knowledge Ventures, BellSouth,
- **Litigation Finance Funds - Altitude, Rembrandt, Oasis**
- **IP/Technology Development & Licensing Companies -**
Tessera, Interdigital, Rambus, AmberWave,
MOSAID, MIPS, ARM, TPL

The Players - Business Opportunity Model

- **Operating Companies -**
Buyers - e.g., Intel Capital
Sellers - e.g., IBM, HP, Motorola
- **Patent Brokers -**
Pluritas, iPotential, ThinkFire, IP Value,
Semiconductor Insights, Iceberg,
Bramson & Pressman, Fairfield Resources
- **IP Investment/Merchant Banks -**
Inflexion Point, Ocean Tomo
- **IP On-Line Exchanges -**
Yet2.com, Tynax
- **IP Auctions (on-line and live) -**
Ocean Tomo, IP Bewertungs AG, IP Auctions Inc.

Opportunity Model Deal Types

- **Negotiated sale of patent(s) - w/ or w/o continuing revenue stream**
- **Exclusive field-of use license(s)**
- **Non-exclusive licenses, *plus* technology (know-how) transfer**
- **Corporate transactions involving sale or merger of entire companies, divisions or business units, spin-outs and joint ventures**
- **Various investment, financing and securitization vehicles - e.g., sale-and-lease-back, royalty stream securitization**
- **Patent auctions - private vs. public**

Outright Sale

Buyer -

- competitor
- new entrant, start-up
- institutional patent aggregator (IPA)
- private equity firm

Price -

- lump sum - cash, equity or mixed
- up front payment (or not) plus revenue share based on buyer exploitation (w/ or w/o reversionary interest)

Reservation (or grant-back) -

- nonexclusive license or covenant-not-to-sue
- exclusive field-of-use license
- rights to improvements?

Non-compete?

Exclusive Field-of-Use License

- **Single exclusive license to all “non-core” applications**
- **Multiple exclusive licenses in selected “verticals”**
- **Cross-EFOU licenses to obtain exclusivity within a vertical**
- **Grant-back rights to improvements by licensee?**
- **Licensee enforcement issues - standing/joinder, litigation control**

Enabling-Type Non-exclusive Licenses

Non-exclusive license coupled with -

- **Technology transfer (trade secrets, know-how)**
- **Technical support (e.g., integration with licensee processes)**

Emergence of the “IP Company” -

- **No tangible product, except for digital data**
- **Typically 3 operating units: R&D, IP licensing & customer support**
- **Examples: Rambus, Tessera, MIPS, ARM, Interdigital, AmberWave**

Corporate Transactions

- **Sale of company -**
asset sale, stock sale, forward/reverse merger, RTM
payment can be cash, equity or mixed
- **Divestiture of division. business unit or technology -**
spin-off vs. spin-out
IP allocation is usually a contentious issue!
- **Merger of Equals (MOE)**
- **Joint Venture -**
contractual vs. Newco
two-stage hybrid
IP may be a JV member's sole contribution

IP-Backed Financing

Using IP to obtain operating capital from institutional lenders

- **Collateralization -**
Sale and license-back (off-balance sheet loan)
- **Securitization of future royalty streams -**
Examples: Bowie Bonds, Bio-Pharma Trust
Historically limited to copyright properties & bio/pharma
Requires established licensing revenue stream
- **Sources -**
Ocean Tomo, UCC Capital, IP Innovation Financial Services

Concluding Thought

***“When all you have is a hammer,
everything looks like a nail.”***

**Think creatively about monetizing IP assets -
talk to an IP investment banker.**

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