

ENET - Boston Entrepreneurs' Network

December 3, 2007 Chart 1

Protecting and Leveraging Intellectual Property

Tuesday, December 4, 2007

IP Licensing Deals - Smoke and Mirrors, David's and Goliath's, Internationally to Deal or not to Deal, What's your pleasure?

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IP Licensing - Deal or No Deal

December 3, 2007 Chart 2

- **With all respect to Howie, the Models and the Banker**
- **Is IP Licensing a game show, where you as the contestant must decide whether to deal or not solely on the probability of a single cash payout?**
- **Sometimes, but not very often, IP Licensing is a long-term play that evolves over the life of a patent**

Smoke and Mirrors - Bedazzle Me

December 3, 2007 Chart 3

- **Why is IP Licensing like trying to hit a Wakefield Knuckle Ball??**
- **Well, even though you can see it coming right where you are expecting it to be, sometimes it drops right out of sight and your swing misses wildly....**
- **IP Licenses are, generally, arm's length transactions between willing parties - each with their own needs and desires which often become adversarial in nature.**

Can David's Dance With The Goliaths

December 3, 2007 Chart 4

- **Many small Companies fear dealing with major Corporations,Reality or Myth????**
- **Big with Big - each has a legal dept, let'em fight**
- **Small with Small - everything to lose, be cautious**
- **Small with Big - Big has less risk tolerance, Small needs the deal, Big requires time for reviews, Small wants to close - more often than not, if it ends up in court, Big loses to Small - advantage, Small....!!**

Are International Deals Different??

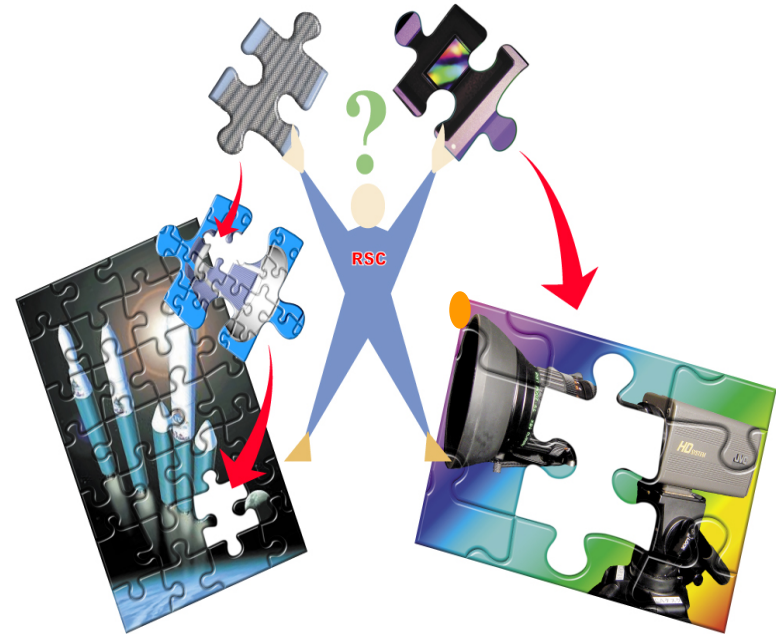
December 3, 2007 Chart 5

- **Very Definitely, for a variety of reasons....**
 - Governing laws for technology transfer vary by country
 - Trade laws can affect cash flows
 - Experience with IP Licenses varies greatly
 - IP protections obviously vary by country
 - Inventors have a greater voice in Japan, Europe
 - Patent Reform, International Treaties, USPTO/PCTs
 - Currency Hedges - does Gisele have it right??

Intellectual Property (IP)

December 3, 2007 Chart 6

- How to mine it
- How to package it
- How to license it



What IP are we talking about?

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- **Intellectual Property:**

- Patents
- Patent applications
- Invention Disclosures
- Trade secrets
- Copyrights, trademarks, etc.



- **Know-how** • **Demonstrations**
- **Show-how** • **Foreign Equivalents**
- **Prototypes**

Who Has the Inventory?

December 3, 2007 Chart 8

- One company, diverse IP owners
- Centralized or de-centralized control
- Negotiation and deal closure authority
- Licensing IP, products, processes, materials, etc
 - Who paid for and maintains the IP?
 - How current is internal awareness of your IP?



What is Available to License?

December 3, 2007 Chart 9

- **All or selective intellectual property**
 - Mainstream or orphan patents?
 - Owner's core or peripheral IP?
- **Type of Licensing:**
 - Supplier
 - Cross
 - Carrot v. stick
- **Hard or Soft Assertion**
 - Protect one's turf
 - Establish assertion reputation
 - Patent trolls or blackmailers



How to Identify the Nuggets

December 3, 2007 Chart 10

- Do you have a mine or only a mine shaft?
- How relevant to the market is your IP?
- Is the portfolio encumbered?

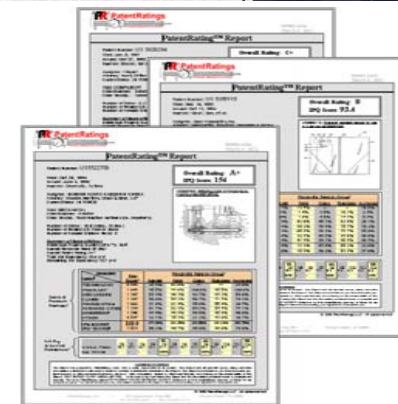
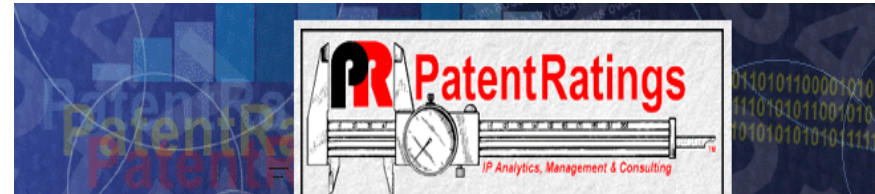


- **Ways to assess the value of a patent:**

✓ Citation analysis	✓ Number of independent claims
✓ Semantic analysis	✓ Inventor reputation
✓ Identifying companies (assignees) in the technical space	✓ Filing date and life span of the patent
✓ Foreign coverage	✓ Suits, court, litigation history
✓ Singletons or families	✓ VC Investments

Tools to Help Assess IP Value

December 3, 2007 Chart 11



Active Intellectual Property Management For the Enterprise

- **Hired guns**
 - IP Attorneys
 - Consultants
 - Experts

Why License IP?

December 3, 2007 Chart 12

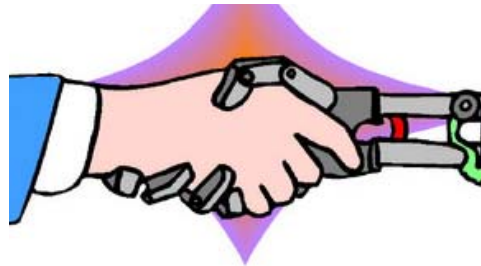


- Create new revenue streams
- Cost advantages (i.e. minimize R&D spending)
- Acquire freedom to operate within a particular technology space
- Establish alliances
- Identify potential spin-outs, start-ups, new ventures
- Ability to restrict competition
- Avoid litigation

How Do You Market Your IP?

December 3, 2007 Chart 13

- Determine the “problem” solved
- Translate technology into products enabled and markets served
- Identify target industries
- Create value proposition
- Develop contact strategy
- Develop an “elevator” pitch
- Test the concept with an expert

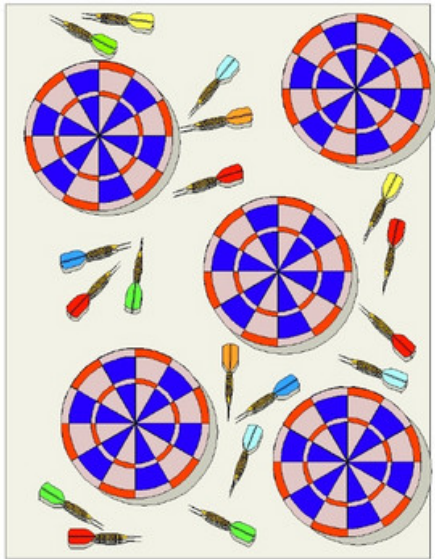


- Network relentlessly
- Provide information consistently
- Follow up, follow up, follow up



Who Is the Best Contact/Target?

December 3, 2007 Chart 14



- Need buy-in from technology, biz-dev, finance functions
 - Depends on value presented
 - Look beyond the market leaders
 - Target known innovators
 - Avoid a sole decision maker
-
- Technologists are the competition
 - Avoid tire kickers

What Will Be the Tipping Point?

December 3, 2007 Chart 15

- Licensee's comfort with the technology
- Technology proven in other products
- Sufficient support from licensor?
- Provisions made?
- Option or development agreements
- Proximity to market introduction



What Type of Agreement Works Best?

- Exclusive or non-exclusive
- Limited exclusive
- Sole or last license



Do your agreements contain the following?

- | | |
|----------------------------------|---------------------------------|
| ✓ Upfront payments | ✓ Arbitration |
| ✓ Running royalties | ✓ Termination |
| ✓ Percentage of sales or set fee | ✓ Set term or life of patent(s) |
| ✓ Volume requirements | ✓ Warranties |
| ✓ Annual Minimums | ✓ Field of use restrictions |
| ✓ Geographic restrictions | ✓ Pass through royalties |

Technology Transfer

December 3, 2007 Chart 17

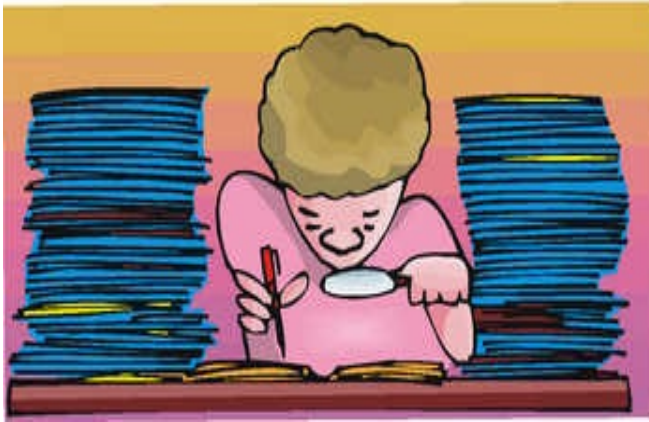


- How knowledgeable is the licensee in the technology?
 - Does technology transfer involve teaching, or product development?
 - How much material is required (s/w, h/w, schematics, prototypes, staff time, etc.) to conclude technology transfer?
-
- There must be a completion criteria
 - Single point of contact on both sides

Monitoring the License

December 3, 2007 Chart 18

- **When and why would you audit?**



- Are there performance related milestones in the license?
- Is there licensee revenue and are reports being forwarded?
- Is the company still viable?

-
- **Should you terminate or re-negotiate?**
 - **Does the licensor have the rights to improvements made by the licensee?**

Conclusions

December 3, 2007 Chart 19

- **Become intimate with the portfolio**
- **Less analysis; more discussion**
- **In negotiations: be prepared, be flexible**
- **Questions, comments, applause?**

