

The Challenge of Commercialization Open Source

presented to
Entrepreneurs' and Consultants Network

January 8, 2008

presented by
Edmund J. Walsh, Esq.

Wolf Greenfield

600 Atlantic Avenue | Boston, Massachusetts 02210

617. 646.8000 | fax 617. 646.8646

www.wolfgreenfield.com

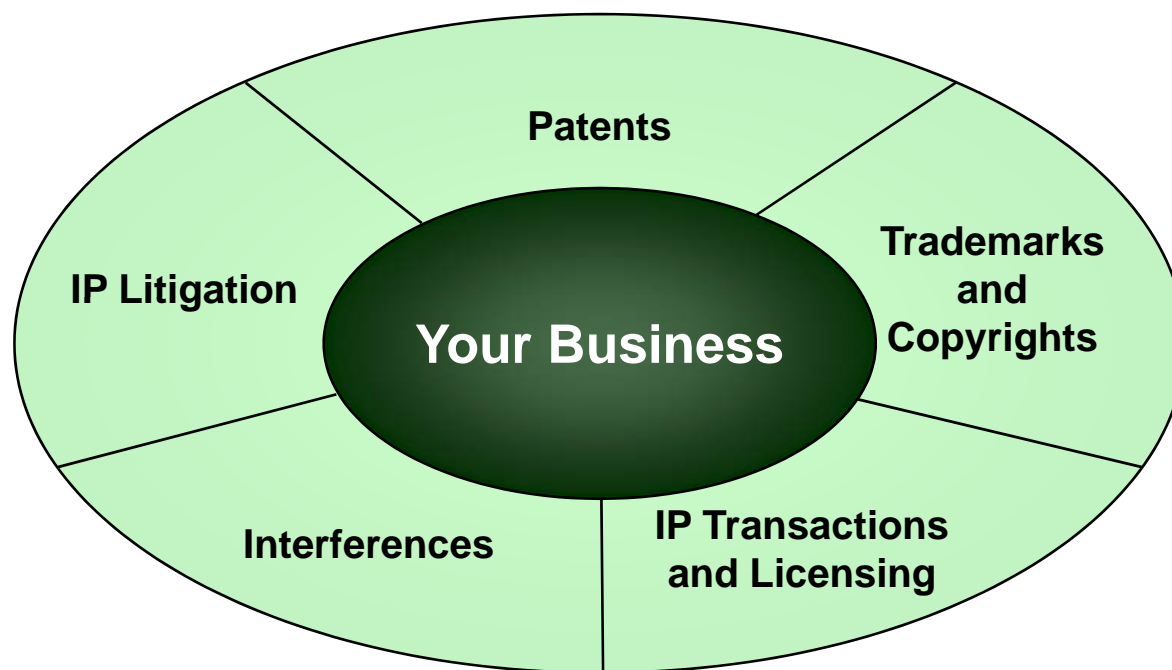
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Wolf Greenfield: Focused on IP

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We are focused on protecting, and enforcing your intellectual property rights and helping you navigate around those of your competitors



You Receive Full Service IP

Open Source and Free Software

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- **There are many types of FOSS licenses**
 - (Out of scope: but, watch for differences)
- **What is in common:**
 - **Broad rights**
 - Source Code
 - Right to use and modify
 - **No warranties**
 - **If you distribute, you must pass on the open source terms**

The Business Proposition

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- **Passing on broad rights means you give up:**
 - **IP rights that could sustain technical differentiation**
 - **Ability to leverage your investment**

Example: The Value of IP and Leverage

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- **Microsoft**
 - Needs no introduction
- **Red Hat**
 - Open source vendor
 - Revenue from:
 - Subscriptions
 - Services

The Value of IP

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- **Red Hat**
 - **Oracle**
 - Will provide copies of Red Hat code
 - Will service Red Hat Installations
 - **CentOS**
 - Makes Red Hat software available for free download

The Value of Leverage

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- **Microsoft**
 - **Revenue: \$13,762,000**
 - **Cost of Revenue: \$2,675,000 (19%)**
 - **Operating Expense: \$5,169,000 (38%)**
 - **Total Expenses: 57%**
- **Red Hat**
 - **Revenue: \$127,270**
 - **Cost of Revenue: \$20,064 (16%)**
 - **Operating Expense: \$89,410 (70%)**
 - **Total Expenses: 86%**

Note: Dollars are in \$1,000's.

Red Hat – Quarter ended August 31, 2007

Microsoft – Quarter ended September 30, 2007

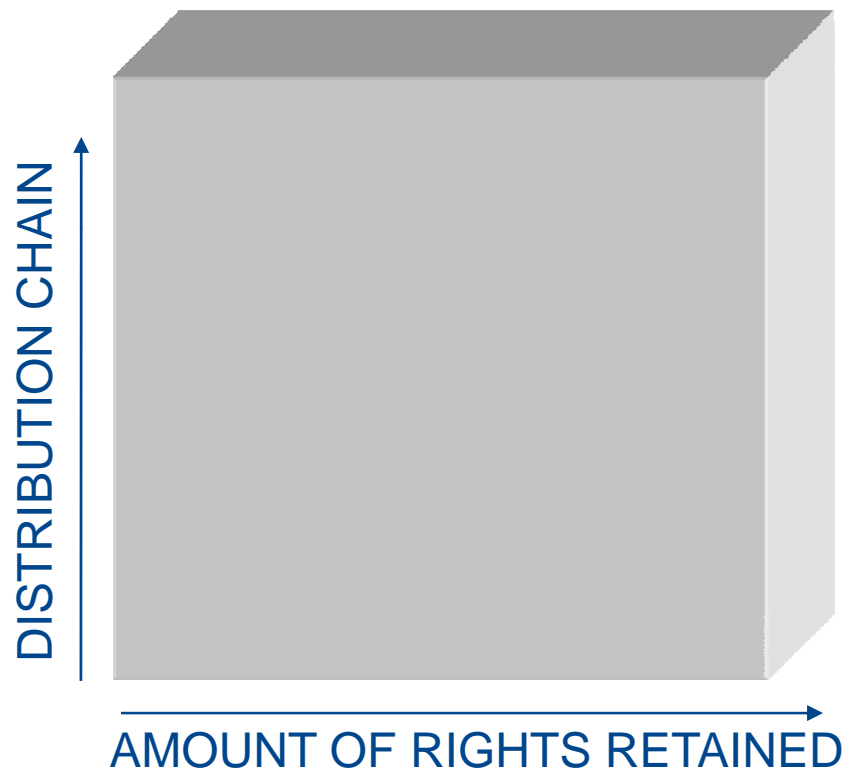
Profitability of Open Source...

**...may depend on
where you are in the
distribution chain.**



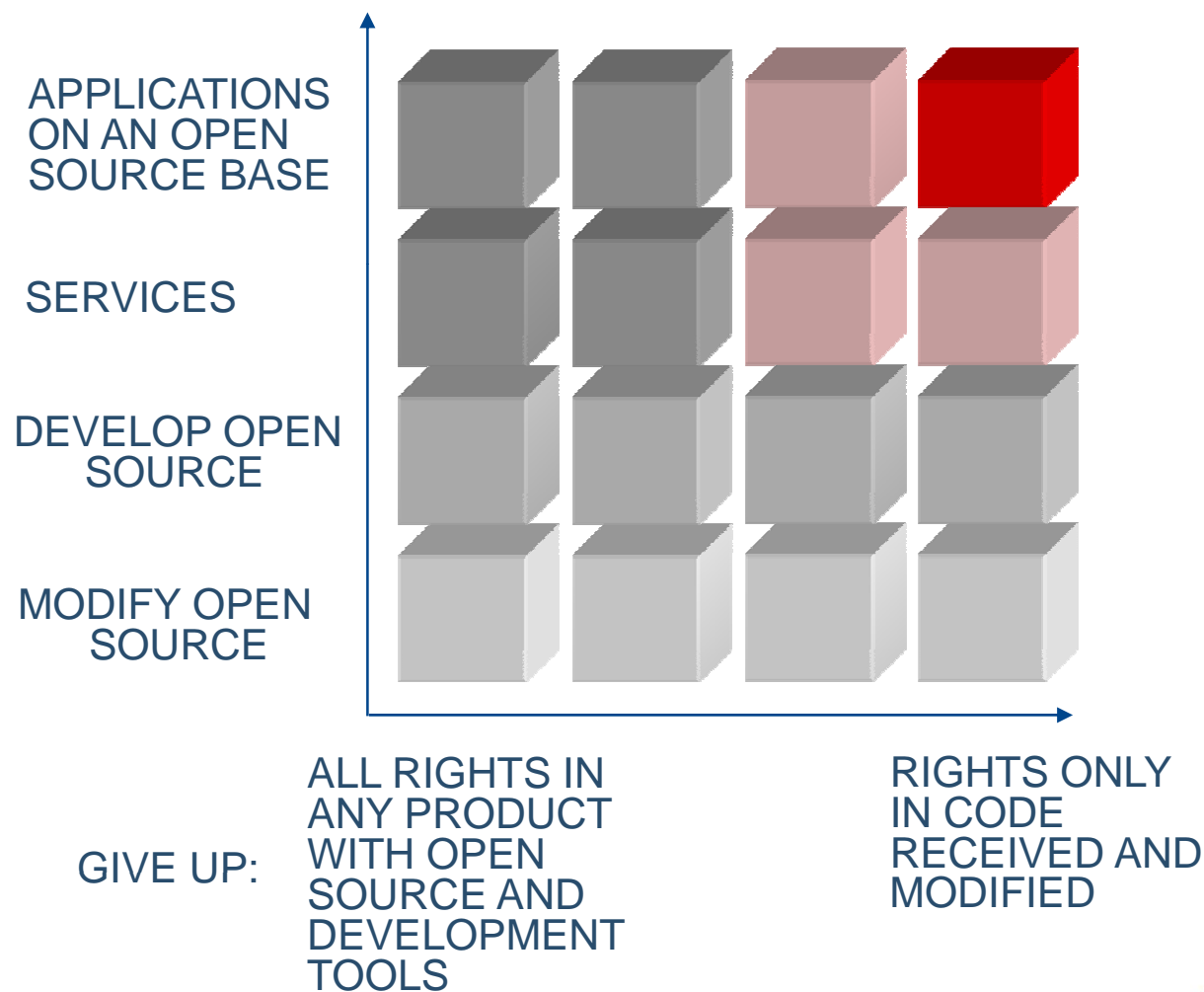
Depends on How You Slice It

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Make Sure Your Use of Open Source Supports Profit

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