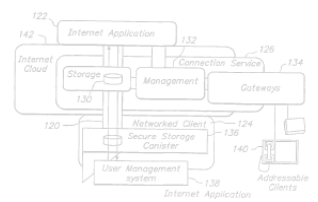
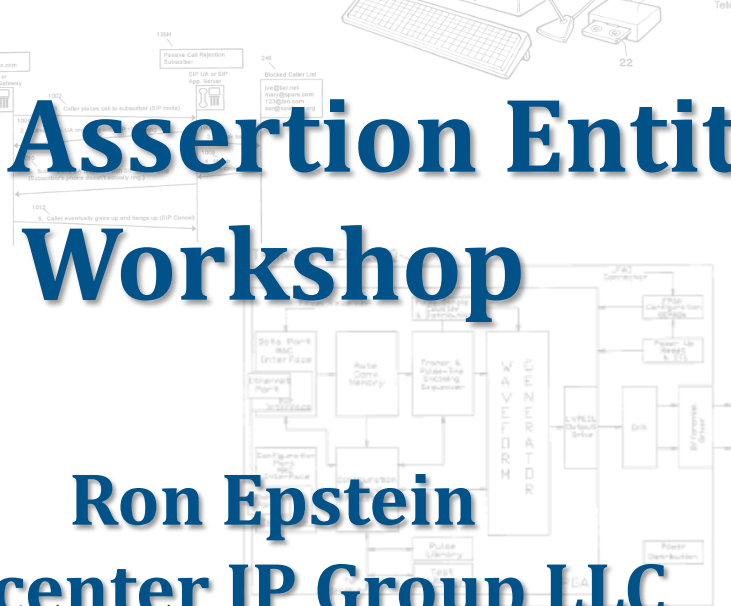
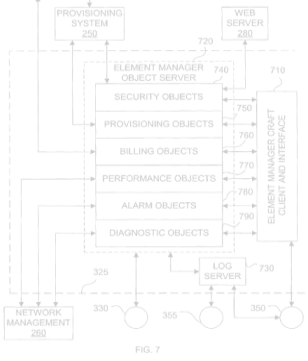


# Patent Assertion Entities Workshop

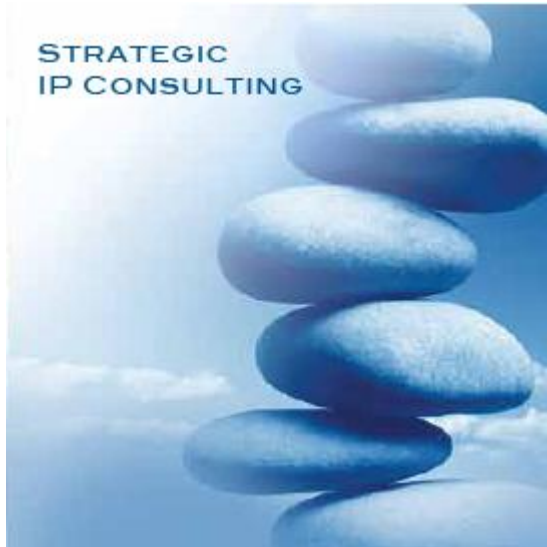
Ron Epstein

Epicenter IP Group LLC

December 2012

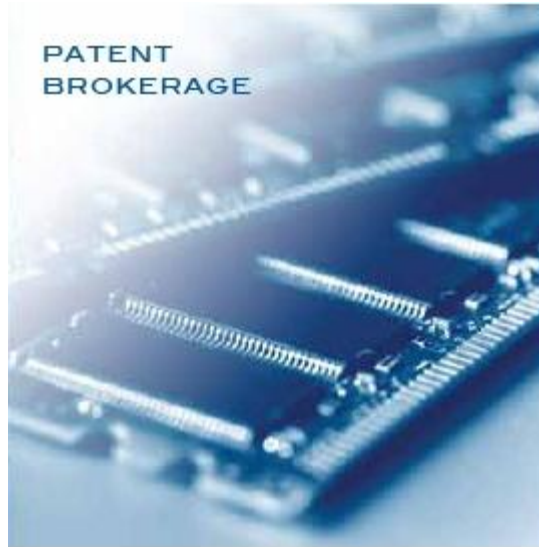


# Valuation Creation Experience



**> \$50 M**

**strategic Board/C-level  
projects**



**~ \$400 M**

**in patent sales for  
our customers**



**> \$1 B**

**in licensing deals for  
our customers**

# Shift to Patent Monetization

**Before:**



## **Legal Asset**

- File based on “metrics”
- Use for trading purposes
- Never buy, never sell

**Now:**



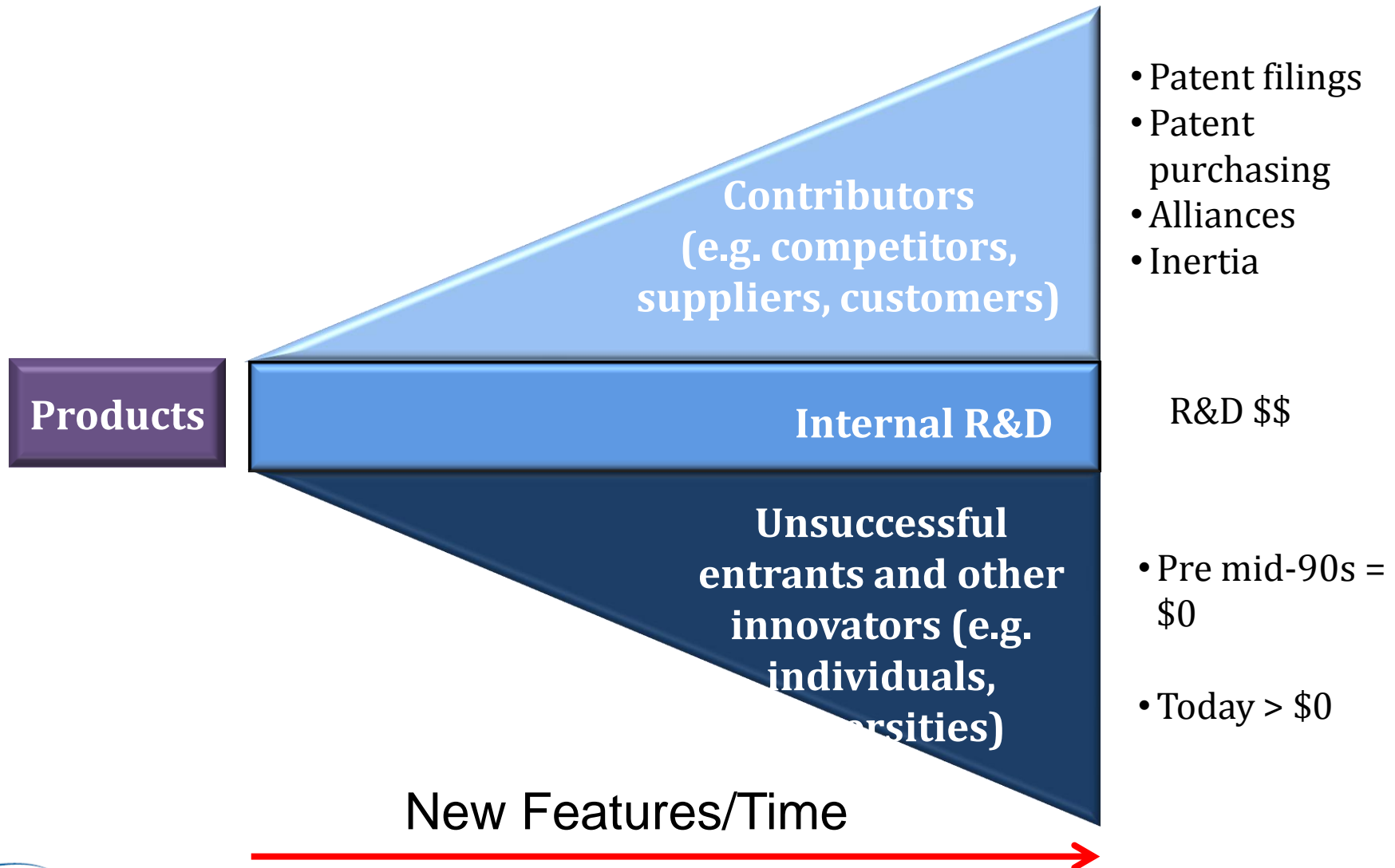
## **Business Asset**

- Align patents with business priorities
- Monetize non-core patents
- Purchase patents to fill gaps or hit strategic threat

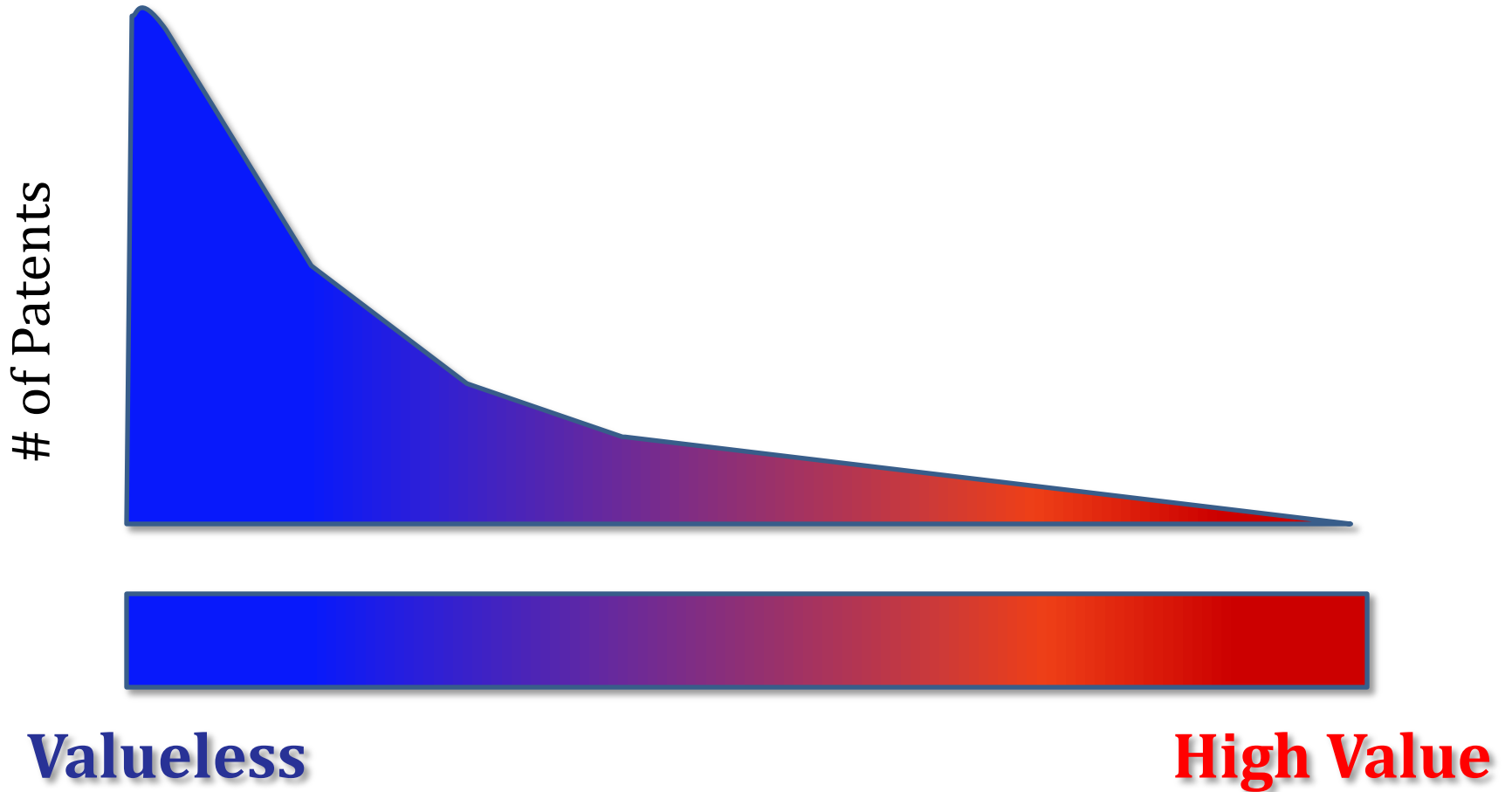
# Patents are Big Business and Big News

- Large Strategic Patent Purchases by High Profile Operating Companies
  - Motorola Mobility – Google
  - Nortel Portfolio – Apple, Microsoft, RIM, Ericson
  - AOL – Microsoft, Facebook
- Big Investments in Patent Funds
  - Defensive Aggregators – IV, RPX, OIN, AST
  - Offensive Aggregators – IV, Acacia, Altitude, Rembrandt
- Many News Stories Devoted to Patents
  - Above patent sales, mobile patent wars, “patent trolls”, RPX IPO, etc.
  - Mainstream news outlets – WSJ, New York Times, Reuters, NPR, Bloomberg News, 60 Minutes, etc.

# Sources of Innovation



# Patent Value



# The Real Licensing Marketplace

	First Adopters	“Ethical” Adopters	Innovation by Observation
Status of Technology Adoption	<ul style="list-style-type: none"> <li>Not yet introduced to market</li> <li>Inventor introduces it to Licensee</li> </ul>	<ul style="list-style-type: none"> <li>Emerging in Market</li> <li>Licensee knows who inventor is</li> <li>Standards based Tech.</li> </ul>	<ul style="list-style-type: none"> <li>Competitors have adopted technology</li> <li>Have little idea or concern where it came from</li> </ul>
Value to Licensee	<ul style="list-style-type: none"> <li>Improve market share or price elasticity</li> </ul>	<ul style="list-style-type: none"> <li>Stop loss</li> </ul>	<ul style="list-style-type: none"> <li>“Its all public domain”</li> </ul>
Alternative to Taking a License	<ul style="list-style-type: none"> <li>Won’t be able to use</li> </ul>	<ul style="list-style-type: none"> <li>They will use it anyway</li> <li>May engage in substantive talks before litigation</li> </ul>	<ul style="list-style-type: none"> <li>They will use it anyway</li> <li>Litigation is negotiation</li> </ul>
Typical Negotiated Royalty Rate	<ul style="list-style-type: none"> <li>X%</li> </ul>	<ul style="list-style-type: none"> <li>Fixed sum based on assumed royalty rate</li> <li>0.X% - 0.0X%</li> </ul>	<ul style="list-style-type: none"> <li>Fixed sums only</li> <li>Calculated exclusively as big discount off potential damages in litigation</li> </ul>

# Patent Licensing – “Buyer Dynamic”

- Does buyer have a problem?
  - Can they get me - existence & depth of patent coverage
  - For how much - potential damages
- How serious is patent holder?
  - Capability
  - Commitment
  - Resources
- What are buyer’s alternatives?
  - Cost of license vs. alternatives
  - Path to success – declaring a win



# Patent Licensing - Innovator's Challenges

- Prevalence of Innovation through Observation
  - Have to disclose idea to be able to interest potential licensee
  - Once idea is on table, “trivial” engineering effort to reproduce
- Patent Quality
  - Most patents written for issuance, not enforcement
  - Negotiation about litigatability, not who was the inventor
- Investment
  - There is no self help
  - Current “market” process = litigation
  - Innovators lack resources enough to afford market entry

# Contact Information



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