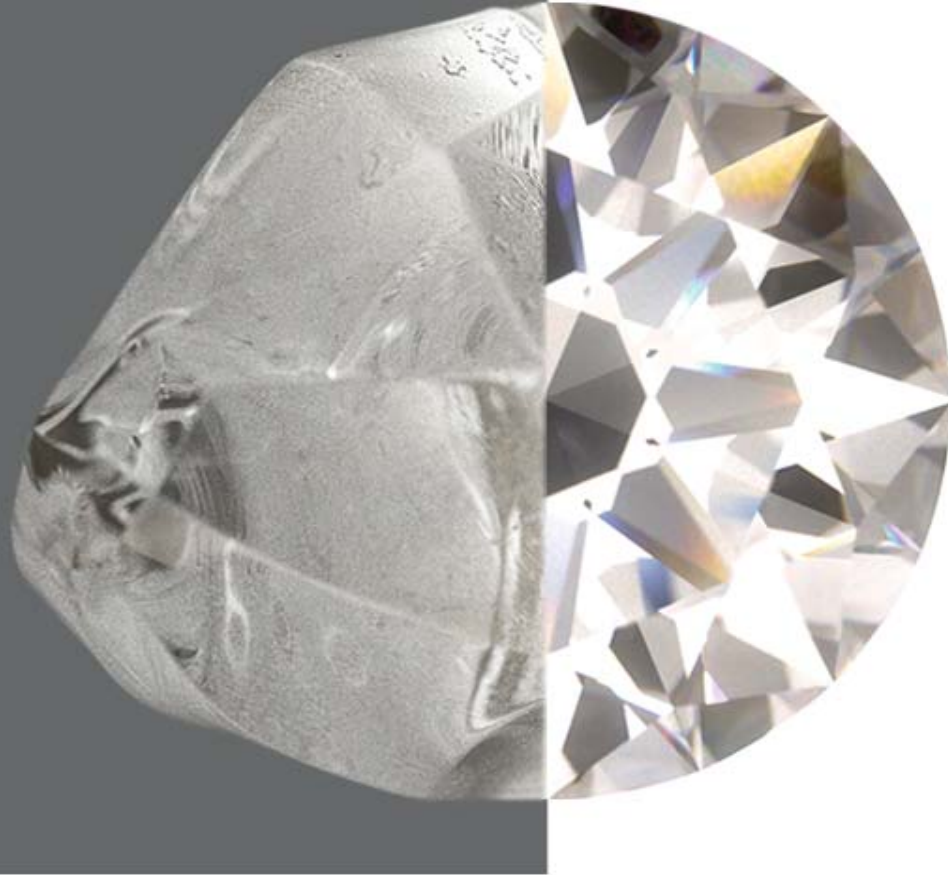


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# Welcome

John P Pryor  
CPA



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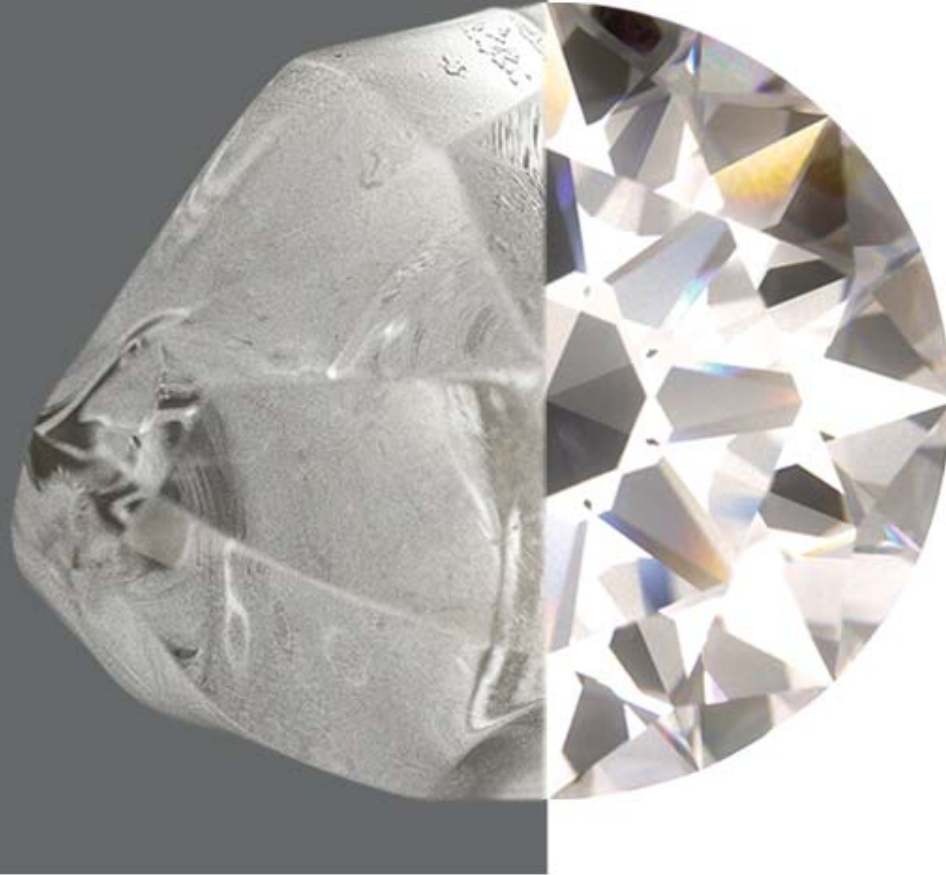


# Agenda

- 9.30 Welcome John Pryor
- 9.45 Speaker 1 : Larry Cohen
- 10.30 Speaker 2 : Kelvin King
- 11.15 Coffee Break
- 11.30 Speaker 3 : Sean Finn
- 11.45 Speaker 4 : John Pryor
- 12.25 Q&A
- Close and sandwiches

# The Legal and Commercial Case for IP Structuring in Turbulent Times

Larry Cohen, Partner IP Group  
Latham & Watkins

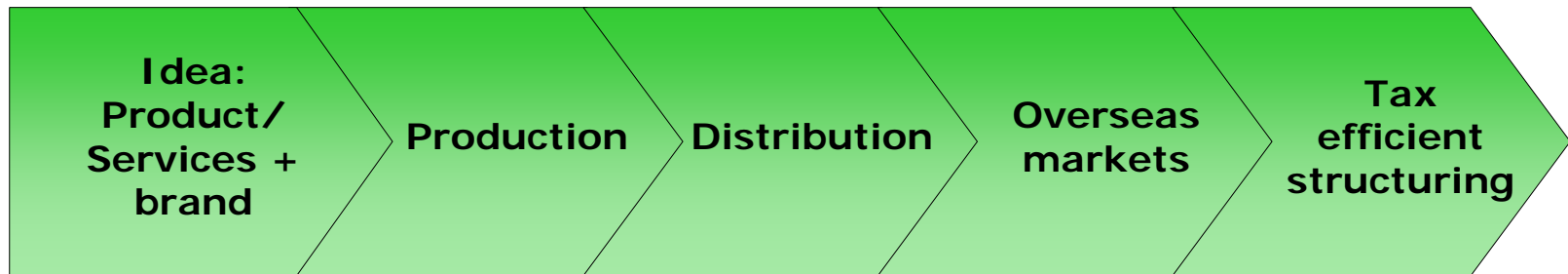


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# The life cycle of a business

- From Dragon's Den to a successful global business
- IP strategy as your business develops
- Key points to consider at each stage



# What is IP and how is it protected?

- Trade marks – registered and unregistered
  - Patents – registered rights
- Earlier rights which can defeat trademarks
  - Copyright – unregistered (except in the United States)
  - Design rights - registered and unregistered
- Other rights
  - Databases - unregistered
  - Confidential Information (trade secrets) – protected by the law of confidentiality
- Registrations can be made in any group company – where rights are held becomes important when looking at tax structuring issues
- Proper licensing arrangements from the owner is key

# Common law rights

- Passing Off
  - Protects goodwill
  - Different from a trademark registration
- Confidential Information
  - Conveys a right to use-
  - Without it you cannot make a product if it is needed
  - Know how is an IP right, which may or may not be confidential

# The danger for large corporates

- Anti trust law may be relevant
- Note that standardisation is very profitable, but
  - It has competition law aspects
  - Need to offer FRAND terms
  - Be careful of hidden discrimination

# Enforcement

- Court Action
  - Injunction
  - Legal costs
  - Damages or an account of profits
  - Delivery up
- The value is the right to exclude
  - Litigation weakens rivals
  - Positive values come from use
  - Patent Thickets help enforcement by blocking avoidance
- Opposition to registered rights
  - Right deregistered (post grant)
- Customs seizure
  - EC Directive 1303/2003/EC
    - Destruction of infringements/counterfeits

# IP basics: The idea



Great ideas can fall down at the first hurdle if value is not protected:

- Use of NDAs when looking for partners/investors
- Patent applications to protect the product
  - Patent Thickets are useful
- Register and protect the brand (proper due diligence to ensure that product/ brand is indeed new)
- Avoid joint ownership
- Legal advice on terms if business is based on contract rights (exclusive distribution rights etc)

# IP basics: Production



Who will produce?

Production overseas? Low cost markets can increase risks to IP

- IP protection and enforcement in the country in question
- China (counterfeits and passing off)
- Protect rights (NDAs; registration in country)
- Strong contracts; get advice on local legal system/ contractual enforcement

# IP basics: Distribution



Who? – Exclusive / non-exclusive – “sole and exclusive” – is a contradiction in terms; Group entities / Subcontractors?

Where: Territory? Sectors?

When? Term of the Agreement and triggers for termination

Other: Minimum revenue commitments, non-competes, quality control, regulatory compliance and approvals

# IP basics: Expansion overseas



- Protect: Registered IP rights are generally national or regional rights (Trade Marks (CTMs), Patents, Design Rights)
- Enforce: Use it or lose it? Enforce it or lose it!
- Laws in the relevant countries (risk of counterfeits etc; loss of control)
- Tax considerations re: structure
- Competition issues: resale price maintenance, allocation of markets in the EU, exclusivity and non-competes

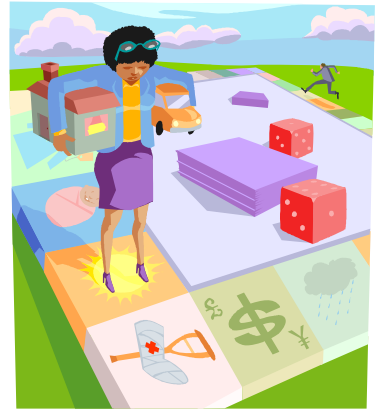
# Beyond the basics: Tax efficient structuring



- IP rights are valuable (increasingly so in today's world) – value largely independent of cost to create
- They are portable – they can be moved around very easily
- They can be exploited in many different ways – licencing, sub-licencing, sale, finance leasing etc.
- You can securitize lending through an SPV- see below
- They can generate an income stream (distribution; marketing agreements etc.)
- They can generate tax deductions
- Economic useful life can often be controlled to a large extent if an effective protection strategy is implemented

# Structuring - Where to own?

- Good infrastructure
- Availability of personnel
- Existing office or infrastructure within group
- IP skills
- Tax rate lower than group rate
- Favourable treaty network (low or no deductions or withholding from royalty)



# How to value - The due diligence issue

- Valuers have various methods of valuation
- What impediments are there to use
  - Is the clear title to use
  - What needs to be done to create clear title
- Fragmentation and Consolidation
  - Each IP right can be considered discretely
  - The need to have proper licenses in place
- These form the legal basics for valuer to value the IP

# Look for opportunities

- Aggregate value of IP rights in multiple hands is much less than the value once consolidated under a single owner
- Look for opportunities
  - Global group
  - Fragmented IP
    - Rights in different group companies
    - Improperly arranged rights
    - Intra-group use without a licence
- New rights
- Proposed expansion

# Summary: The consolidation principle

- Find an IPR at low value
- Acquire into an environment where CGT can be avoided with tax rate below group rate
- Consolidate (eg: trademark and passing off rights; or patents and trade secrets and for copyright) into 1 entity
  - need to do so for value (valuation issue)
- Licence out (valuation and commercial issue) for full value
- Sell or sell the licences in to regime which allows amortisation for full capital value eg: UK, NL, CH

# Commerciality

In principle:

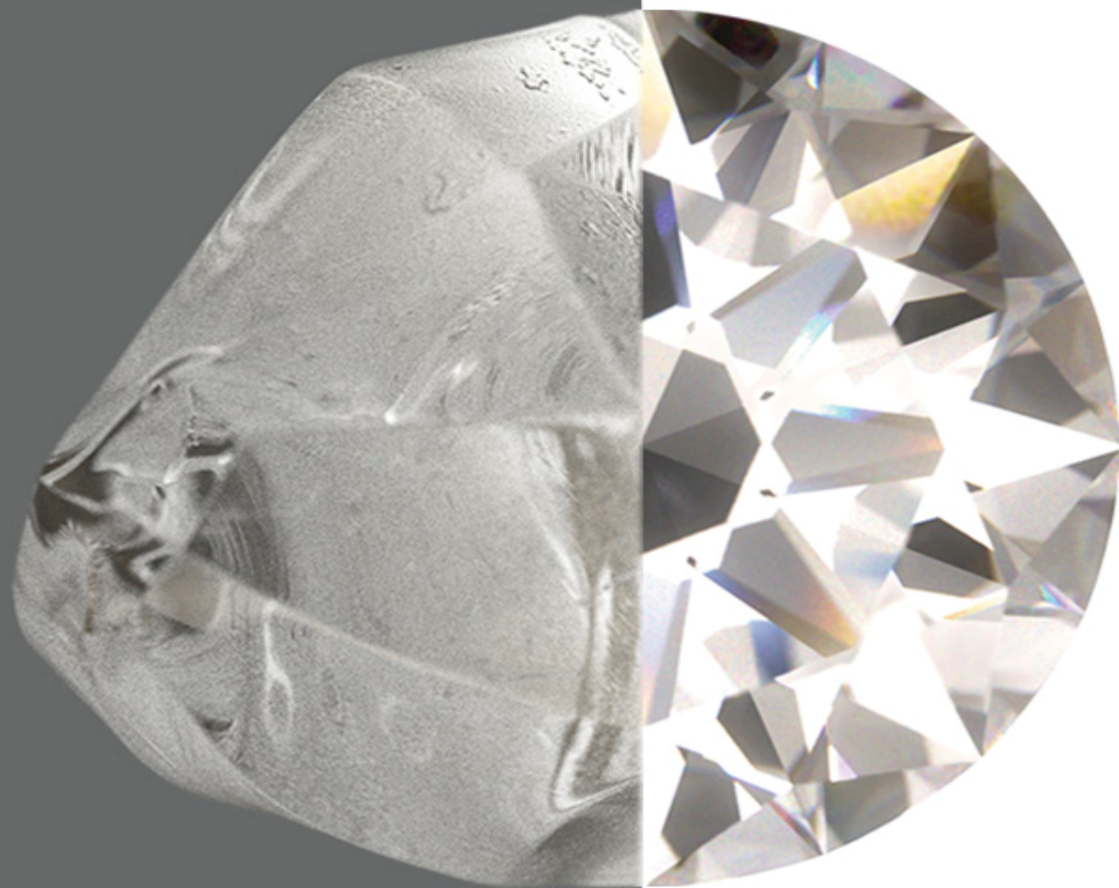
- IP structuring needs no commercial driver - although it would not be sensible to restructure without a commercial or business reason to do so.

But:

- All structuring decisions which are expected to give a tax benefit must be commercially driven
- Tax structuring without supportable commerciality will fail

IP consolidation makes sense for a number of operational reasons (ease of maintenance and enforcement).  
Can benefit future M&A Activity.

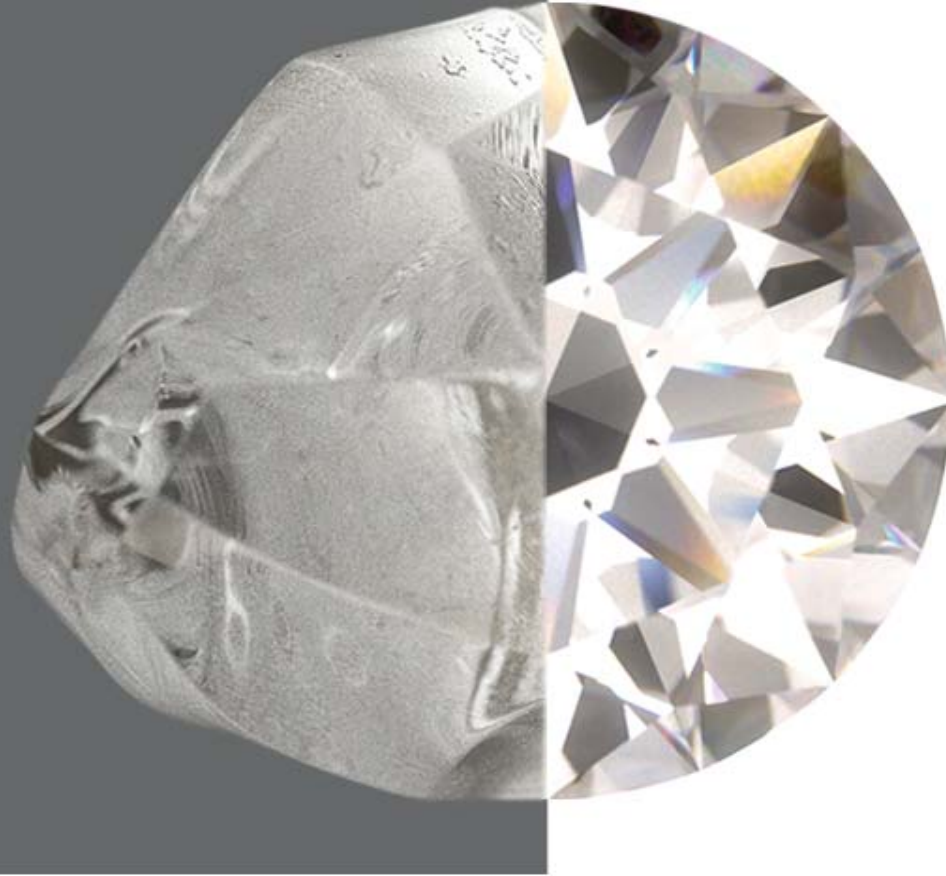




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## IP Valuation and Royalty Rates

While consolidation is a wholly commercial exercise, a vital requirement is valuation, independent from other necessary advice.

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Valuation Consulting (a BNP  
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[www.valuation-consulting.co.uk](http://www.valuation-consulting.co.uk)



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# Intangibles – The current big issues

- Accounting standards
- Corporate governance
- Fairness opinions

Why important for IP management strategy?

# Accounting standards

- The US FASB has created a list of what it considers to be a firm's intangibles:

## Market-related

- Trademarks, trade names, service marks, trade dress, newspaper mastheads, internet domain names.

## Customer-related

- Customer lists, customer contracts, customer relationships, customer agreements.

## Artistic-related

- Ballets, books, plays, articles, other literary works, musical words, opera, pictures, photographs, video and audiovisual material.

# Accounting standards cont...

## Contract-based

- Licensing agreements, advertising or service contracts, lease agreements, construction permits, operating and broadcast rights, employment contracts.

## Technology-based

- Patented technology, computer software, unpatented technology, databases, trade secrets, secret formulae.

Starting at the top and trying to build down.

The laws of physics  
**and valuation**

Suggest that this is not possible.



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# The licensee/purchaser & licensor/vendor

Four calculations or steps – ‘can Kelvin count’

1. Intrinsic value of licensor/vendor
2. Intrinsic value of licensee/purchaser

Plus

1. Intrinsic value of licensor/vendor
2. Intrinsic value of licensee/purchaser

The capital values calculated are an essential step to calculate  
A royalty rate or valuation – discuss

But

Distinguish tax omv



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# Definition & Identification



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# Intellectual Property

These assets whose essential characteristics are derived from the legal system. In this case the UK.

- Patents (patent act 1977)
- Copyrights (copyright designs & patents act 1988)
- Trade marks (trade mark act 1994)
- Registered designs (registered designs act 1949)
- Unregistered design right (cdpa 1988)

# Intangible assets

## Rights

- Contracts

## Relationships

- Workforce
- Customers

## Group Intangibles

- Goodwill
- Brands

## Characteristics of Economic Advantage

- The spectrum of creative thought
- Formulae, recipes
- Experience
- Negative knowledge
- R&D information

# Occasions for valuing Intellectual Property

- Mergers & acquisitions
- Portfolio review and risk assessments
- Arrange a loan - securitisation
- Tax purposes
- Licensing
- Balance sheet purposes
- Joint ventures
- Selling your company
- Selling your IP
- Insurance

# Why are we valuing?

- Tax valuation and open market value
- Fair value
- Fair market value
- Commercial value
- Investment value

# Methods of valuation

## Market based

- Comparable market transactions

# Comparable market transactions

## Caveats

- Few sales
- Lack of information
- Separate values
- Special purchasers
- Different negotiating skills
- Distorting effects of varying values
- Assets not always comparable

# Methods of valuation

## Cost based

- Historical or replacement cost
- Opportunity cost of delay
- Re-creation process may fail

# Historical or replacement cost

## Caveats

- Economic benefits excluded
- Duration of benefit-economic life
- Obsolescence difficult to quantify
- Maintenance
- Time value of money

# Methods of valuation

## Income approach

- Capitalisation of historical profits
- Future economic benefits

# Capitalisation of historical profits

## Drawbacks

### Profitability

- Problems of averaging
- Problems of extrapolating from past performance
- Decline & other key variables
- Net tangible assets not separately assessed

### Multiple

- No reference point for price earnings multiple
- Often no regard to established marketplace
- Often no reconciliation with market capitalisation

# Modern valuation analysis is effectively DCF applied to the business enterprise under consideration

The Net Present Value (NPV) of a strategy or business is the sum of its expected free cash flows to a horizon (H) discounted by its cost of capital (r)

$$NPV = \frac{\text{Year 1 Cash Flow}}{(1 + r)} + \frac{\text{Year 2 Cash Flow}}{(1 + r)^2} \dots \text{to say } \frac{\text{Year 5 Cash flow}}{(1 + r)^H}$$

PLUS

The terminal value which is the value of the business at a horizon (HV)

$$HV = \frac{\text{Cash Flow}}{(r - \text{growth})}$$

Also discounted back to present value

How much?

(Cashflows)



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- Gross profit differential method – premium prices/premium profits
- Excess profits method
- Relief from royalty method

How long for?

(Time periods)



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# Useful life

- Physical life
- Functional life
- Technological life
- Economic life
- Legal life

At what risk?  
(Cost of capital)



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# The discount or capitalisation rate

- Derive the appropriate cost of capital
- Risk free profile
- Risk factors

# DCF

## Caveats

- Immense difficulty in forecasting well into the future
- Future distant growth is often significantly discounted in the perpetuity calculation

# Monte Carlo

- Effectively a DCF multiplier
- Numerous DCF calculations accounting for various scenarios, say of revenue, market share, costs, internationality and other risks
- With just 4 scenario changes of the stated assumptions above this means 256 models!
- That is 4 values for each of income, different market share, costs, international penetration i.e.  $4 \times 4 \times 4 \times 4 = 256$

# Real options

- Probability trees = snakes and ladders, develops the Monte Carlo analysis
- Develops terminations (snakes) if a route identifies problems to suggest failure

# The licensee/purchaser & licensor / vendor

Four calculations or steps – ‘can Kelvin count’

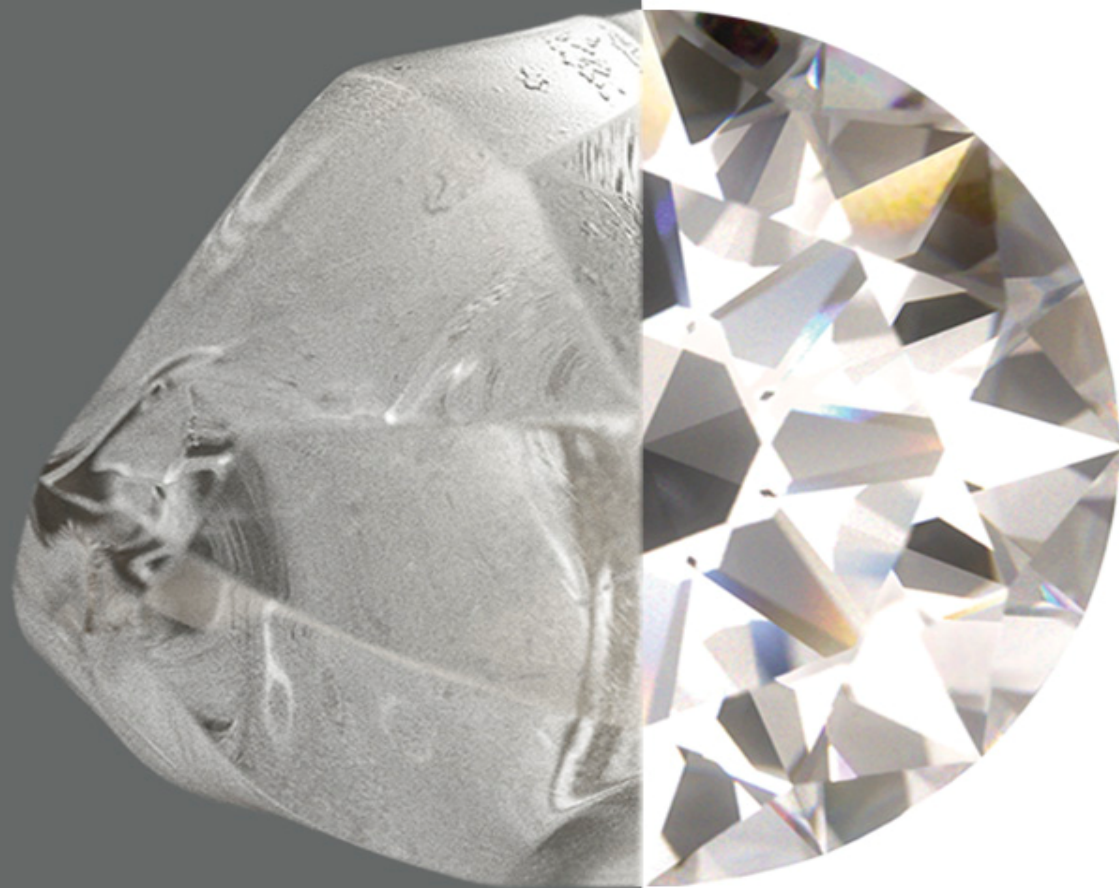
1. Intrinsic value of licensor / vendor
2. Intrinsic value of licensee / purchaser

PLUS

1. Intrinsic value of licensor / vendor
2. Intrinsic value of licensee / purchaser

The capital values calculated are an essential step to calculate a royalty rate or valuation – discuss

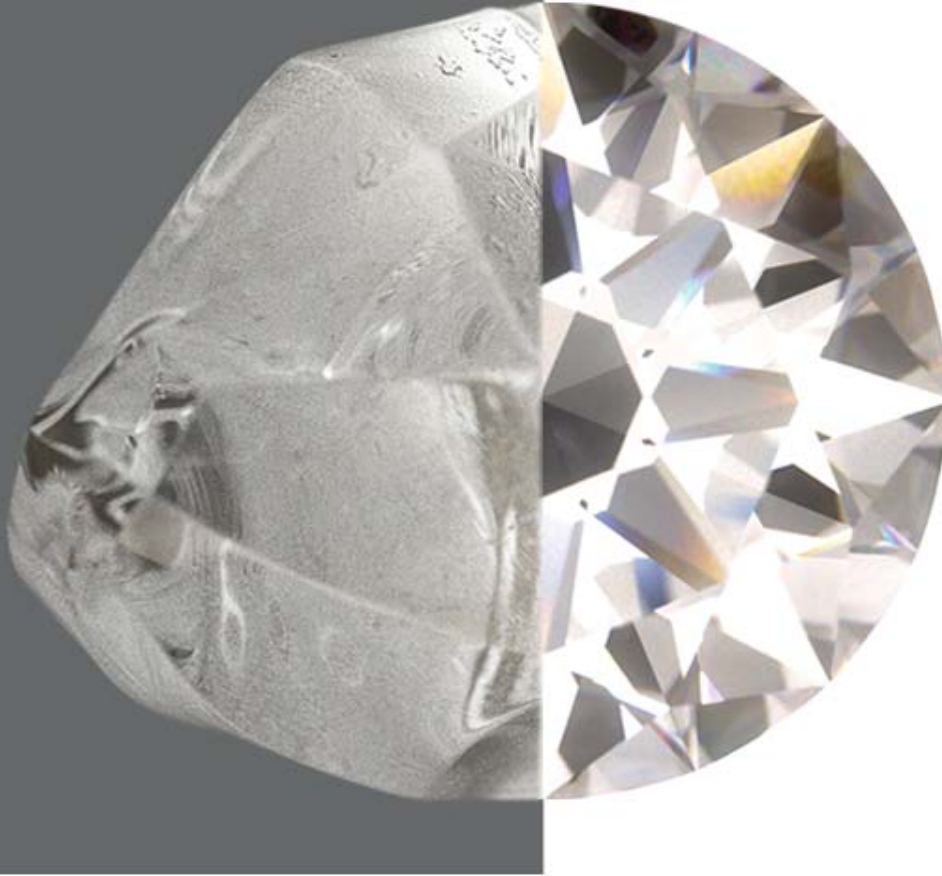
**JG**  
**You**



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# IP rights – Why they are significant from a tax perspective

Sean Finn, Partner, Tax Group  
Latham & Watkins

# IP rights – Why they are significant from a tax perspective

- In short, IP rights have properties which from a tax standpoint, are almost magical!
- IP rights can be used as part of an effective global tax strategy
- As with other assets the value of IP rights including brand rights is currently depressed

# Some tax planning principles

- Location of ownership of IP is critical to tax planning strategy:
  - It dictates where income streams arise
  - It dictates where gains or losses on sales/transfers/licencing will arise
  - It dictates where tax deductions will be available for royalties and whether amortisation is allowed
- But: any planning must take into account all relevant tax rules



# Where IP law and tax law meet

- So much of tax planning depends upon being able to move brands (IP assets) around
- Being able legitimately to increase or depress values is critical to successful planning
- The strategies and techniques that can be deployed rest on principles of IP law but have to pass muster under tax provisions
- Hence the absolute need for both disciplines working together

# Some tax rules

- On 1st April 2002 UK tax world changed dramatically from IP perspective (FA 2002 Schedule 29)
  - For the first time, IP assets were recognised for tax
  - Assets could be “amortised” ie: written-off giving rise to tax deductions over economically useful lives and income and gains from IP all taxable
  - Created two classes of IP assets: ‘old’ & ‘new’ ie: pre- and post new regime
  - New assets within new rules. Old assets subject to Capital Gains (CG) rules.



# More tax rules

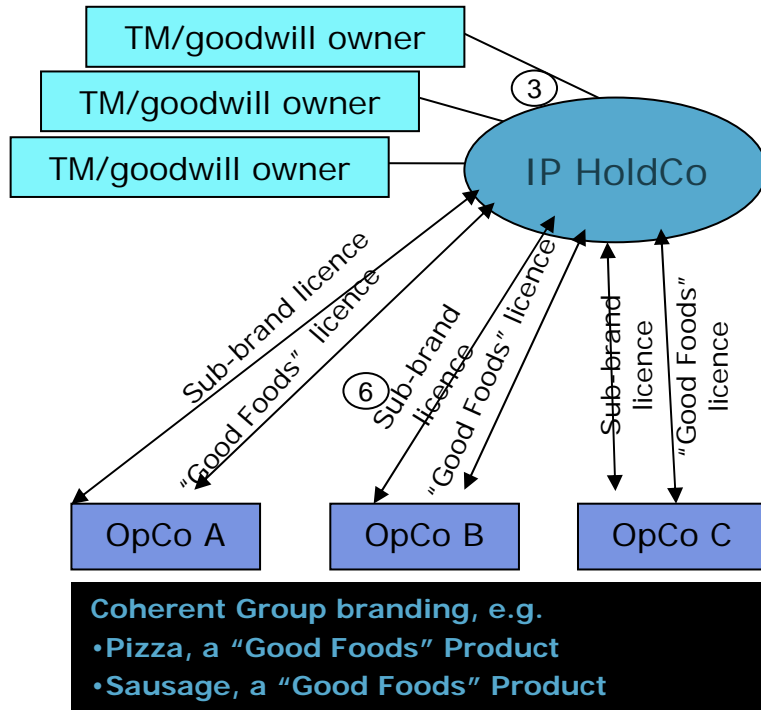
- Need for treaty relief from withholding taxes (WHT) on royalties
- Transfer pricing rules
  - Most developed countries have a transfer pricing code: requires all transactions to be on “arm’s length” terms
  - Legal need for intra-group licensing can provide the commercial reason for an IP restructuring
- Controlled foreign corporation rules – enables parent company’s home state to tax subsidiaries as if resident. Especially relevant for tax haven companies
- When transferring assets, especially abroad CGT rules apply
- N.B. Governments may rule to clamp down on ‘tax havens’ but IP structuring is a legitimate activity for industrial efficiency.

# Example of a brand driven structure

- A brand is the essential identity and reputation of a business, and its goods or services i.e.: It is no more than an inchoate concept and something which cannot be dealt in until something is done to crystallise it (e.g. trademarking or trade naming; logoisation etc.)
- A trademark is capable of legal protection. Each IP right is separate (trade mark and passing off)
- Value can be created very quickly on launch
- Ultimately value flows from successful and unchallenged use of what is registered provided all forms of IP are in one ownership
- Value in the underlying IP can be destroyed by poor IP management despite a successful product

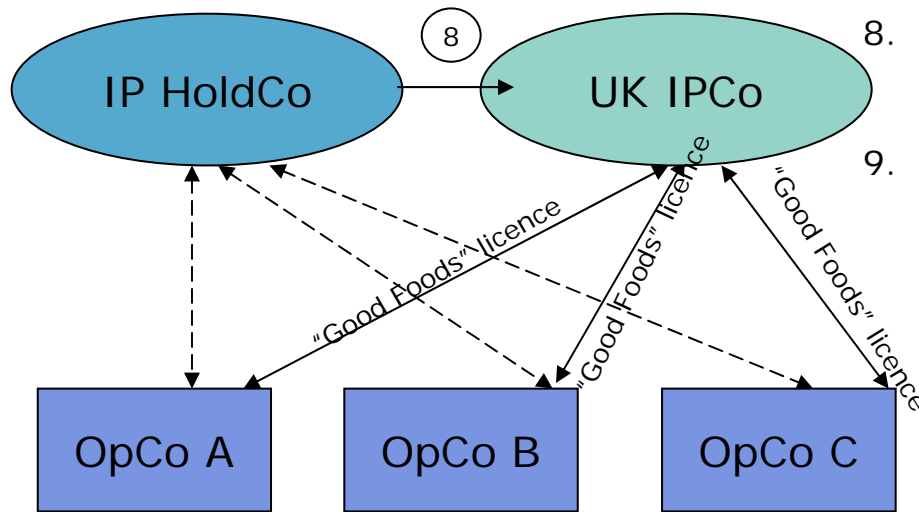
# Brand driven structure – introduction of a new primary brand

May be too expensive to move all existing brands to IP HoldCo – to be evaluated on a case by case basis



1. Company A to review its global branding strategy and may elect to use "Good Foods" as a primary brand
2. To do this in an orderly way, an IP HoldCo should be established. Savings will be generated if this is established in a low tax jurisdiction.
3. Existing brands are reviewed and valued. Where commercially viable, existing brands are transferred to the IP HoldCo
4. Set up a centralised branding group within the IP HoldCo, justified by the savings and efficiencies that will be generated by leveraging the primary group brand, thereby allowing the group to function as a larger unit. The consideration for setting this up and sponsoring this branding exercise is the royalty fee paid by the operating companies (OpCos)
5. Relevant brands are licensed to relevant OpCos
6. Coherent and increased use increases value of "Good Foods" primary brands in IP HoldCo

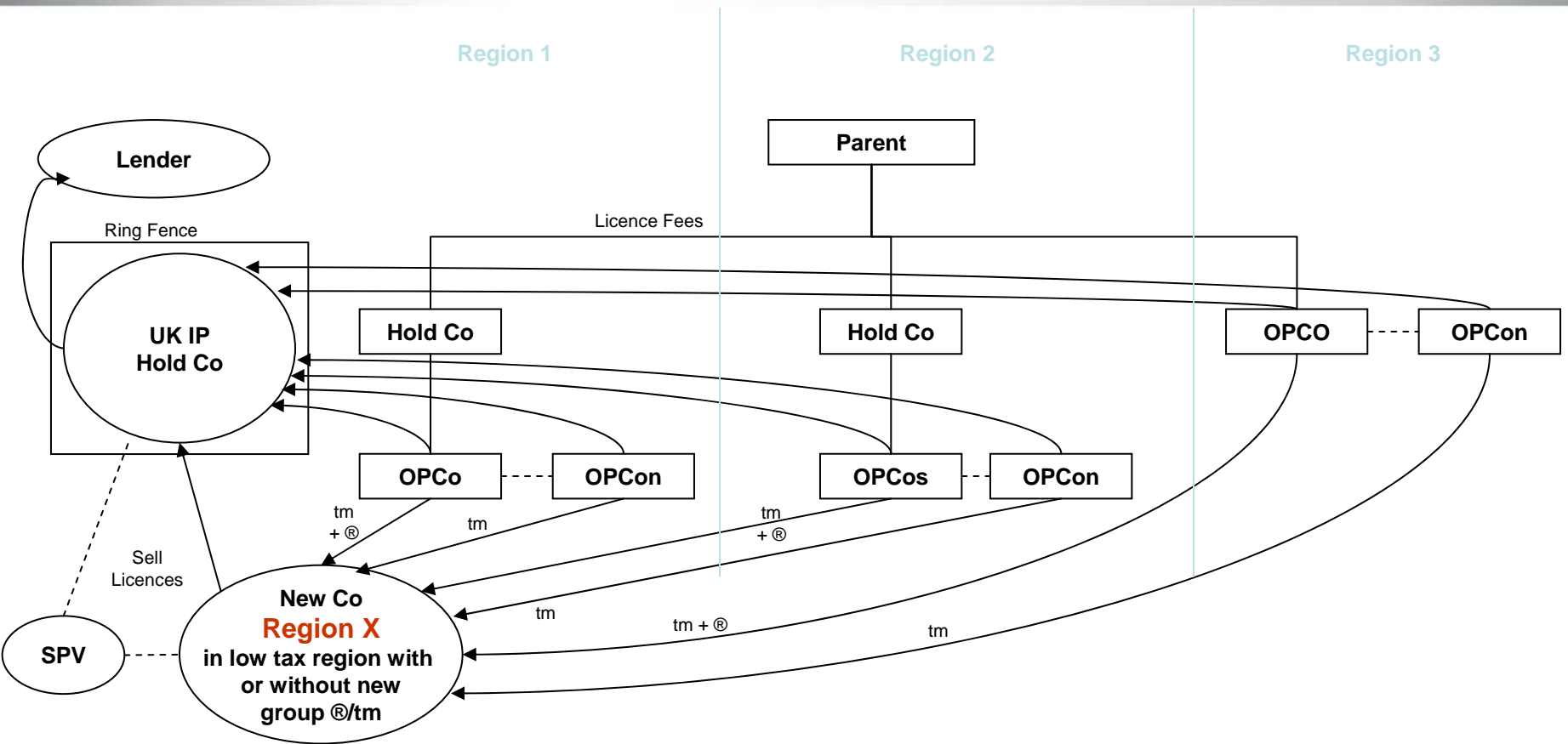
# Proposed steps – next steps



8. IP HoldCo sells licences to UK IPCo for a capital sum with a view to amortisation
9. Income from royalties can be used to support debt if required

The same kind of structure works with Patents and Confidential information, although the cash flows may take a different form.

# Trademark based for securitised lending



# Commerciality

In principle:

- IP structuring needs no commercial driver - although it would not be sensible to restructure without a commercial or business reason to do so

But:

- All structuring decisions which are expected to give a tax benefit must be commercially driven
- Tax structuring without supportable commerciality will fail

IP consolidation makes sense for a number of operational reasons (ease of maintenance and enforcement).  
Can benefit future M&A Activity.



# Latham & Watkins contacts



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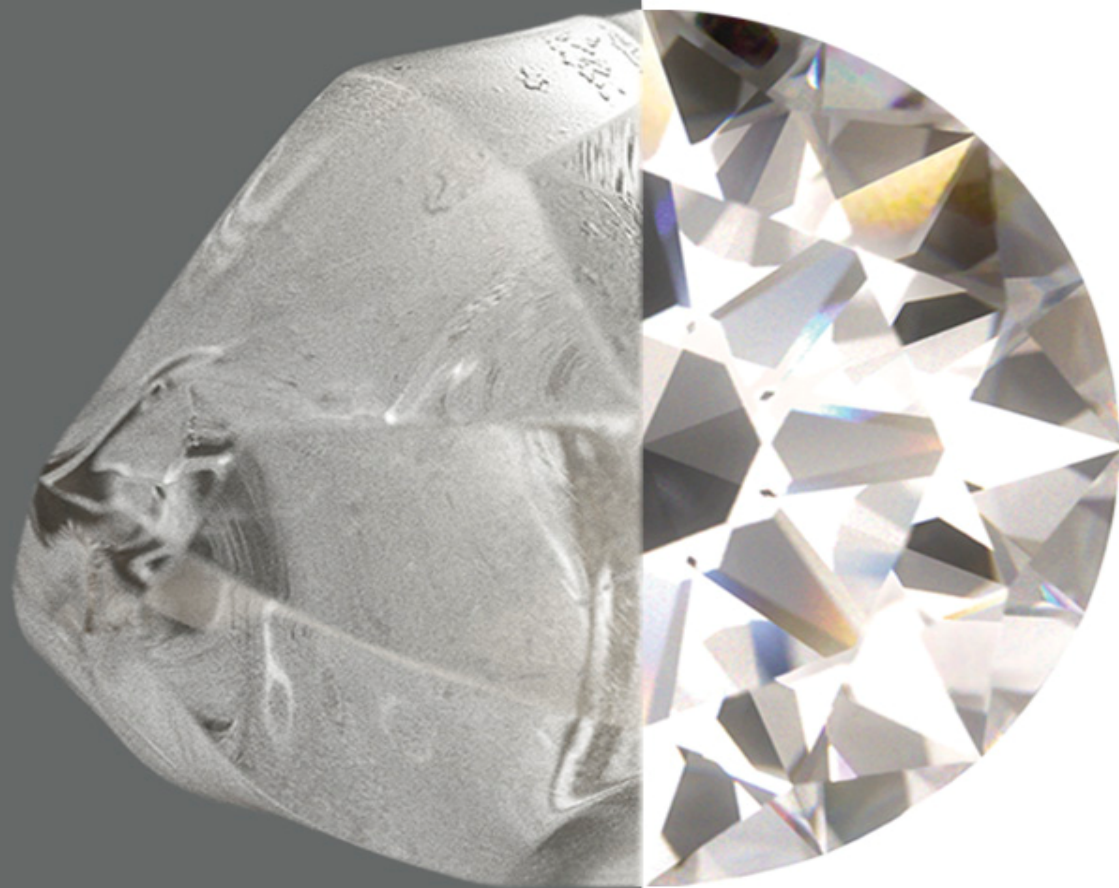
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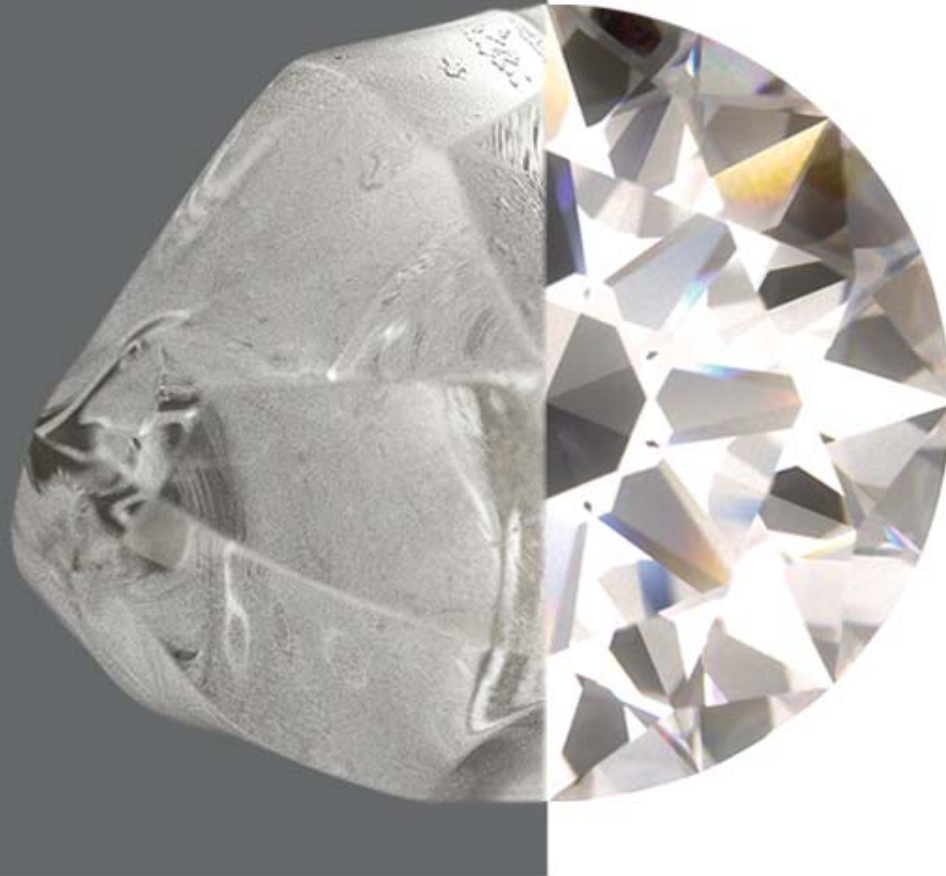
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# Essential IP Portfolio Optimisation Strategies

John P Pryor  
VP Portfolio Optimisation  
CPA Global  
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# Essential IP portfolio optimisation strategies

- How to identify and manage business critical patents?
- What IP due diligence checks are most important?
- Portfolio optimisation strategies in a downturn

# Why are companies optimising their portfolios?

Successful companies will...

- Demand high quality in all business critical assets, including IP
- Continuously validate that their IP assets are aligned to their business goals and strategies
- Demand better protection for current and future products
- Consider portions of the portfolio be made available for defensive purposes
- Monetize under-performing assets
- 'Rightsize' their patent portfolio as a business necessity which is driven by the high cost of creation and ownership of each patent

# Case study: Dow chemical key benefits of optimisation

- Portfolio analysis and business use classification as the first step to understanding the value of patents in the context of each business
- Non-business aligned patents were made available for sale, licensing or were abandoned
- Earlier Dow patent strategy resulted in grant of many patents with little real value
- New strategy resulted in abandonment of many “low value” patents that led to projected savings of \$40 million
- Cost savings earned credibility with senior management for IP Management processes



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# Case study: It took Dow chemical several years to fully optimise their portfolio

DOW Portfolio	Current Business Use				Potential Business Use			No Business Interest			
	Practice	Defensive	License	Current Use Total	Practice / Use Def.	License	Potential Use Total	Available for Corp Licensing	Allow to Expire / Not Classified	Abandon	No Interest Total
Dec '93	19%	11%	13%	43%	22%	10%	32%	7%	14%	4%	25%
May '99	17%	13%	23%	53%	16%	15%	31%	1%	11%	3%	15%
Jan '07	24%	13%	17%	54%	35%	8%	43%	0%	2%	1%	3%

By January 2007, 97% of Dow's patents had been rationalized and aligned with business strategies...that's optimized.

From Dow Chemical, Bruce Story presentation at LES Canada  
2007 Annual Meeting



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# Portfolio Optimisation: Understanding the basics

Portfolio Optimisation is a two step process

- Establish a comprehensive understanding of the IP assets
- Take action on these assets to improve alignment with business strategies and enhance the corporation's value

The optimisation process involves annual portfolio reviews using ranking and segmentation of the various assets, and the application of strategies to each of the segments.

These strategies would include, amongst others

- A sale of non-core assets,
- A business critical IP Service for core high value assets
- Alignment of IP and applications to the business strategy

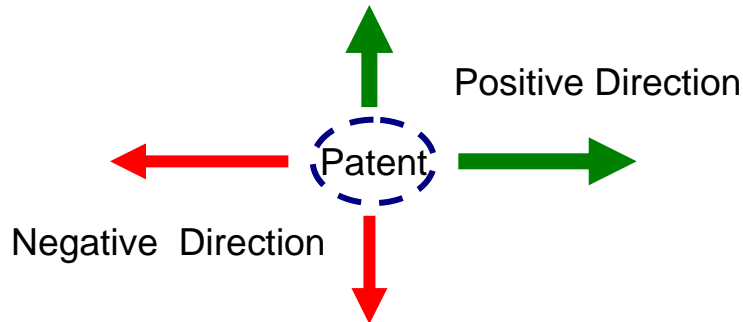
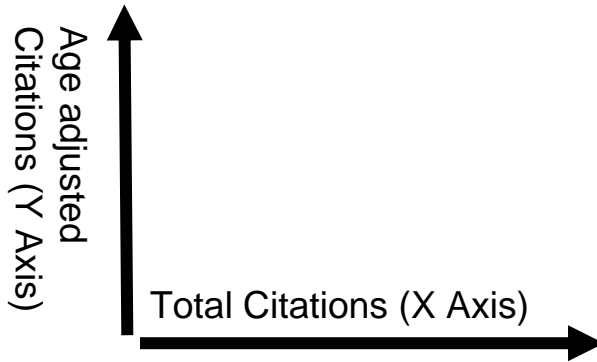
# ABC Matrix



Total Citation ⇨ ⇩ Age Adjusted Citation	Bottom	Below Average	Above Average	Top
Top	0.9%	1.1%	2.6%	12.7%
Above Average	1.4%	2.8%	7.7%	8.6%
Below Average	4.1%	5.9%	11.0%	
Bottom	34.6%	6.5%		

- This matrix represents distribution of ABC 's patents considered in the scope (total of 1407 US Grants).
- In general, patents falling in the top of X and Y axes could be considered valuable to ABC or others in the technologies under consideration. Similarly, patents falling in the bottom of X and Y axes haven't accumulated enough citations due to their age or lack of value/significance.

# Over time, patents migrate within the Matrix



- X-axis : Patents are ranked based on the total number of forward citations received
- Y-axis : Patents are ranked based on the number of forward citations received relative to patents of the same age
- Positive Direction: A patent that is gaining value in the technology space or in the industry will move in time towards the top quartile.
- Negative : A patent covering an obsolescent technology will move in time towards the bottom quartile.

# ABC with self citations



Total Citation → ↕ Age Adjusted Citation	Self Citations	Bottom	Below Average	Above Average	Top
Top	High		0.4%	1.1%	5.5%
	Low	0.9%	0.7%	1.6%	7.2%
Above Average	High	0.1%	1.3%	4.2%	4.3%
	Low	1.3%	1.6%	3.5%	4.3%
Below Average	High	0.8%	2.6%	5.0%	
	Low	3.3%	3.3%	6.0%	
Bottom	High	1.6%	2.3%		
	Low	33.0%	4.2%		

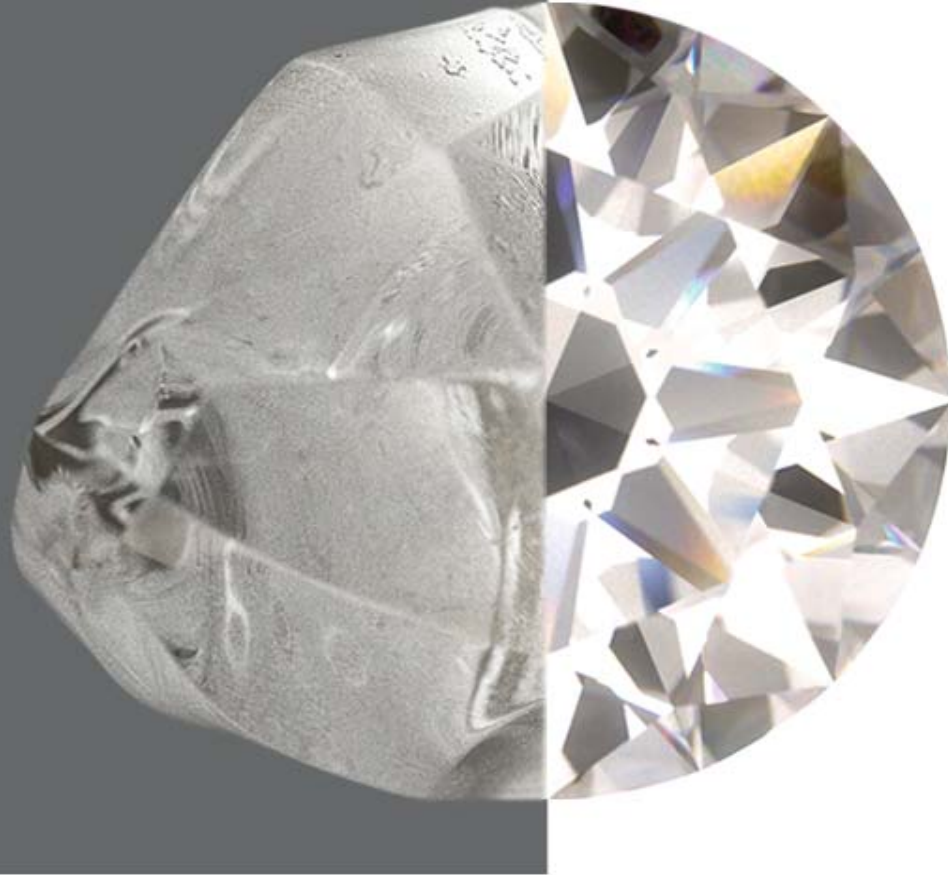
- This matrix takes citations (self and others) as an additional parameter to show if patents falling under various categories have been considered valuable by ABC vs. its competitors.
- Patents falling in the top quartile of X and Y axes with high self citations are considered most valuable by ABC. Similarly, patents falling in the bottom quartile of X and Y axes with low self citations are potentially either very young (haven't accumulated enough citations) or of limited technological significance or value.

# ABC including age



Total Citation → ↓ Age Adjusted Citation	Self Citations	Bottom		Below Average		Above Average		Top	
		<10	>10	<10	>10	<10	>10	<10	>10
Top	High			0.4%		0.9%	0.1%	0.9%	4.6%
	Low	0.9%		0.7%		1.4%	0.1%	1.1%	6.1%
Above Average	High	0.1%		1.3%		1.1%	3.1%		4.3%
	Low	1.3%		1.5%	0.1%	0.9%	2.6%		4.3%
Below Average	High	0.8%		0.9%	1.6%		5.0%		
	Low	3.1%	0.1%	1.0%	2.3%		6.0%		
Bottom	High	0.8%	0.8%		2.3%				
	Low	24.7%	8.3%		4.2%				

- This matrix shows distribution of ABC 's patent portfolio by including the age of the patents as an additional parameter.
- Patents falling in the top of X and Y axes with high self citations are potentially most valuable to the ABC . These patents are highly cited for their age and overall, signifying its relevance and strength in the ABC 's portfolio.
- Patents falling in the Above Average categories with low self citations can potentially be additional source of revenue either through licensing or sales.
- Patents falling in Below Average category and Bottom category of Y axis with low self citations and having age greater than 10 year may move downwards or expire soon. These patents may be considered for sale or licensed.



## Due Diligence Checks

# i) Due diligence

<u>Stage</u>	<u>Service</u>	<u>Description</u>	<u>Benefits</u>
<b>1. Early Stage</b>			
Early Stage P.	Competitive Patent Intelligence Reports	Identification of prospective candidates.	Helps to target companies with patents of interest.
Pre Letter of Intent P,T,D.	Key IP In Force Data Verification Checks	Check that key IP in key countries is in force and clean.	Confidence that key IP is OK before moving forward to the next stage
<b>2. Investigation</b>			
Data Provision P,T,D.	In Force Checks	Legal status and maintenance fee checks.	Knowledge of the status of all IP.
Data Provision P,D	Freedom to Operate Search	Identify obstacles and barriers to entry of a product in a patent jurisdiction or to the use of a specific domain name.	Help to understand the rights to be able to make, sell and/or use the company's products or services.
Data Provision P.	Validity/ Invalidity Search	Determine the novelty of a patent – search focuses on the claims of the patent. Search results can also be used for offensive & defensive purposes.	Helps assess the scope of protection and strength of coverage of the assets

## ii) Due diligence

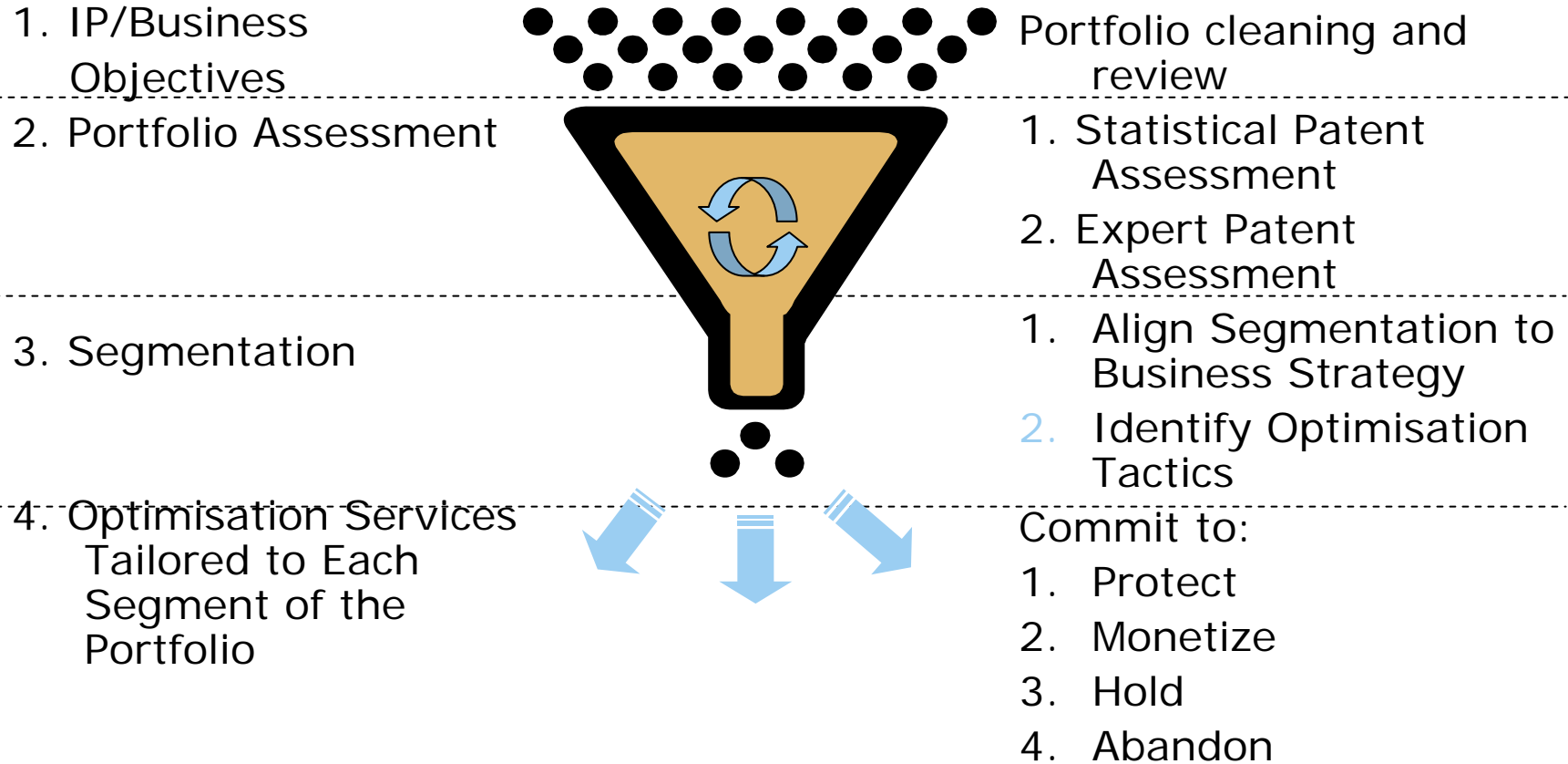
<b><u>Stage</u></b>	<b><u>Service</u></b>	<b><u>Description</u></b>	<b><u>Benefits</u></b>
Data Provision  P.	Litigation Search	Check for infringement lawsuits for patents. Using public databases (e.g. Litalert database).	Helps to determine the limitations of rights being assessed
Data Provision  P.	Competitive and Industry Intelligence Reports	Evaluate the strengths of the acquisition target against industry competitors. For example assessment of relative strengths versus the top 5-7 competitors.	Helps to determine the value of patents in the marketplace
Data Provision  P,T,D.	Title Verification General title clearance	Check all patents, trademarks and/or domain names have been assigned to the target in all countries.	Helps to determine whether the company owns all the rights in all the countries it says it does and whether title is correct.

### iii) Due diligence

<u>Stage</u>	<u>Service</u>	<u>Description</u>	<u>Benefits</u>
<b>3. Post transaction</b>			
P,T,D.	Title Updates	Record assignment, name changes, mergers, address changes at PTOs / Registrars worldwide. We recommend budgeting for title updates should take place during deal negotiations.	Correct title is essential for corporate governance, is important for maintenance, facilitates defence in litigation and speed to transfer in rights.
P,T,D.	Data Verification	Comprehensive check of bibliographic fields of key dates, numbers and titles through PTO websites, databases and foreign agents.	Clean and indexed portfolios are less risky, cheaper to maintain and quicker to transfer in any transactions.
P,T.	Data Entry	Docket cases into major IP software.	Reduces the administrative burden and risk of transferring cases from system to system.
P,T,D.	Renewals	CPA can provide maintenance services for newly acquired and existing IP.	Reduce the risks associated with maintaining the portfolio and missing imminent renewal dates.

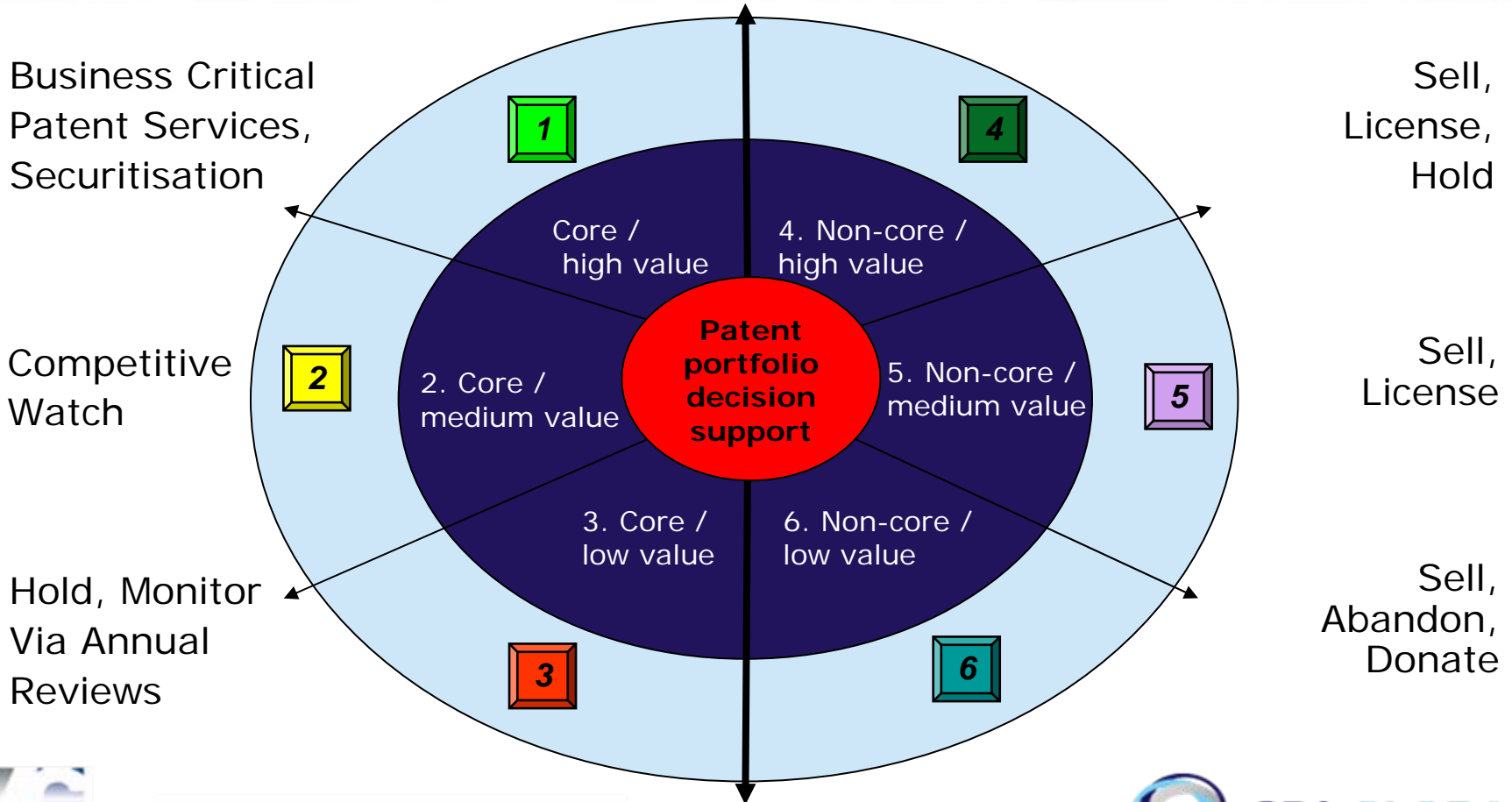
# Portfolio Optimisation process

## annual portfolio review



# Portfolio optimisation strategies

<b>Portfolio Decision Support</b>
Citation/Age Filter
Statistical Patent Assessment



# It is recognised that IP can be better managed from a strategic, revenue, cost and value perspective

- In today's difficult economic environment companies will increasingly look to squeeze more £ money out of their technology by monetizing their IP assets (patents)
- Companies have come to realise that managing IP assets to their full potential is a tremendous opportunity for enhancing their competitive position and gaining business advantage.
- Equally important is the value IP has in helping to reduce the risk from others seeking to enforce their IP rights as well as to create opportunities for moving into new markets.
- Increasing numbers of leading companies are looking for external IP to ensure that their new products are truly 'breakthrough' and hence more likely to succeed.

# Patent sales market = \$1.5 - \$2bn. segmentation:

IP Funds	Emerging Financial Buyers	Strategic Buyers	Publicly Traded Assertion Buyers	Strategic Defensive Buyers
7-10 Funds	Altitude Capital, Collier, Rembrandt	Intel, Microsoft, RIM, Kodak, Nokia	Acacia, WiLAN	RPX, AST, OIN
30% of Deal Value & 20% of Deal Volume	5-10% of Deal Value	55% of Deal Value	5% of Deal Value	< 3% of Deal Value
80% of Public Auctions go to IP Funds	~\$1B in committed capital	Corp purchasing more proactive	Have become much more visible sources of IP acquisition	Broad strategic participation by large tech companies
50% of all deals from brokers	Assertion directed capital highly focused	Increasing participation by overseas companies	Facing buying competition from IV	Response to actions by other buying groups
Wide Network of Sourcing		More activity also fueled by higher deal volume		Significant 'growing pains'
Financial LPs include CAP, Stanford, Hewlett Foundation				

Source: David Lubitz, Microsoft; Presentation on Patent Monetization Strategies

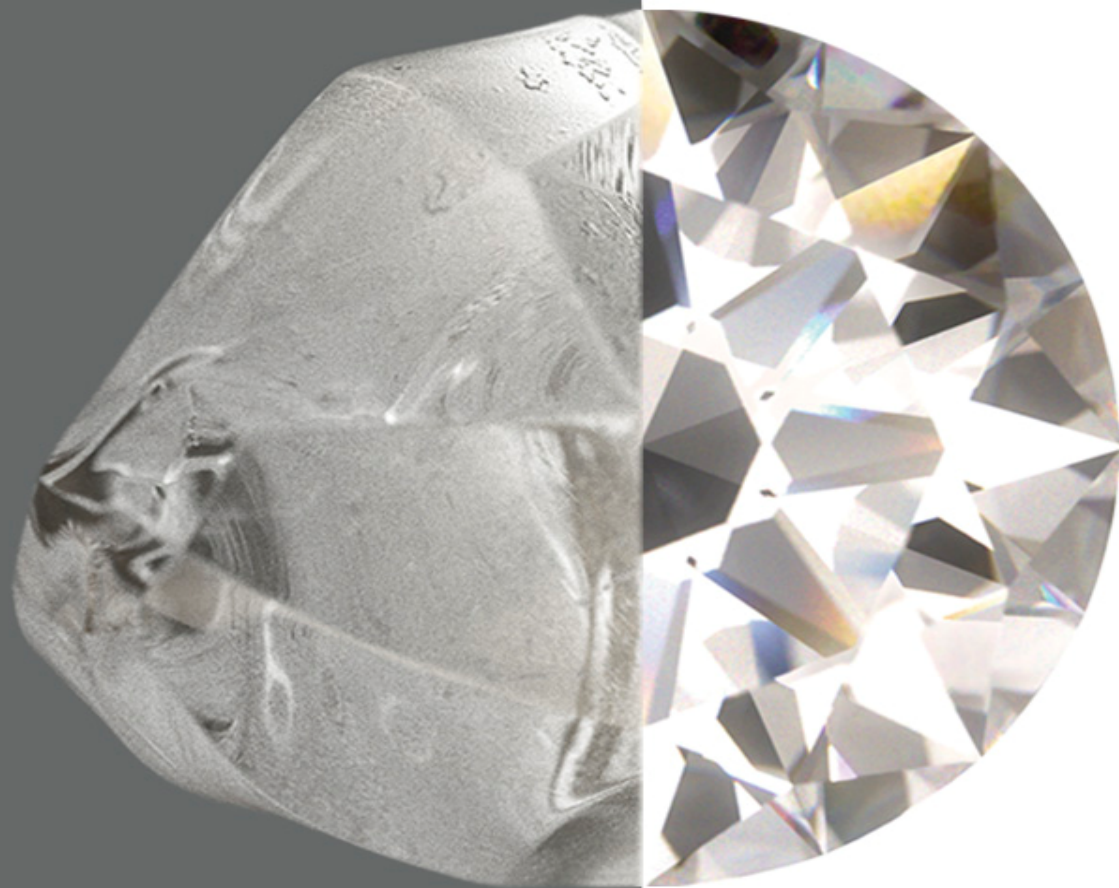
Portfolio due diligence assessment, valuation and segmentation are key steps to full and proper portfolio management, and can play an important role in influencing decisions on the kind of IP strategy an enterprise can follow.

Thank You



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