IP Value Funds

A new Innovation Model

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Agenda

1. Introduction to IP Bewertungs AG and the Patent Value Funds
   - IP Bewertungs AG
   - Innovation Models
   - The Patent Value Fund Model
IP Bewertungs AG (IPB)

- One of Europe’s leading consulting firms for intellectual property services such as patent evaluation, patent monetisation and patent management
- Access to international network with worldwide resources in commercial legal protection, in the financial services sector and in auditing and taxes
- More than 130 transactions with a total volume of € 2.5bn
- Bank independent spin-off from HypoVereinsbank Group
- Headquarter: Hamburg
- International representations in
  - United Kingdom
  - United States
  - Japan
  - Switzerland
  - India
  - China
  - Korea
IP Bewertungs AG (IPB)

- Clients
  - International blue chips
  - DAX-, MDAX-, STOXX 600 companies
  - SME
  - Universities
  - Research centres
  - Individual inventors

- Background
  - Investment bankers
  - Innovation managers
  - Engineers
  - Scientists
  - Lawyers
  - Patent attorneys
Solutions & services of IPB

- Patent and technology scouting
- Patent evaluation & commercialisation
- Patent evaluation
- Patent & innovation management
- Technology funding
- Consulting
- One step shop for intellectual property rights
Technology Areas

- Technology Area
  - Life Science / Biotech
  - MedTech
  - Pharma
  - Electronics
  - Industrial Engineering
  - Physics
  - Materials and Chemicals
  - Renewable energies
Innovation Models

- Closed Innovation Strategy
- Incremental Innovation Strategy
- Open Innovation Strategy
- Opportunistic Innovation Strategy

Innovation Rate

External Knowledge Consideration

Value from Knowledge
The Open Innovation Model

OPEN INNOVATION

Companies, by looking outside their boundaries, can gain better access to ideas, knowledge, and technology than they would have if they relied solely on their own resources

- increasing the use of inflow of knowledge
- increasing the use of outflows of knowledge
- accelerating the rate of internal innovation
- expanding the markets for external use of innovation
### Open Innovation by Patent Value Funds

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**CLOSE INNOVATION**
- Value From Knowledge -

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**FULL OPEN INNOVATION**

*Trust and reciprocity while being exposed*
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### CLOSE INNOVATION

- **Internal R&D**
- **Patent Value Funds**

### FULL OPEN INNOVATION

- **Collaboration Network**

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**INNOVATION BRIDGE**

- **Value From Knowledge**
How to combine external knowledge and protection?

External Knowledge Sourcing
- Universities
- R&D centres
- SMEs
- Large Corporations
- Other knowledge intensive, non competing entities

Knowledge Protection
- Strategic
- Freedom to operate
- Tactical

Innovation through Patent Value Funds

Value from Knowledge
Patent Value Funds: a compelling value proposition

- Accessing the Open Innovation Model without bearing its costs
- Financing the “Death Valley”
- Solving the False Positive Problem – you don’t invest in R&D directly: no opportunity cost –
- Solving the False Negative Problem – you can access excellent R&D otherwise not selected –
- Bridging from Base Research to Development
- Bridging from Invention to Innovation
- Developing Technologies towards specific industry needs/applications
- Enlarging companies’ R&D base
- Eliminating the R&D Opportunity Cost
- Realizing the value of unexploited technologies
- Stimulating the Markets for Technology
Worldwide Licensing Revenues, 1980 to 2010

Development of Worldwide Licensing Revenues

In Billion USD

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Where is IPB positioned?

- Strategic decision for IP handling
  - Patent portfolio
  - Licensing

- Transfer via financial instruments

- Investors decision for investment targets
  - Return
  - Risk
IP commercialisation is an Investment

Value from Knowledge
Patent Value Funds: an alternative to in-house R&D

- Single field of use/application
- Utilization of internal resources
- Higher opportunity cost & higher risk
- Limited by R&D resources
- No investment in seed-stage techs

- Exploitation of every possible application
- R&D outsourcing opportunity
- Lower opportunity cost & lower risk
- Not limited by R&D resources
- Investment in seed-stage techs

Value from Knowledge
Patent Value Funds ARE NOT Patent Trolls

**Patent Value Funds**
- Young / High potential Technologies
- Market distance -> further development
- Value adding process
- Value realization through partnering with potential licensees
- Stimulating the development of the Markets for Technology

**Patent Trolls**
- Already commercialized Technologies
- Presence on the MKT
- Value extraction process
- Value realization through infringement causes
- Hindering the development of the Markets for Technology

Value from Knowledge
Patent value funds are SPV's initiated by a bank. They secure rights on patents in order to commercialise them by e.g. licensing or selling them with the objective of obtaining the maximum rate of return for both, the patent owner and the investor.
Valuation of Licensing Portfolios

- **IP Sources from:** Mittelstand Cies, R&D Institutions, Cy restructuring, …
- **Quantitative valuation** (IPB’s valuation method)
- **Qualitative audits:** Attribute, constancy, prior art, realization and opposition/claim analysis
- **Realization analyses:** target clients, infringement analysis
- **Realization strategy:** Licensing, sale, JV,..
Licensing Options

Patent Value Funds
IPR - Technologies

Standard License
Ad-hoc conditions for the licensing agreement

Regional Ex. License
Licensing revenues covering the prospected revenues for the region

Application Ex. License
Licensing revenues covering the prospected revenues for the tech. application

Exclusive License
Licensing revenues covering the overall prospected revenues

Value from Knowledge
Other special ways to commercialize the technologies

**JV / R&D agreements:**
- For further development for incubation of technology
- For creating new application
- For adapting the technology to the need of some geographical/technical areas

**Trade Sales:**
Direct sale of the technology (conditions should meet the revenues expected from the exclusive license agreement)
Thank You for Your Attention!

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