EXISTING AND EMERGING IP BUSINESS MODELS

Ron Laurie
Managing Director
Inflexion Point Strategy, LLC
Palo Alto, CA
www.ip-strategy.com

MARKETS FOR PATENTS:
Emerging Practices and
Directions for Research
University of Michigan Law School
Ann Arbor, December 4, 2009
ESTABLISHED IP BUSINESS MODELS - Overview

- Market Makers & Transaction Intermediaries
- Enforcers and Litigation Financiers
- Institutional Aggregators/Investors
- IP Development & Licensing Companies
- Analytics Toolmakers & Service Providers
ESTABLISHED IP BUSINESS MODELS -
Overview

- **Market Makers & Transaction Intermediaries**
- Enforcers and Litigation Financiers
- Institutional Aggregators/Investors
- IP Development & Licensing Companies
- Analytics Toolmakers & Service Providers
ESTABLISHED IP BUSINESS MODELS - Market Makers & Transaction Intermediaries

• Licensing Specialists
  – Corporate Licensing Spin-Outs (e.g., AT&T IP, Philips IPS)
  – University Tech Transfer Agents (e.g., University TLO’s, BTG, UTEK, Texelerate)
  – Independent Licensing Agents (ILAs)
    (e.g., General Patent, IPAC, IP Finance, IP Value, Lava Group, ThinkFire)

• On-line Exchanges/Bulletin Boards
  (e.g., Global Patent Exchange, InnoCentive, IP Exchange Intl. (OT), NineSigma, Open IP.org, Patent Bid-Ask (OT), The Dean’s List (OT), Tynax, Yet2.com, Virtual Ventures)

• Brokers
  (e.g., Bramson, Fairfield, Iceberg, iLeverage, Inflexion Point, IP Investment Group, IPEG BV, iPotential, PatentBridge, PCT Capital, Pluritas, RedChalk, Semi. Insights)

Note: Many of the ILAs and Exchanges have expanded their services to include brokerage (e.g., IP Value, Lava, ThinkFire, Yet2.com)
ESTABLISHED IP BUSINESS MODELS - Market Makers & Transaction Intermediaries (cont.)

- IP Auction Houses
  (e.g., Ocean Tomo, IPA GmbH, IPAuctions.com)

- IP-Driven M&A Advisors
  (e.g., Inflexion Point, Ocean Tomo, PCT Capital, Pluritas)

- IP-Backed Finance
  - Royalty Stream Securitization (e.g., AllseT IP, UCC Capital, Royalty Pharma)
  - IP-Collateralized Lending (ABL) (e.g., OT/Perot, Paradox)
ESTABLISHED IP BUSINESS MODELS - Overview

- Market Makers & Transaction Intermediaries
- **Enforcers and Litigation Financiers**
- Institutional Aggregators/Investors
- IP Development & Licensing Companies
- Analytics Toolmakers & Service Providers
ESTABLISHED IP BUSINESS MODELS -
Enforcers & Litigation Financiers

• Single Inventor Assertion Firms
e.g., NTP, RAKL (Ron Katz), Lelmelson Foundation, LPL, Patriot/TPL, Fergason

• Patent Licensing & Enforcement Companies (PLECs)
e.g., Acacia, IPCom (Germany), Plutus, C2-GTI, TechSearch/Niro, (Refac)

  Note: there is some overlap between this category and the Institutional Aggregators and Licensing Agents.

• Litigation Financiers/Investors
e.g., Altitude, Arca, Burford, Rembrandt, NW Patent Funding (Canada), Juridica (UK), Oasis

  Note: models include equity investment, debt financing, and buy-out.
ESTABLISHED IP BUSINESS MODELS -

Overview

- Market Makers & Transaction Intermediaries
- Enforcers and Litigation Financiers
- Institutional Aggregators/Investors
- IP Development & Licensing Companies
- Analytics Toolmakers & Service Providers
Established IP Business Models - Institutional Aggregators/Investors

Institutional Patent Aggregators/Funds

- Strategic (i.e., Corporate) and Financial Investors (LPs)
  - Intellectual Ventures (US)

- Financial Investors Only
  - Coller Capital (UK)
  - European Patent Funds --
    - Deutsche Bank
    - Credit Suisse
    - Alpha Patentfonds
ESTABLISHED IP BUSINESS MODELS - Overview

- Market Makers & Transaction Intermediaries
- Enforcers and Litigation Financiers
- Institutional Aggregators/Investors
- **IP Development & Licensing Companies**
- Analytics Toolmakers & Service Providers
ESTABLISHED IP BUSINESS MODELS -
**IP Development & Licensing Companies**

- *IP as a “product”*
  - AmberWave
  - ARM
  - InterDigital
  - MIPS
  - Mosaid
  - Qualcomm (?)
  - Rambus
  - Tessera
  - Wi-LAN
  - etc.

**Note:** these companies may utilize a revenue model based on:
- Technology transfer (design info, process know-how, and consulting)
  - plus patent licensing, *(carrot model)*; or
- Patent licensing/assertion alone, *(stick model)*
ESTABLISHED IP BUSINESS MODELS -
Overview

- Market Makers & Transaction Intermediaries
- Enforcers and Litigation Financiers
- Institutional Aggregators/Investors
- IP Development & Licensing Companies
- **Analytics Toolmakers & Service Providers**
ESTABLISHED IP BUSINESS MODELS -
Analytics: Toolmakers & Service Providers

- Patent Rating Services and IP Analysis Software
  - Anaqua
  - 1790 Analytics
  - IP Checkups
  - IP Vision
  - Intellectual Assets
  - Innovation International
  - Patent Ratings (Ocean Tomo)
  - Patent Cafe
  - TAEUS
  - The Patent Board
  - TOPCAP

- Intangible Asset Valuation Specialists
  - Consor
  - CRA Intl (Intecap)
  - Hagelin
  - ICMG
  - LECG
  - NERA
EMERGING IP BUSINESS MODELS

• Defensive Patent Pools, Funds and Alliances
  e.g., Allied Security Trust, Open Invention Network, RPX

• Spin-Outs of “Stranded” Corporate Technologies and Associated IP
  e.g., Blueprint Ventures, Inflexion Point, New Venture Partners

• M&A Financing
  e.g., Intellectual Ventures (Novafora-Transmeta acquisition financing)

• IP Transaction Platforms, Best Practices Development Communities & Infomediaries
  e.g., Gathering2.0, Global Patent Exchange, IPXI, OpenIP.org, OT Patent Bid-Ask, Patent Freedom, Upper Manhattan IP Zone
  *(Note: some overlap here with older on-line exchange/bulletin board models)*

• Patent-Based Public Stock Indexes
  e.g., OT 300 Index, Patent Board WSJ Scorecard
THE FUTURE OF THE IP MARKETPLACE

BIG Question No. 1 --

What effects (if any) will the changing legal and economic environments have on the various IP business models, individually and collectively? --

• Patent reform initiatives in Congress (e.g., damages apportionment)

• Supreme Court and Fed Circuit cases (e.g., eBay, KSR, Quanta, Bilski)

• New PTO examination rules - claim limitations, IDS, continuation practice, obviousness guidelines, etc.

• Tight money and depressed financial markets
THE FUTURE OF THE IP MARKETPLACE
(cont.)

BIG Question No. 2 --

Will *traditional* institutional investors (VCs, Private Equity, Hedge Funds):

(a) Embrace patents (and/or patent litigation) as a viable *Alternative Investment* class?

(e.g., Kleiner-Perkins’ & Charles Rivers’ investment in RPX and Fortress’ investment in IPCom)

or

(b) Shun IP assets and business models as a result of having been so badly burned by their

*inability to quantify risk – and thus value*

in connection with opaque intangible assets in the form of mortgage-backed financial derivatives?