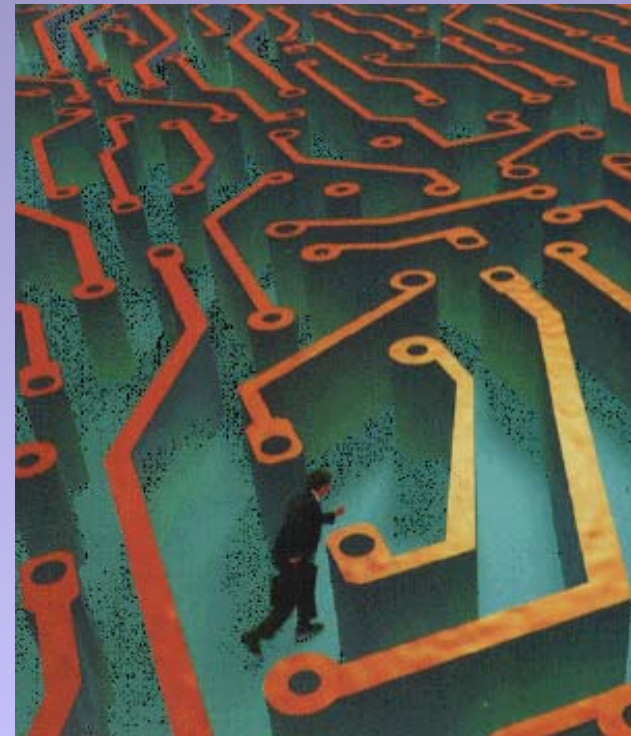


Business Opportunity Alternatives to Assertion-Based Patent Monetization

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IP Monetization Strategies & Alternatives
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Inflexion Point[®]
New Directions in IP Strategy

Assertion vs. Business Opportunity Patent Monetization 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-exclusive license)
- Value proposition: *“Pay us a royalty or we’ll sue!”*

The business opportunity model views 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
- 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, NW Patent Funding, Oasis
- IP/Technology Development & Licensing Companies:
 - Rambus, Tessera, Interdigital, AmberWave, MOSAID, MIPS, ARM, TPL

The Players - Business Opportunity Model

- Operating Companies:
 - Buyers - e.g., Intel Capital, Microsoft
 - Sellers - e.g., IBM, HP, Motorola
- Patent Brokers:
 - Pluritas, iPotential, ThinkFire, IP Value
 - Semiconductor Insights, Iceberg (UK)
 - 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

- Exclusive field-of use license(s)
- Non-exclusive licenses, plus technology (know-how) transfer
- Negotiated sale of patent(s)
- Patent auctions—private vs. public
- Corporate transactions involving sale or merger of entire companies, divisions or business units
- Various investment, financing and securitization vehicles

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/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 designs
- 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
 - core vs. non-core, stranded technologies
 - 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

“Defensive Monetization” Via Strategic Patent Acquisition

Acquisition of patents having *strategic value*,
i.e., those covering products and markets representing
substantial revenue streams of major competitors

can be used to minimize or eliminate cash outflow by

- reducing cross-license balancing payments
- resolving patent infringement claims & settling litigation
- deterring infringement claims or litigation (MAD)

Strategic acquisition is based on a “pain-point” analysis of the competitor’s products and markets - the most effective patents may have nothing to do with the acquiror’s business, e.g., where the acquiror is a major player in a niche market and its primary competitor in that market is a broadly based manufacturer.

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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