

February 29th 2008
International Conference, Krakow
“Material and legislative property – understanding worth at universities and in enterprises.
Pricing of intellectual property”

From Invention to Innovation

New Options for Technology Transfer

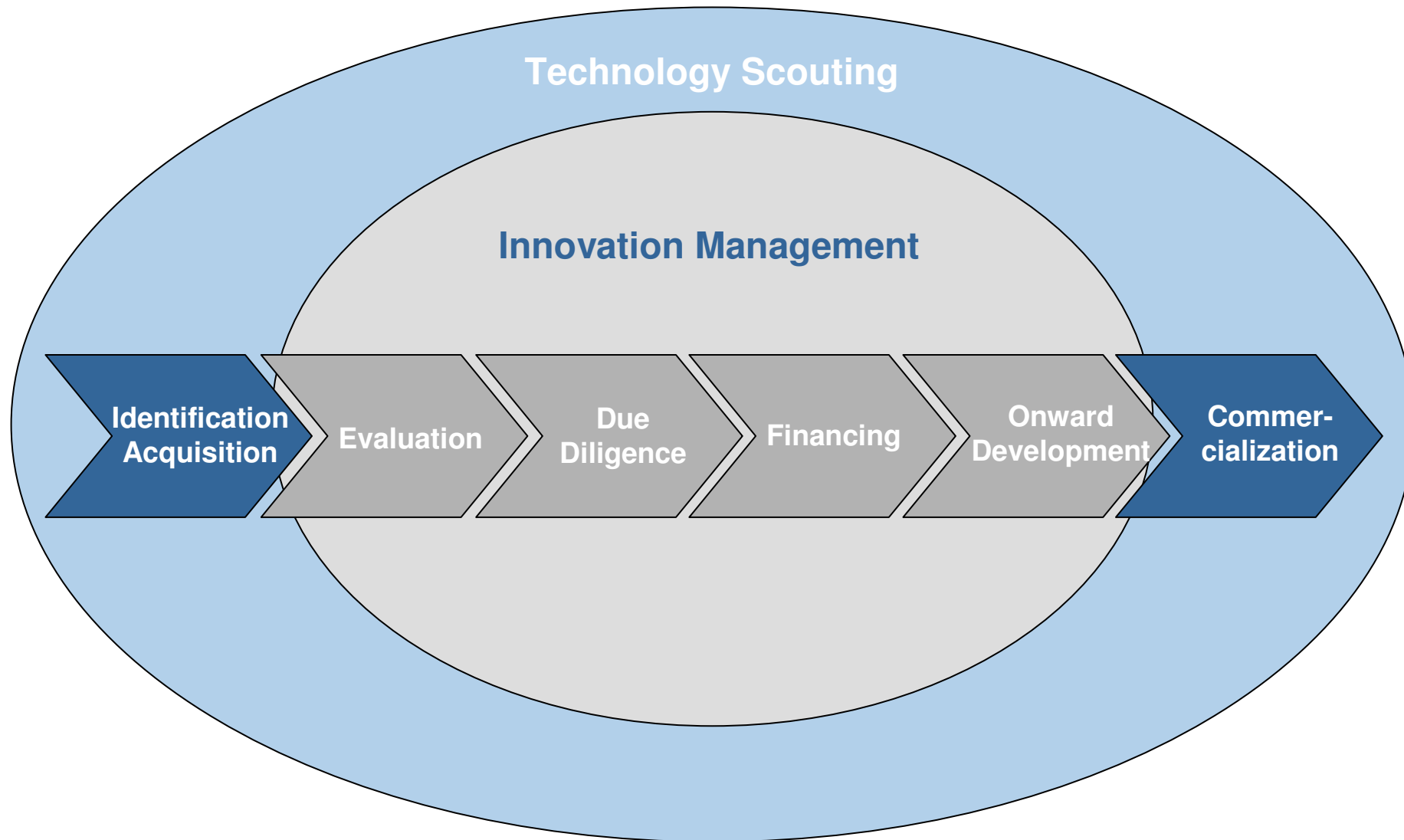
IP Bewertungs AG (IPB)
Guido von Scheffer, President

**“Intellectual Property is the
Oil of the 21st century.”**

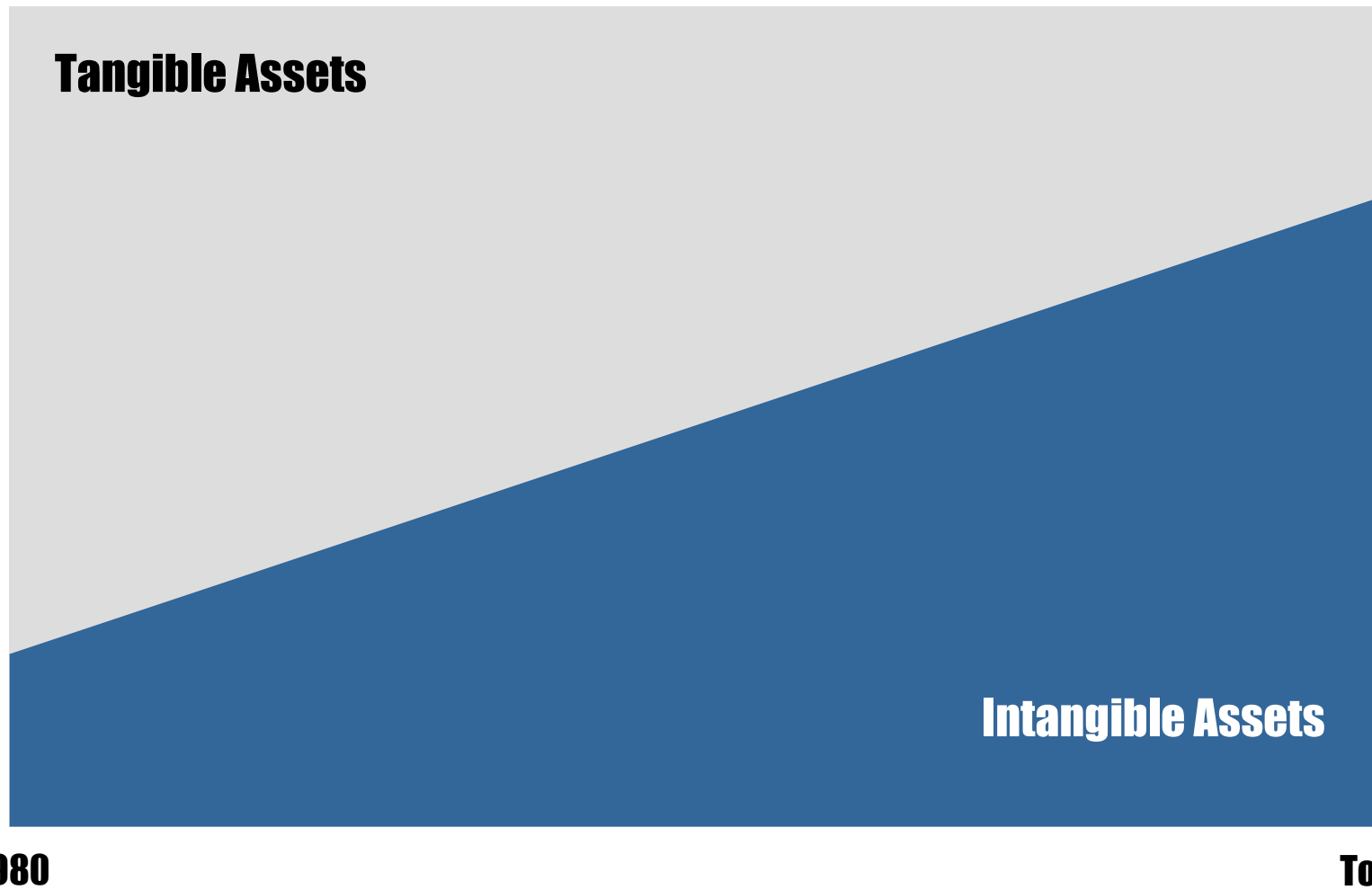
Mark Getty, founder Getty Images

Patent Evaluation - Patent Commercialization - Patent Management - Technology Scouting

- IPB one of Europe's leading consulting firms for intellectual property services such as patent evaluation, patent commercialization, patent management and technology scouting
- More than 130 transactions with a total volume of € 2.5bn
- Shareholders are partners in international law firms, board members in the financial and insurance sectors, professors and the senior management
- Clients are numerous international blue chips, DAX-, MDAX-, STOXX500 companies as well as SME, universities, research centers and individual inventors
- Most of the over 60 IPB employees work at the company's headquarters in Hamburg, where they focus primarily on patent evaluation, patent commercialization and consulting regarding patent value funds
- IPB subsidiaries are located in India, China, Korea, USA, Switzerland and Finland
- Employees are members of LES, VPP, GRUR, VDI, CIPA...



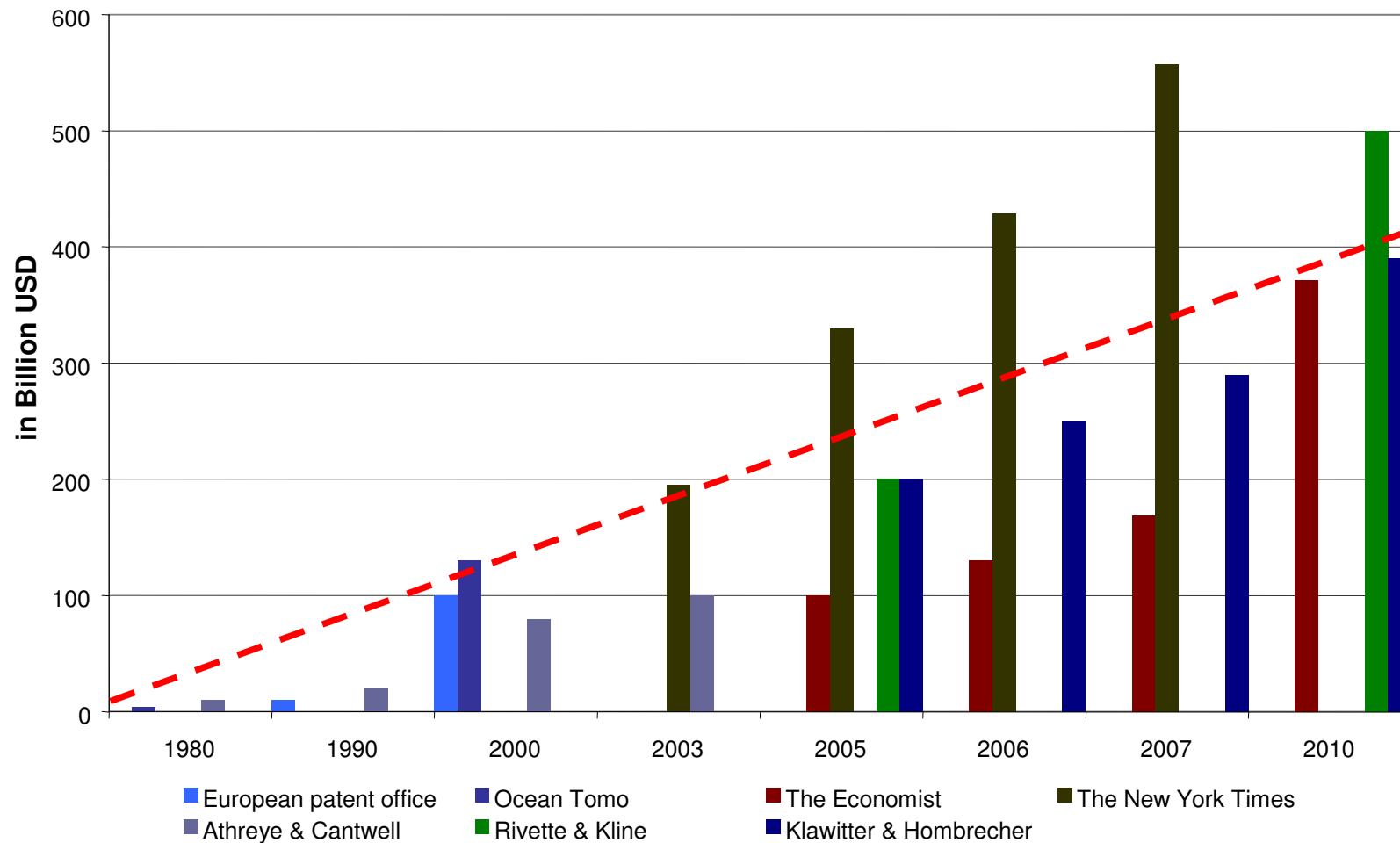
Shift in Company's Value Drivers



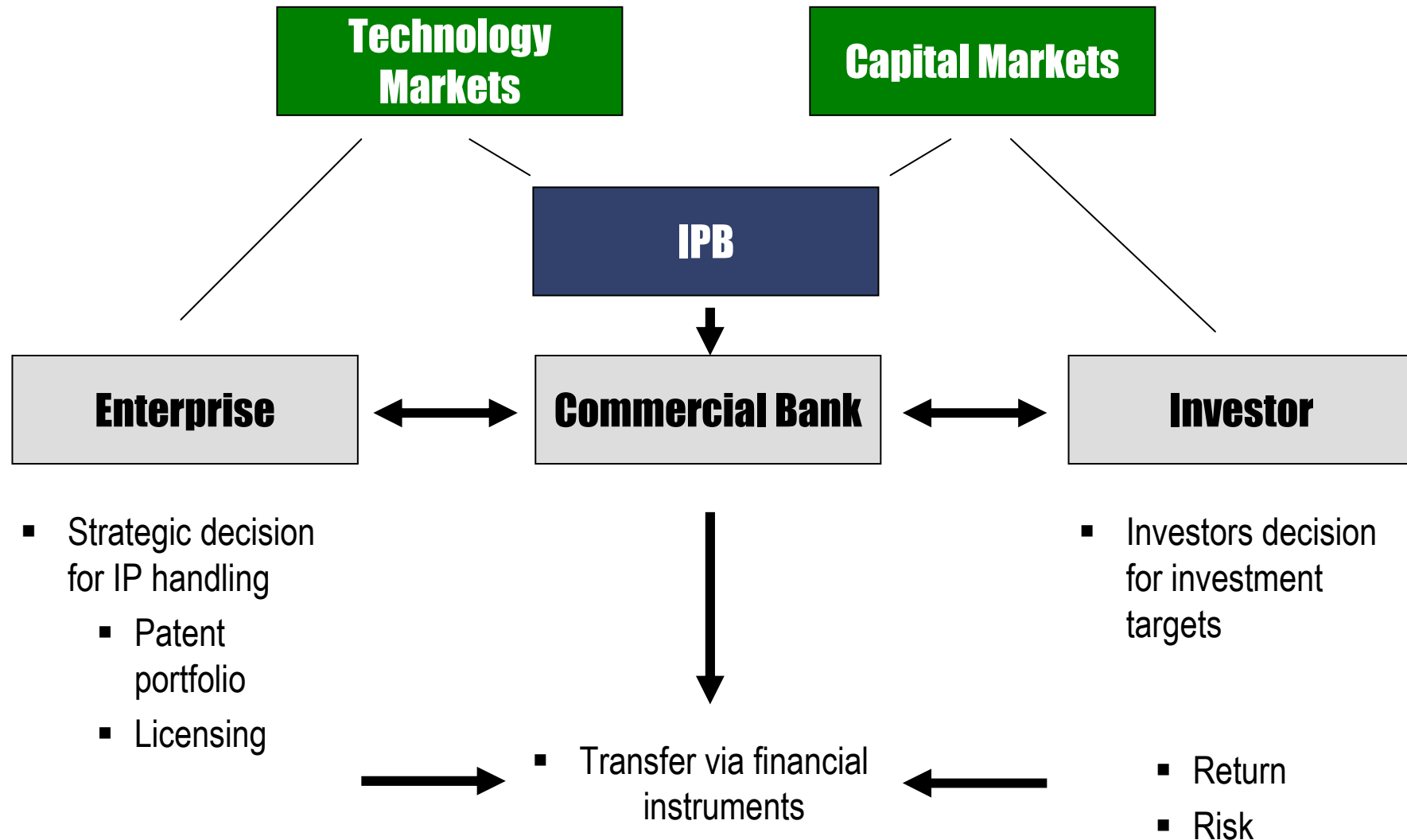
Source: Bessler, Bittelmeyer, Lipfert, 2003

Worldwide Licensing Revenues, 1980 to 2010

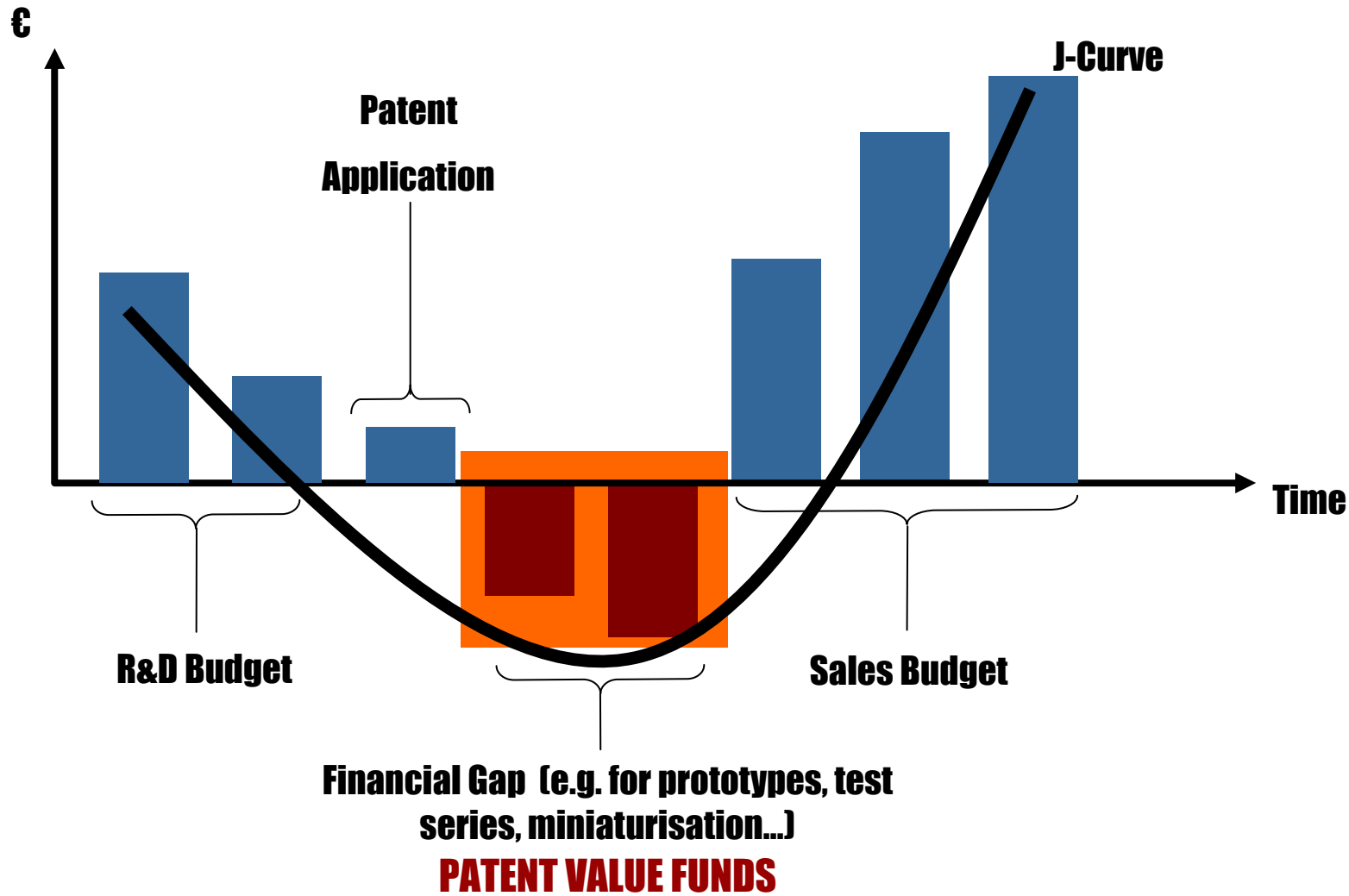
Development of Worldwide Licensing Revenues



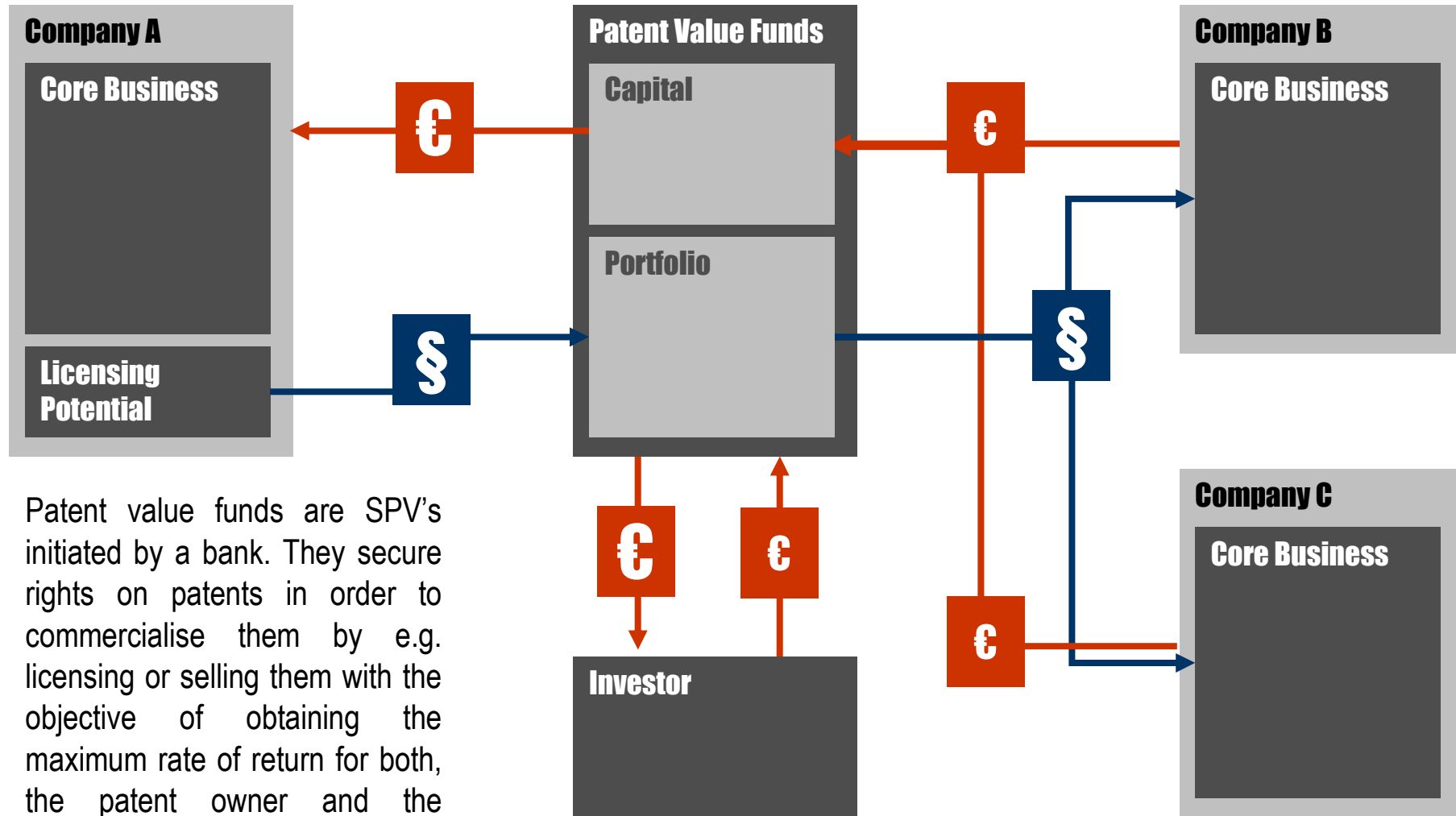
Bridge Between Capital and Technology Markets



Commercialization is an Investment



Patent Value Funds



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.

“Who to identify tomorrows blockbusters.”

Some Good Inventions Became Successful Patents



**Sport shoe
with screw-
on-cleats**

**Inventor:
Adolf Dassler
1953**

Source: Helden der Vergangenheit

Some Good Inventions Became Successful Patents



**Plastic Screw
Anchors**

Inventor:

Artur Fischer

1958

Source: Helden der Vergangenheit

Some Good Inventions Became Successful Patents



X-ray Technology

Inventor:

**Wilhelm Conrad
Röntgen**

1895

Source: Helden der Vergangenheit

“Separate the wheat from the chaff.”

Patent Value Funds Investment Process



Through:

Internet, exhibitions, publications, experts' fairs

From:

SME, Blue Chips, R&D Institutions, Co restructuring, ...

Quantitative valuation (IPB's valuation method)



1st screening: 8 to 10%

Qualitative audits:

Attribute, strength, prior art, realization and opposition/
claim analysis

Realization analysis:

target clients, infringement analysis

Realization strategy:

Licensing, sale, JV,..

Selection and Due Diligence

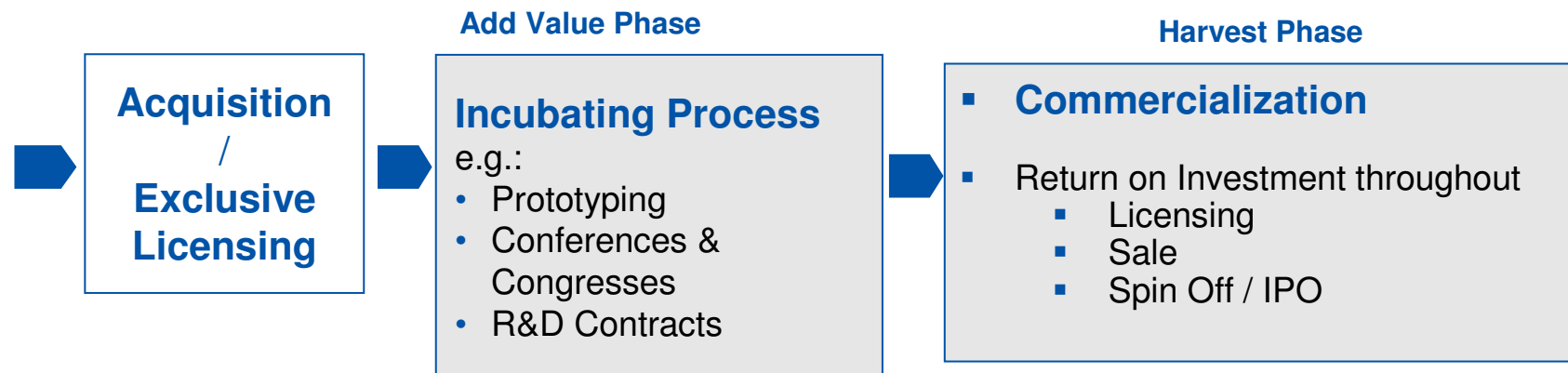
Identification & Selection

- Identification of patents
- Database research
- Legal and technical pre check



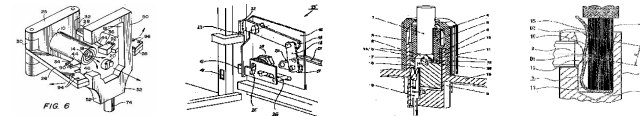
Due Diligence

- Economic, technical and legal
- Formulation for onward development, incubating phase & commercialization strategy



Advantages of Patent Value Funds From the Patent Holder's Perspective

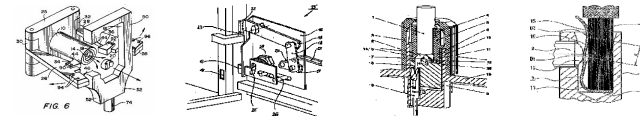
Four success elements:



- 1.** At the time of contract conclusion the seller will receive a premium for exclusivity for the waiting period until the fund is fully placed. The patent owner may definitely keep the premium, even in the unlikely event that the fund placement fails, due to not achieving the minimum volume required. The risk of placement failure is minimized by the fact that a well-known German bank is the responsible partner for the placement.
- 2.** After the fund has been successfully issued the original patent owner receives payment agreed between the parties in the contract. The amounts negotiated are affected by the value and the status of the patents (application, assignment, existence of a prototype).
- 3.** The general idea of the patent value fund is not to separate the patents from the know how. Depending on the status of each project it is common to conclude a development contract e.g. for prototyping or practice-oriented onward developments focused on the commercialization strategy. If possible, the inventor or the inventor's institute is the first choice. Otherwise third parties institutes can be involved.
- 4.** The patent owner participates in the returns that are created through the patent / patent portfolio. The inventor profit share depends on the status of the project. And the risk/return profile of the project. All details are negotiated within the basic contract before the project starts. The profit share will be less, if e.g. an unpublished application is available without a concrete proof of technology or proof of concept. For a granted patent with existing potential licensees and prototype the profit participation will be much higher.

Advantages of Patent Value Funds From the Investor's Perspective

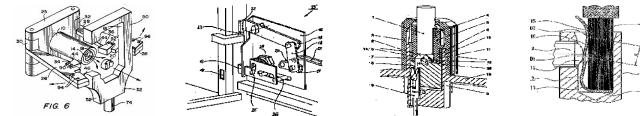
Four advantages:



- 1.** Especially in the growth sector patents constitute the main value drivers of companies. Patent value funds purely invest in these value drivers, i. e. the investor receives an “ASSET DEAL” instead of a “SHARE DEAL” .
- 2.** Risk reduction:
 - The focus on the investment in patent portfolio results in a risk reduction regarding management risk for instance with start-ups.
 - Broad diversification due to small investment per project decreases the overall risk, especially compared to venture capital.
- 3.** Patent value funds provide the opportunity to participate directly in license revenues or other commercialization options.
- 4.** Above-average valuable patents promise above-average high yields.

Advantages of Patent Value Funds From the Licensee's Perspective

Three advantages:



- 1.** IP departments, especially in large companies, receive numerous licence and cooperation offers every day.
- 2.** A large part of IP managers' day-to-day business consists of filtering out the high potential technologies that can be commercialised.
- 3.** PVF will undertake these tasks:
 - The PVF portfolios are qualitative, quantitative and legally pre-selected.
 - Structured offers are given to the potential licensee's IP department.
 - The detailed analysis done by the PVF guarantees an efficient approach to the potential licensee.
 - PVF relieves the burden of the internal IP departments and at the same time acts as “technology scouts” for new ideas.

Conclusion

- I. Patents will become a significant asset for trading.**
- II. An infrastructure characterized by intermediates working only on success basis or Patent Value Funds will be needed.**
- III. Efficient strategies for licensing in and out will be needed to succeed in tomorrow's competition for R&D.**
- IV. Involving capable business experts in the analysis, strategy formulation and commercialization processes will improve the technology transfer results.**

Thank You for Your Attention !