



Destination IP Virtual Summit

IP Valuation: Patent Valuation Methods and Practical Considerations

Before We Get Started...



Recording

A link to the recording and slides will be emailed to all registrants.



Questions

Type in the question box and we will answer in real time or during the Q&A.



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Panel



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Doug Portnow

Doug is a registered patent attorney and Principal at Schwegman Lundberg & Woessner. His practice focuses primarily on medical device patent preparation, prosecution and intellectual property due diligence. Prior to entering the legal profession, Doug was an engineer designing medical and surgical devices. Doug has JD, MBA, MS, and BS degrees.



Kent Richardson

Mr. Richardson is widely published with over 40 published articles and a frequent speaker. He counsels clients on patent buying, selling, licensing, valuation, prosecution, and operations. He has been involved in more than \$600 million worth of patent license bookings. Mr. Richardson has served as an expert witness on patent monetization and licensing practices in UK and US cases. Before founding ROL Group, Mr. Richardson served in a variety of senior positions such as general manager of ThinkFire Services USA, Ltd., SVP Business Affairs at Sezmi, Managing Director at Constellation Capital, VP of Intellectual Property at Rambus and General Counsel at Numerical Technologies. His prior law firm experience includes private practice at Wilson Sonsini Goodrich & Rosati. He has a JD and a BSc in computer engineering from the University of Alberta, Canada.



Suzanne Harrison

Suzanne S. Harrison is an author, patent futurist, and economist. She works with companies to help them realize the true value of their intellectual property. Her specialties are quantifying legal risk, forecasting patent trends and helping companies place IP bets now to ensure access to innovation and markets in the future. She is a Founder and Principal of Percipience LLC, a board-level advisory group focused on IP strategy, management, and quantifying and mitigating IP risk. Since 1995, she has led a group called the ICM Gathering, an invitation-only group having a goal to define, create, benchmark and test best practices in IP management. She holds degrees in economics from UC Davis, and an MBA from the University of Chicago.



Mark Stignani

Mark Stignani is a registered patent attorney at Schwegman Lundberg & Woessner who chairs the Analytics Practice Group. Mark has patent experience in various technology areas, including software, information systems, mobile devices, computer hardware and design, telecommunications, and mechanical. His practice includes prosecution, post-grant proceedings, patent and portfolio analysis, freedom to operate, patent strategy and planning and strategic counseling. Mark has held a number of corporate counsel roles in practicing all forms of IP, Contracts, and other Technology Law disciplines at a number of global companies. He serves as advisor to a number of global companies on IP portfolio management and well as providing strategic insights and inferences on client and competitor portfolios.



Episode Overview

- What is patent value and valuation
- When should you care about it
- Best practices for Valuation





Value Vs. Valuation?



IP Valuation is

- A way to prioritize where to focus attention and resources
- A view of the future based on a number of assumptions
- A value spectrum that changes by target, time, and intent

IP Value is

- A point in time estimate
- Can be either a quantitative or qualitative estimate
- Generally, IP value is in the “eye of the beholder”



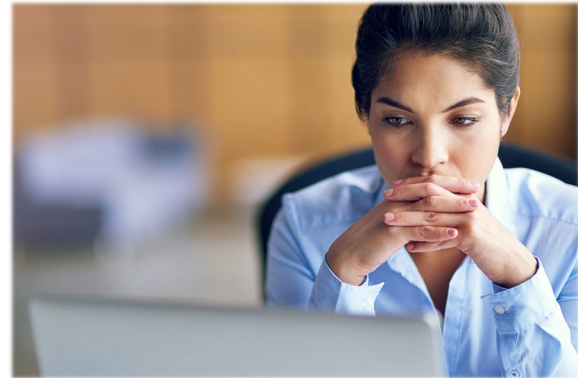


Why Does Valuation Matter?

- Valuation can drive investment from internal and external sources
- R&D drives Valuation which drives R&D
- Valuation supports decision making around products and revenue
- Valuation is sometimes a proxy for importance

When Should We Utilize IP Valuations?

- Companies use IP valuations all the time
 - For internal decision making (new products & new services investment)
 - For resource & budget allocation
 - For tax purposes
 - For transactions
 - For litigation
 - For investment decisions



How Important Is It To Be Right?

- By definition all valuations are "wrong" because you are predicting the future
- It is more important to be consistent than precise (with limited exceptions)
- When creating a company decision process or valuation model, the conversation about expectations, context and process are more valuable than the resulting model





Valuation Basics



Intangibles Value Shows Up In Many Ways

Use	Patents	Trademarks	Know-how	Relationships
Conflict Avoidance	<ul style="list-style-type: none"> • Protection (exclude others) • Design freedom • Cross-licensing (defensive) • Litigation bargaining power 	<ul style="list-style-type: none"> • Protection 	<ul style="list-style-type: none"> • Protection 	<ul style="list-style-type: none"> • N/A
Revenue Generation	<ul style="list-style-type: none"> • Products and services: sales, licensing, joint venture (JV), strategic alliance, optimization of core technology, non-core technology monetization, integration • Patents: Sales, licenses, litigation • Increased bargaining power • Market penetration • Increased speed to market 	<ul style="list-style-type: none"> • Products and services: sales, licensing, JV, strategic alliance • Trademark: sales, licenses, co-branding, infringement policing 	<ul style="list-style-type: none"> • Sales • Licenses • JV • Strategic alliance • Integration • Increased speed to market 	<ul style="list-style-type: none"> • Products and services: sales
Cost Reduction	<ul style="list-style-type: none"> • Litigation avoidance • Access to technology of others • Improved knowledge transfer • Reduced knowledge gaps 	<ul style="list-style-type: none"> • Litigation avoidance • Access to technology of others 	<ul style="list-style-type: none"> • Litigation avoidance • Improved knowledge transfer 	<ul style="list-style-type: none"> • Reduced marketing costs
Strategic Position	<ul style="list-style-type: none"> • Reputation / image • Competitive blocking (exclusivity) • Barrier to competition • Supplier control • Customer control • Optimization of core technology 	<ul style="list-style-type: none"> • Name recognition • Customer loyalty • Barrier to competition • JV • Strategic alliance 	<ul style="list-style-type: none"> • Reputation / image • Barrier to entry 	<ul style="list-style-type: none"> • Reputation / image • Customer loyalty • Barrier to entry

Classic Valuation Methods

Method	Description	Advantages	Disadvantages	When Used
Market	Based on market transactions involving comparable intangibles	Market driven, reflects market prices (supply and demand equilibrium)	Comparable transactions are not always available	When data available
Income	Based on future economic utility generated by the intangible (royalties or profits)	Top-down approach, based on economic utility and on industry norms	Input factors may be hard to estimate: Future projections, Royalty rates, Market penetration	When data available
Cost	Based on estimation of the cost to replicate/reproduce the intangible	Easy to calculate – based on known, historical factors (time and materials, hourly rates, overhead)	No measure of utility or market value	When neither Market nor Income methods are applicable



Some Interesting Examples





Examples

- Early stage valuation – Suzanne
- IP tax planning & valuation – Mark
- Buying & selling – Kent
- SEC filings (putting stuff on the balance sheet) – Kent
- M&A – All



Valuation Best Practices





Best Practices

- What decision are you going to make from the valuation?
- What intangibles are being valued?
- What is the appropriate context?
- What level of precision is necessary?
- Who should be involved?
- How long is the valuation expected to be valid?
- Determine who gets to use the results and for what purpose?



Thank you for your interest.

Questions?



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