

Guido von Scheffer | UN Economic Commission for Europe conference on IP
25-26 July 2007 | Geneva (Switzerland)

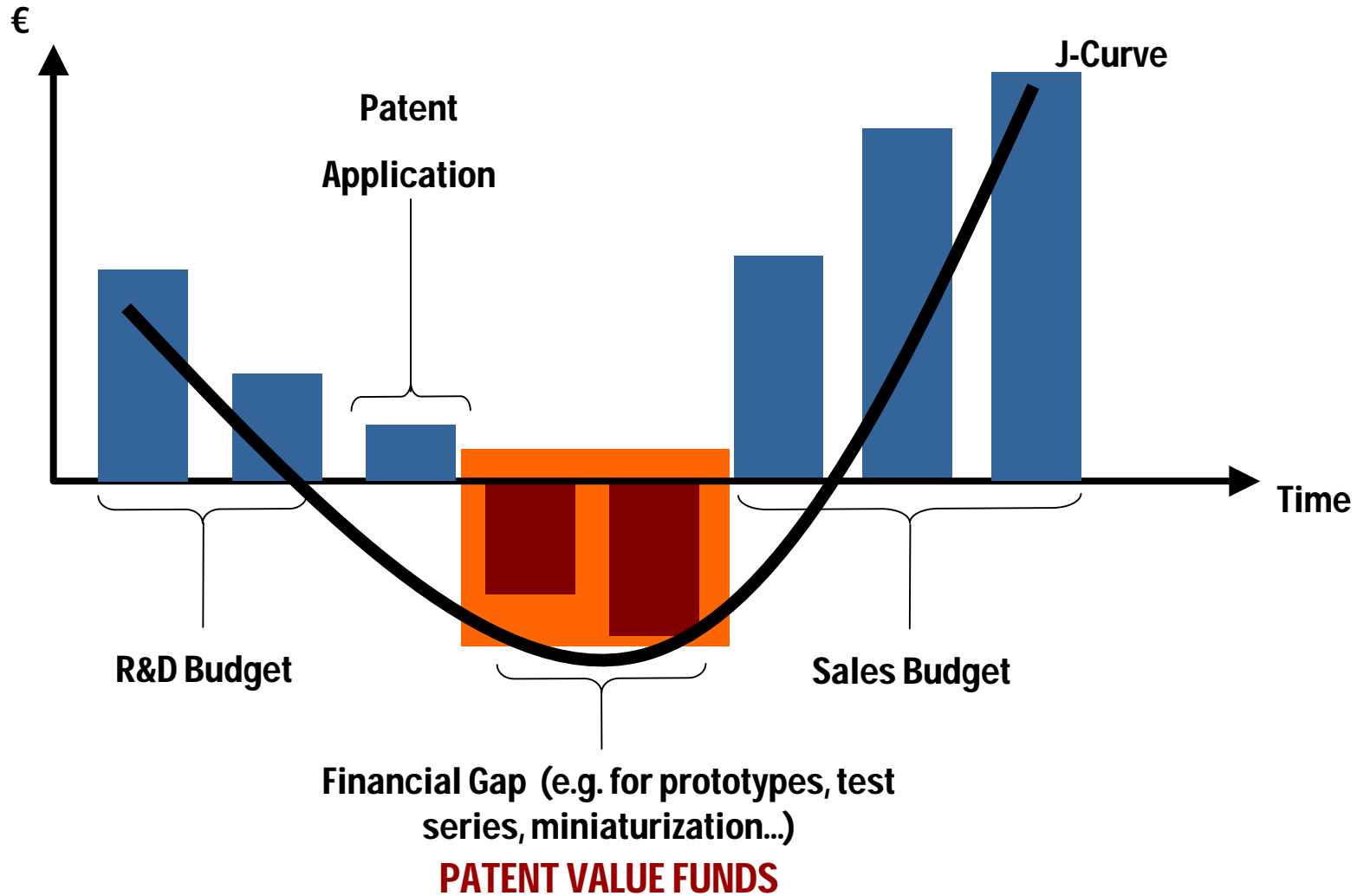
Generating Revenues from IP

New Options of IP Valuation and IP Monetization

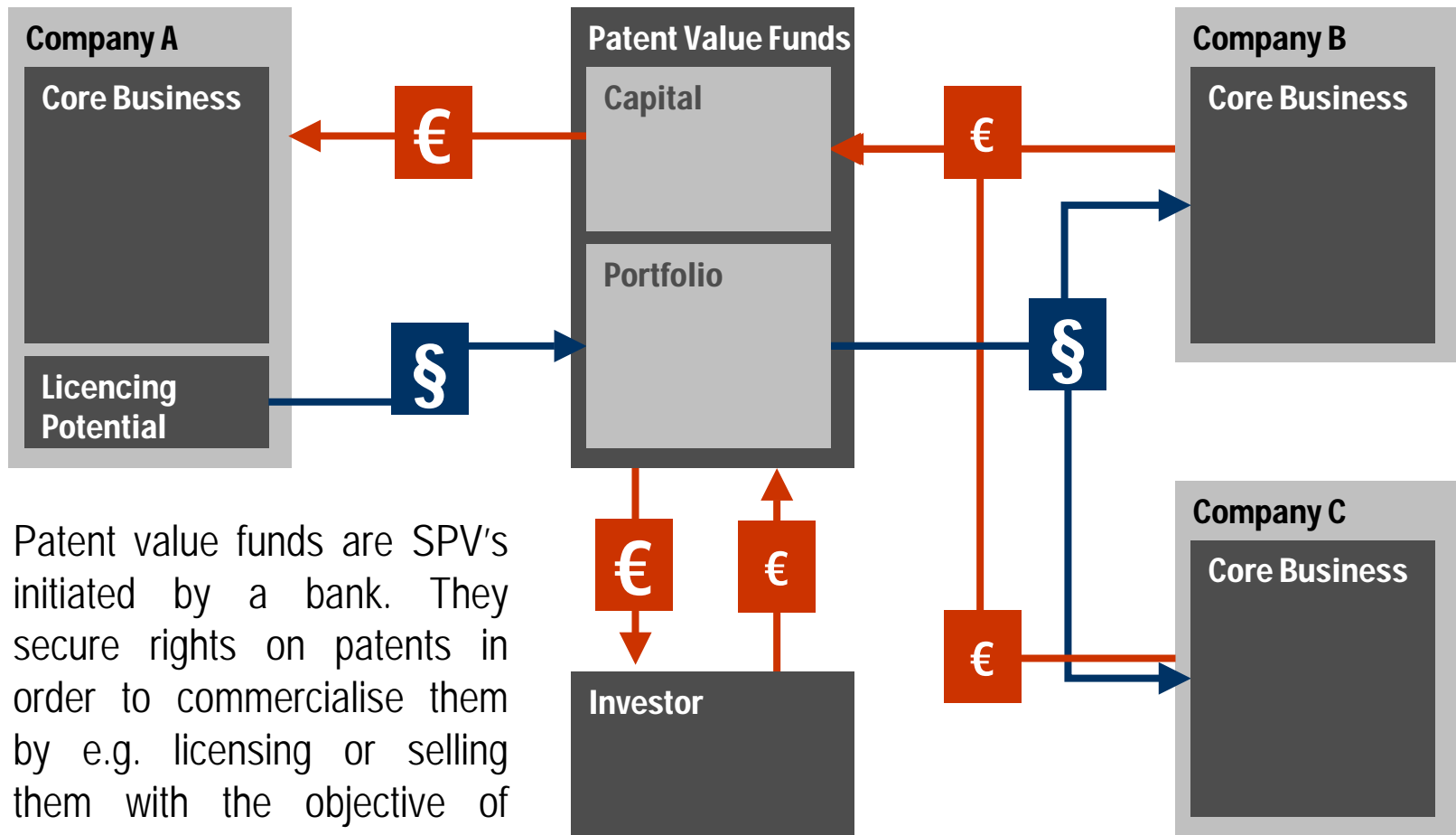
IPB is consulting Innovators, Investors und Institutions.

- The operative business is run by almost 50 employees (in Hamburg, Munich).
- Consulting of companies to establish a value oriented Patent-Management.
- Consulting of enterprise before, during an after M&A-Transactions.
- Consulting of investors by investing in tomorrows high technology.
- Selection of co-operation partners: IPC-Hamburg, Max-Planck, Fraunhofer, The Patent Board, LGA, INSTI, Freshfields Bruckhaus Deringer, Lovells, Bird & Bird, White & Case, Interbrand Zintzmeyer & Lux, ...
- IPB's employees are active members of LES, VPP, GRUR, VDI, ...

IP commercialization is an Investment

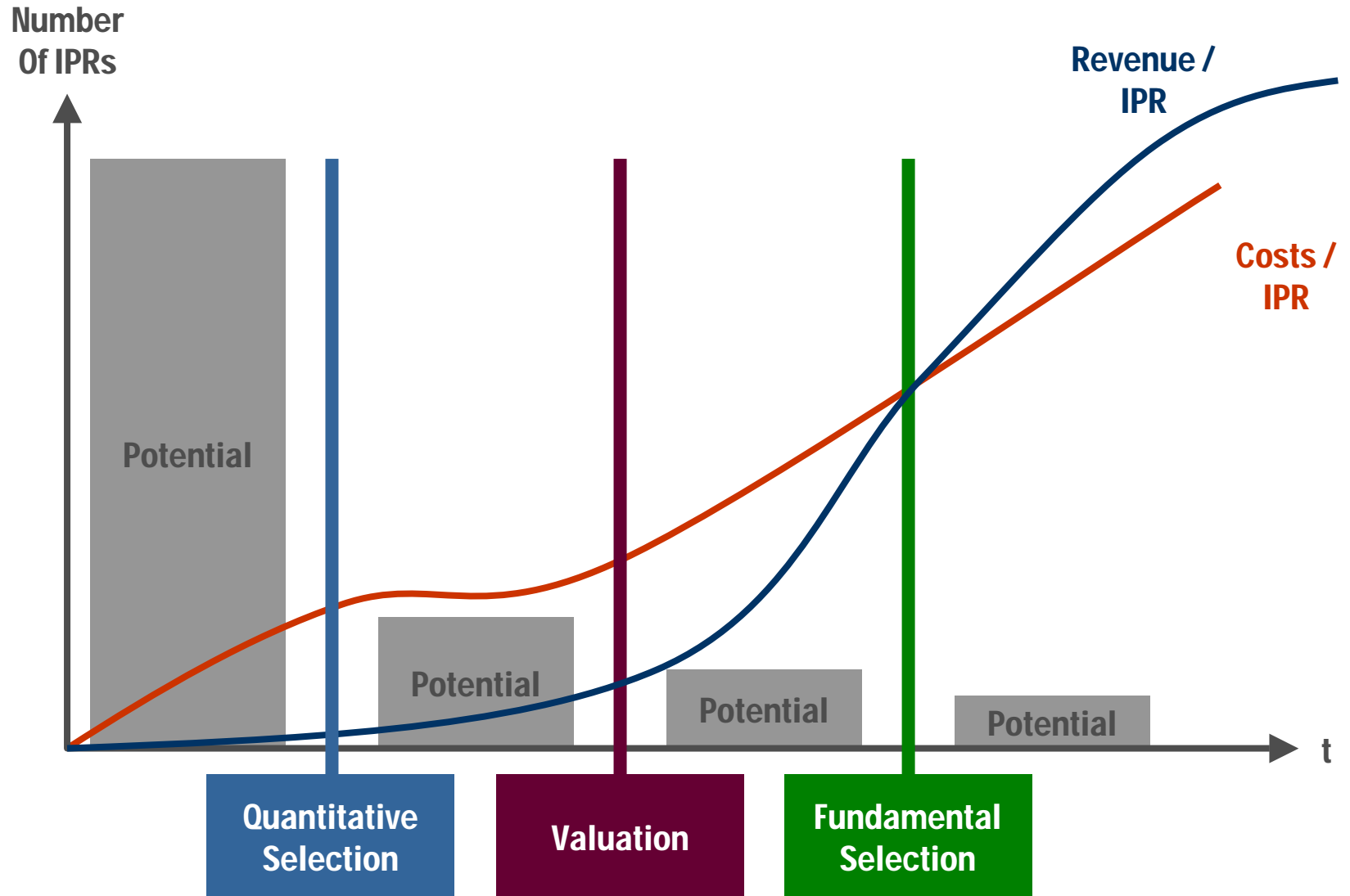


Patent Value Funds



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.

Identification



Patent Value Funds Investment Process



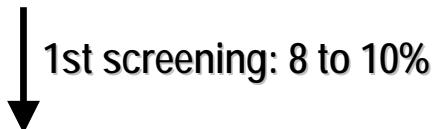
Through:

Internet, exhibitions, publications, experts' fairs

From:

Mittelstand Cies, R&D Institutions, Cy restructuring, ...

Quantitative valuation (IPB's valuation method)



Qualitative audits:

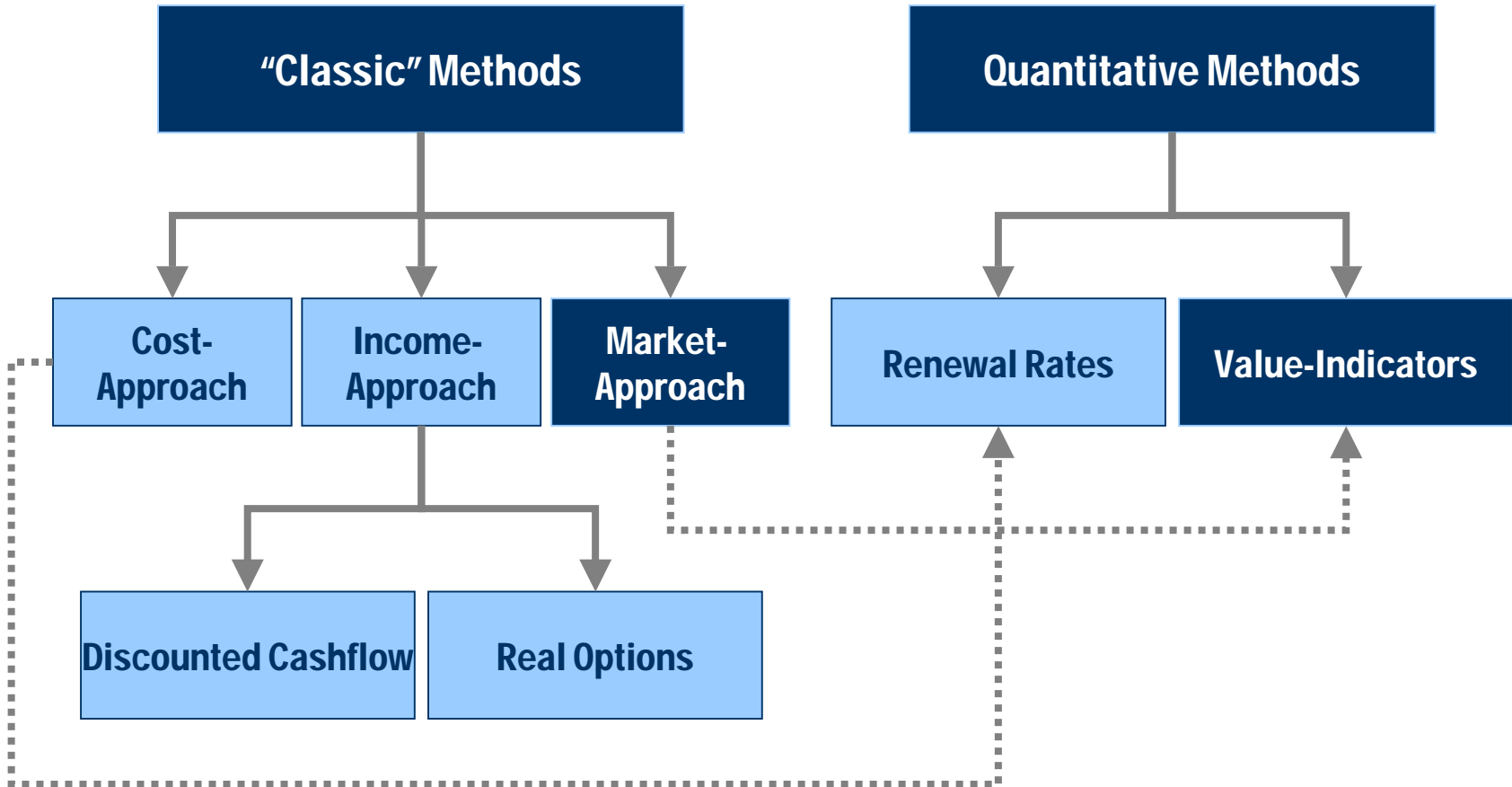
Attribute, constancy, prior art, realization and opposition/claim analyses

Realization analyses:

target clients, infringement analysis

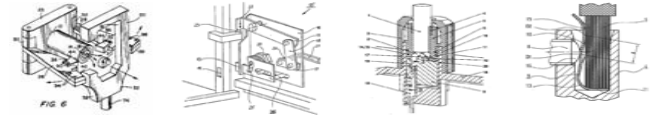
Realization strategy:

Licensing, sale, JV,..



Advantages of Patent Value Funds from the patent holder's perspective

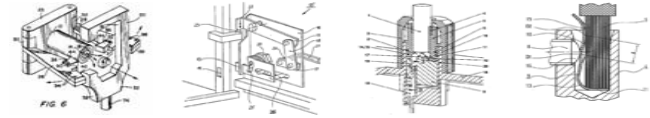
Four success elements:



- 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 for the unlikely event the fund placement fails, do to not achieving the minimum volume required. The risk of placement failure is minimized by the fact that the Deutsche Bank AG is the responsible partner for the placement.
- 2.** After the fund has been successfully issued the original patent owner receives payment committed between the parties in the contract. The amounts negotiations are affected by the value and the status of the patents (application, assignation, existence of a prototype).
- 3.** The general idea of the patent value fund is not 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 further 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 resp. patent portfolio. His profit share is depending 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

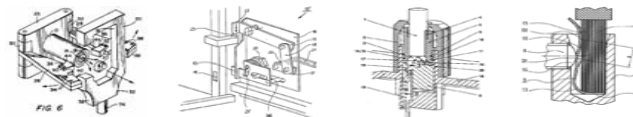
Four advantages:



- 1.** Especially in the growth sector patents constitute the main value drivers in 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.
 - Because of the concentration on IPRs the amount of single investments decreases and leads to the possibility to achieve a wide diversification with small sums, especially compared to venture capital.
- 3.** Patent value funds provide the opportunity to participate directly in license revenues or other monetization options.
- 4.** Above-average valuable patents promise above-average high yields.

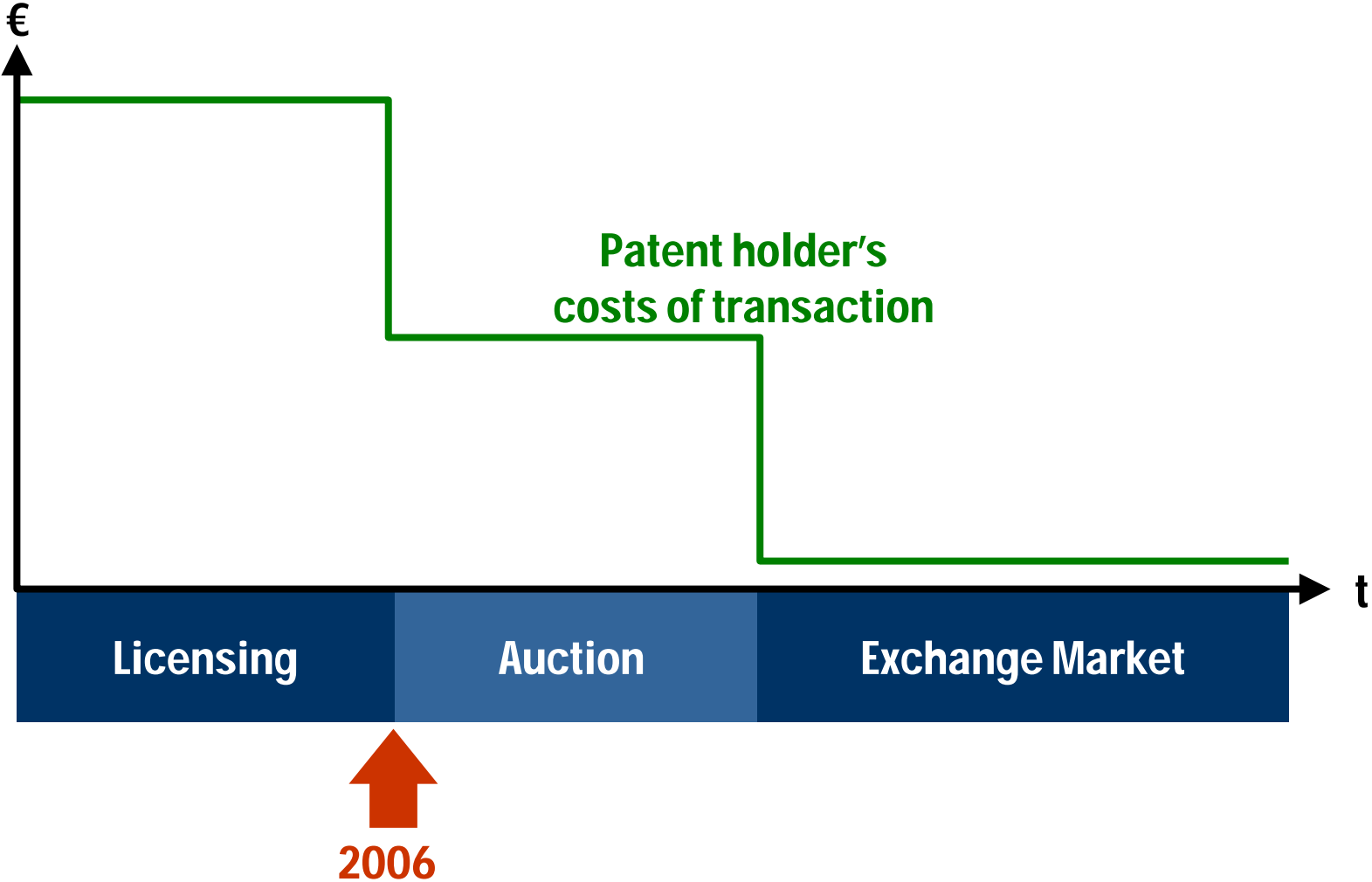
Advantages of Patent Value Funds from the licensee's perspective

Three advantages:



- 1.** IP departments, especially in large companies, receive numerous licence and co-operation offers every day.
- 2.** A large part of IP managers' the day-to-day business consists of filtering out the innovations 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 relieve the internal IP departments and at the same time provide as "technology scouts" new ideas.

Evolution of IP Transfer



Major IPR auctions

- January 30, 2003: the Japan Patent Research Ass. (a Non-Profit-Organisation) held an auction in Tokyo.
- August 2005: Ocean Tomo auctioned the patents of a bankrupt company in the US to pre-selected bidders. (results: approx. 15 Mio. USD)
- April 2006: public auction of Ocean Tomo in San Francisco (results: approx. 3 Mio. USD at the live-auction itself and appr. 7 Mio. USD in the post auction business)
- October 2006: Ocean Tomo Fall Auction in New York (results: 22 Mio USD at the live-auction itself).
- April 2007: Ocean Tomo Spring Auction in Chicago
- **May 2007: Intellectual Property Auction – European public auction for patents and licences (www.ip-auction.eu)**
- June 2007: Ocean Tomo European Auction in London

Advantages of IP auctions

IP Auctions offer the following advantages:

- Scheduled transactions
- Synchronized bidder competition
- Reduction of transaction costs as a result

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Thank You for Your Attention!