



IP Valuation Symposium

Budapest 27-28 November 2008

IP Evaluation Methods for Commercialisation

Jim Asher

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Everyday encounters with IP

- Patents

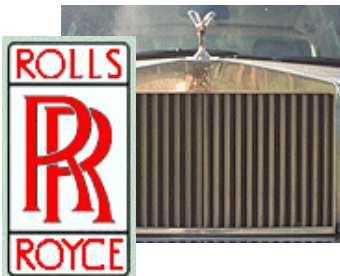
- hardware products
- BT (14,000 patents)
- L'Oreal (>400 patents a year)
- Drugs and genes



L'ORÉAL
PARIS

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Everyday encounters with IP



Audi

Vorsprung durch Technik.



*Egri
Bikavér*



LYCRA®



Google™

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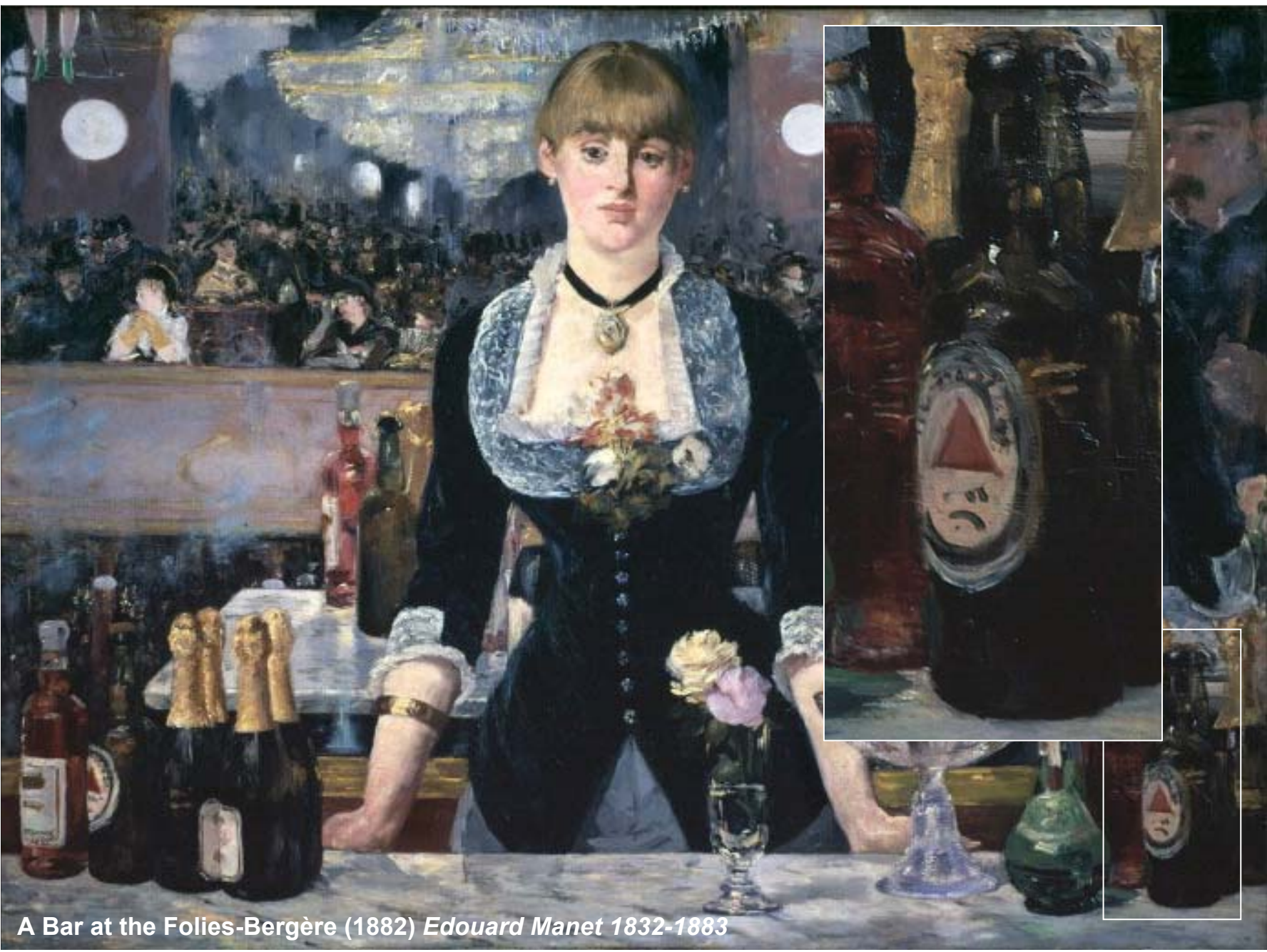
Everyday encounters with IP

First Trade Mark registry: London 1876

UK Trade Mark 00001

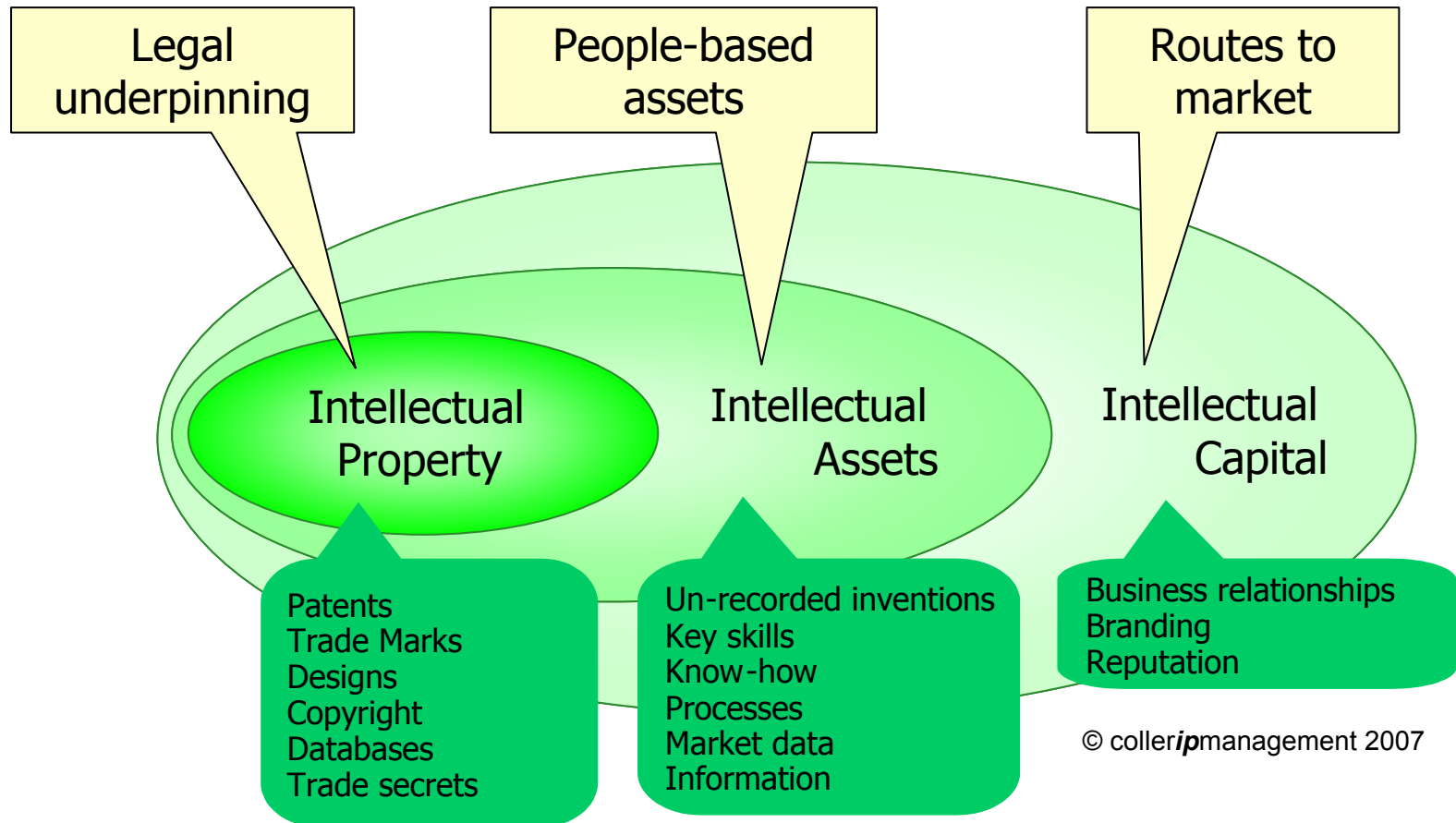
- Filed: 1.1.1876
- Last renewed: 2002
- Still in force!





A Bar at the Folies-Bergère (1882) Edouard Manet 1832-1883

The Value of Intellectual Capital...



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Li-ion rechargeable cell technology

- AEA Technology held key enabling patent
 - developed in late 1970s
- Licensed to Sony in early 1990s
- Licensed/sub-licensed to the world's high-volume battery manufacturers
 - enabled the portable electronics revolution
 - mobiles, laptops etc...
- Value generated:
 - **IP**: multi-£m licensing royalties
 - **IA**: multi-£m related tech transfer contracts
 - **IC**: relationships enabled new multi-£m growth business in specialist batteries



What is IP worth?

- IP is a blocking mechanism
 - Maintains a premium price
 - Supports a market share
- Value of IP is in the additional profits it can protect
- Without a valid market, it is a liability!

IP

IP Evaluation

- Traditional Due Diligence approach:
 - Identifying 'tangible' IP
 - Confirming status and ownership
- Emerging approach:
 - How IP maps to the market
 - Alignment with business plan
 - Identifying and understanding IP risks
 - Additional opportunities
 - Downside value

Commercial valuation scenarios

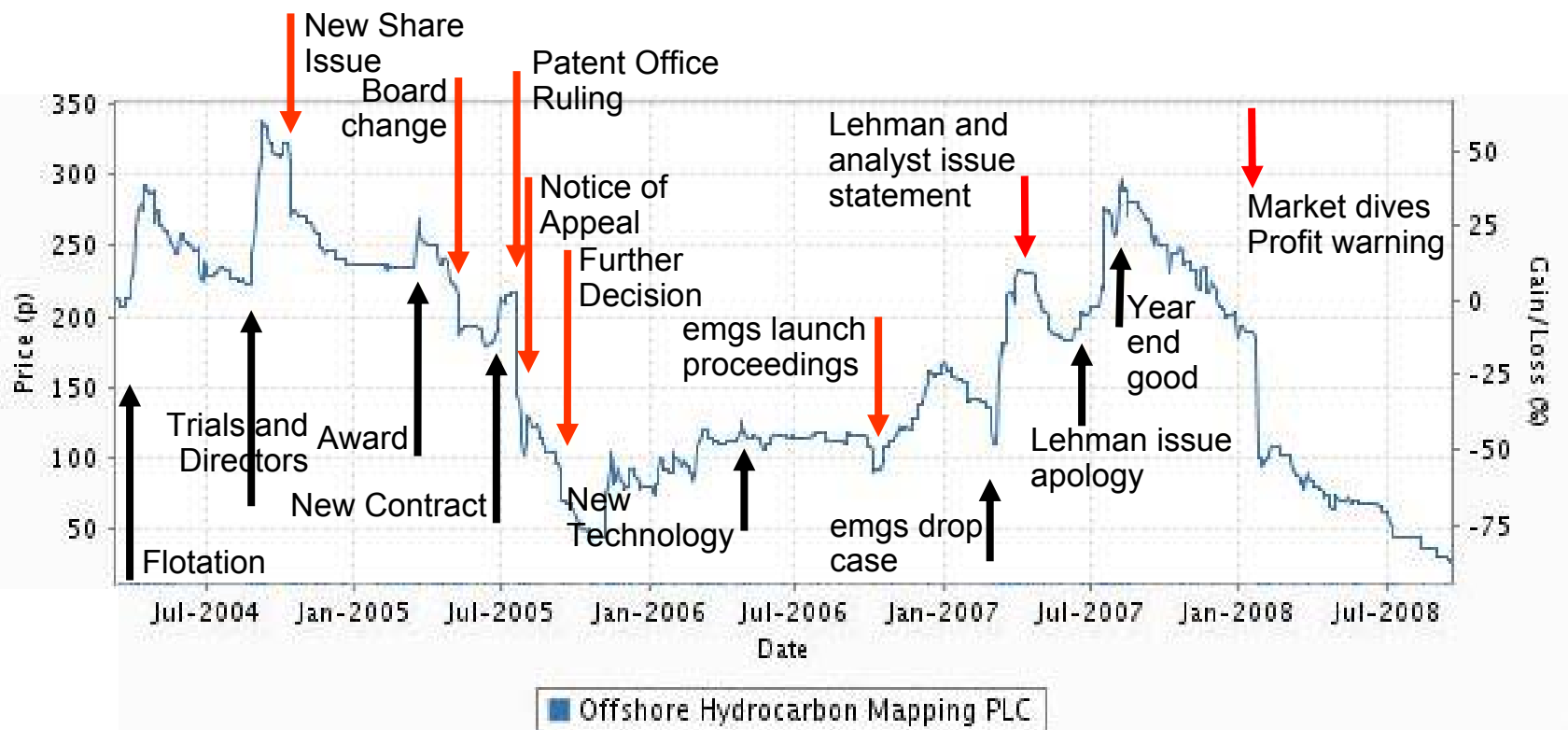
- Evaluation of IP in a company
 - single technology focus
 - defined market focus
 - detailed investigation of technology and IP
- Evaluation of extended IP portfolios
 - portfolio characterisation
 - mapping to market sectors
 - identification of key patents/clusters

Key issues - Single technology focus

- Technology factors
 - patent claims mapping
 - inventor position
- Market factors
 - Cover, extendability and competition
 - royalty benchmarking
- Contract/commercial factors
 - licensing constraints
 - commercial risk assessment

*Reviewing **company** and **third-party** positions*

The Perceived Value of IC



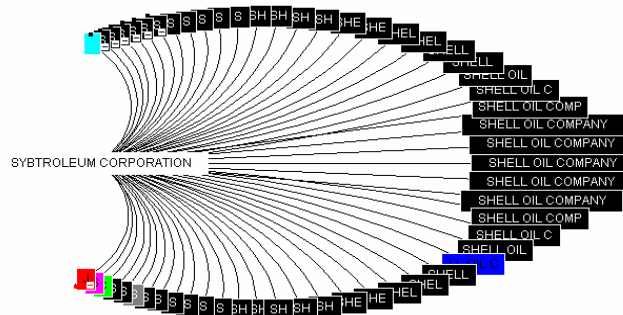
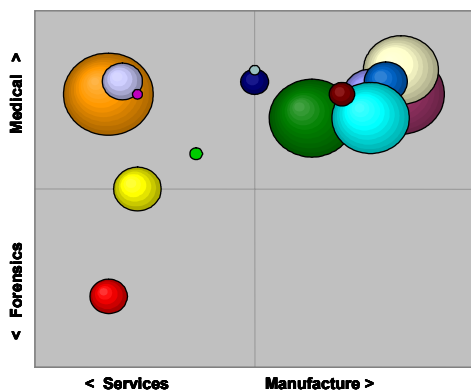
IP Portfolio assessment factors

- Technology clustering
 - specification and claims analysis
 - fundamental or incremental
 - position in IP Landscape
 - inventorship
- Market attractiveness
 - application areas/niche or general
 - volume and value-add
 - competitor intensity
- Commercial positioning
 - timeliness: leading, following or trailing

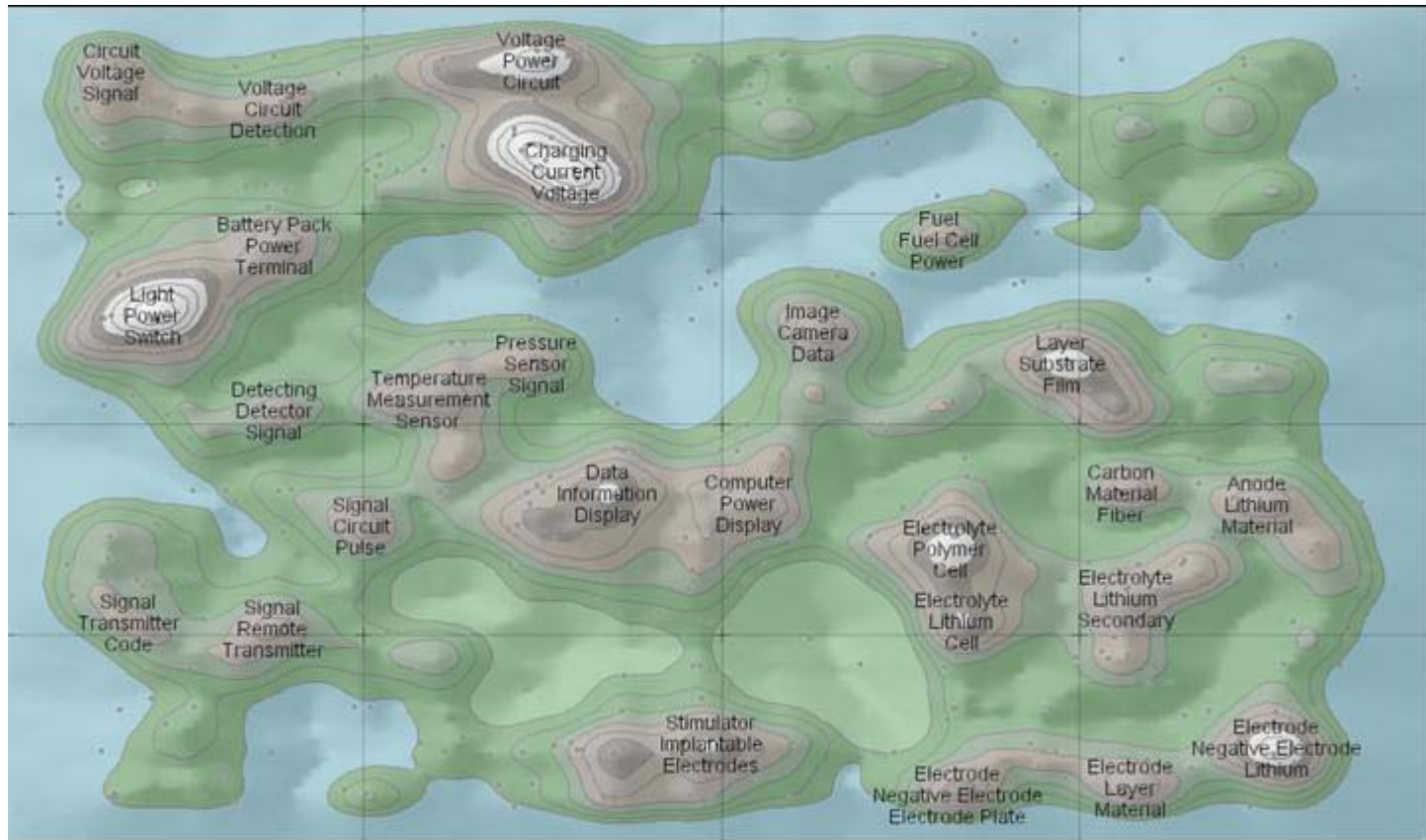
Valuation
depends on
context

Tools for IP evaluation

- Landscape Mapping
- Market Assessment
- Competitor Profiling
- Technology Trends
- Citation Mapping



Lithium Ion Technology



Lithium Ion Technology

● Valence



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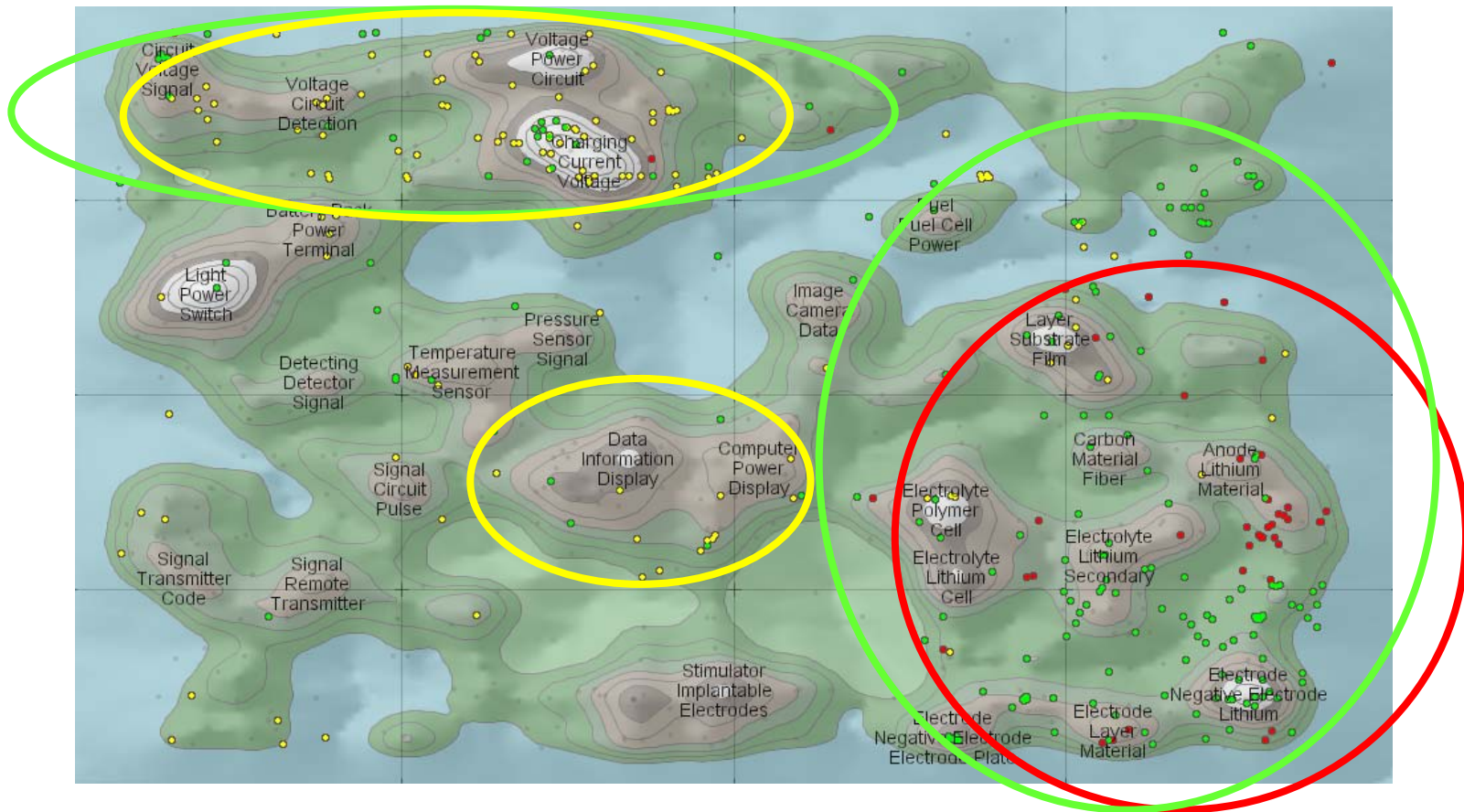
Lithium Ion Technology

●	Matsushita/Panas...
●	Valence



Lithium Ion Technology

●	Motorola
●	Matsushita/Panas...
●	Valence



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Lithium Ion Technology

●	Advanced Bionics
●	Motorola
●	Matsushita/Panas...
●	Valence

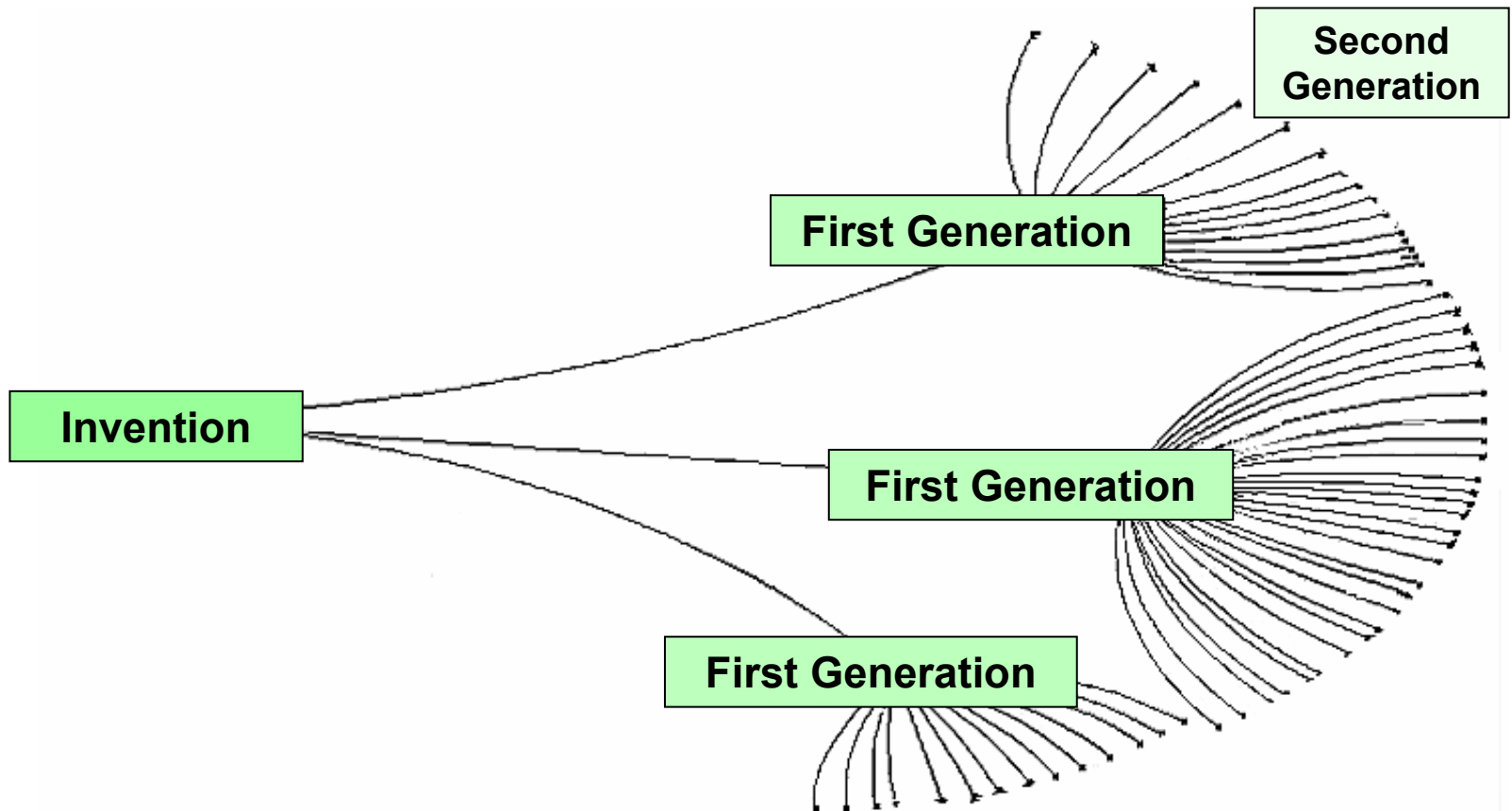


Lithium Ion Technology

●	Sony
●	Matsushita/Panas...
●	Advanced Bionics
●	Motorola
●	Valence



Technology Trends



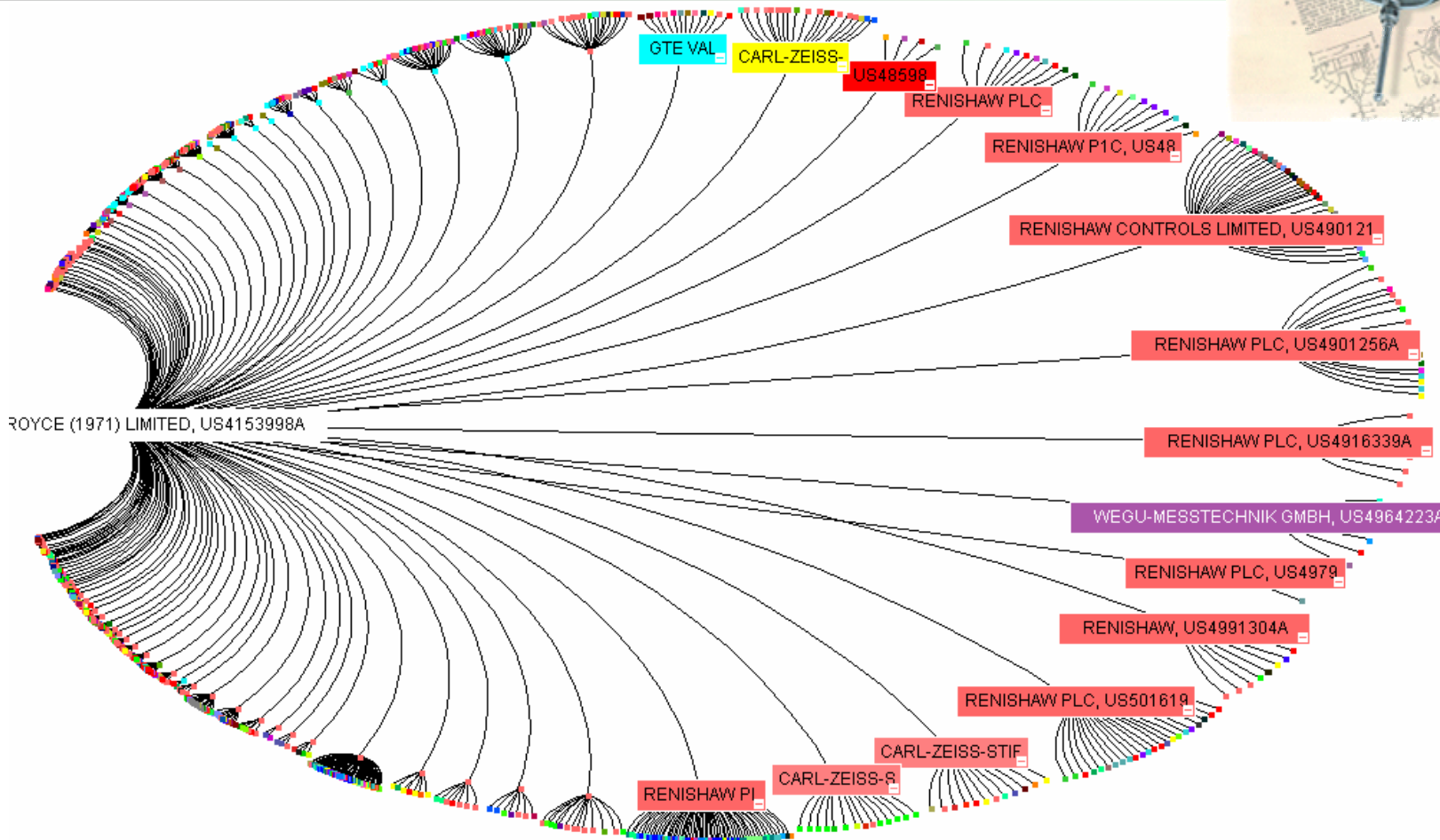
Rolls-Royce



- David McMurtry invented a surface profiling probe; Roll-Royce patented it in 1972
- Renishaw negotiated rights to the patent
- DMcM left RR and joined Renishaw
- Renishaw: £154m, profit: £31m (20%)



Citation Tree



Supporting search/analysis tools

Free access databases:

- USPTO www.uspto.gov
- EPO: esp@cenet www.espacenet.com
- Hungary www.mszh.hu / www.hpo.hu



Subscription databases/toolkits:

- Delphion www.delphion.com
- Micropatent www.micropat.com
- Patent Café www.patentcafe.com

Commercial Valuation

IP

Valuation factors

- Strength of protection
 - is it valid?
 - is it clustered?
 - is it differentiated?
- Can someone else stop them?
- Read-across from Claims to Products
 - are there other end-use applications?
- Is it litigation-ready?
- Time to market
 - partners in position
- What is it worth?

Valuation elements

- Market size/structure/share
- Additional profits in trading
 - Where do these arise?
 - Percentage attributable to IP (over alternatives)
- Mechanism to share profit
 - Royalty rate (usually on revenues)
 - Fixed fee per unit
 - Lump sum payments
- DCF analysis
- Benchmarking to assess fair market rate

Documentation ideals...

- Invention disclosures, clarity on inventorship
- Clean rights for exploitation
- Assignments, Powers of attorney
- Patent filings, searches, prosecution correspondence
- Evidence that fees are paid
- Evidence that claims have been tested

...Value killers

- Ambiguity/disputes on inventorship
- Ownership uncertainties
- Absence of documentation on contracts and IP rights
- Inadequate or confused agreements
- Assignments not recorded
- IP not aligned with business plan

...investors do walk away!

www.collieripmanagement.com



IP

...realising value from intellectual capital

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