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**SESSION NUMBER 9**

**IP COMMERCIALISATION, VALUATION AND  
LICENSING**

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**LECG**

**trading ideas**

**THE FUTURE OF IP IN ASIA PACIFIC**





# Intangible Valuation Circumstances Trading Ideas

Context	Purpose	Example	Value Premise
Litigation	Damages	Patent Infringement	Hypothetical Negotiations
Taxation	Transaction Support/Reporting	Transfer Pricing	Fair Market Value (FMV)
Accounting	Transaction Reporting	Mergers & Acquisitions	Fair Value (FV)
Equity Investment	Transaction Support	In-Kind Contributions	Fair Market Value (FMV)/Value in Use (VIU)
Internal	Decision Making/ LT Planning	Technology Spin-Off	Value In Use (VIU)

## Perspectives on Value

- Valuations are calculated from any of four perspectives:
  - Fair Market Value FMV Accounting-based
  - Value to Owner VTO Finance-based
  - Value to Buyer VTB Finance-based
  - Value to Interested Party VTIP Finance-based

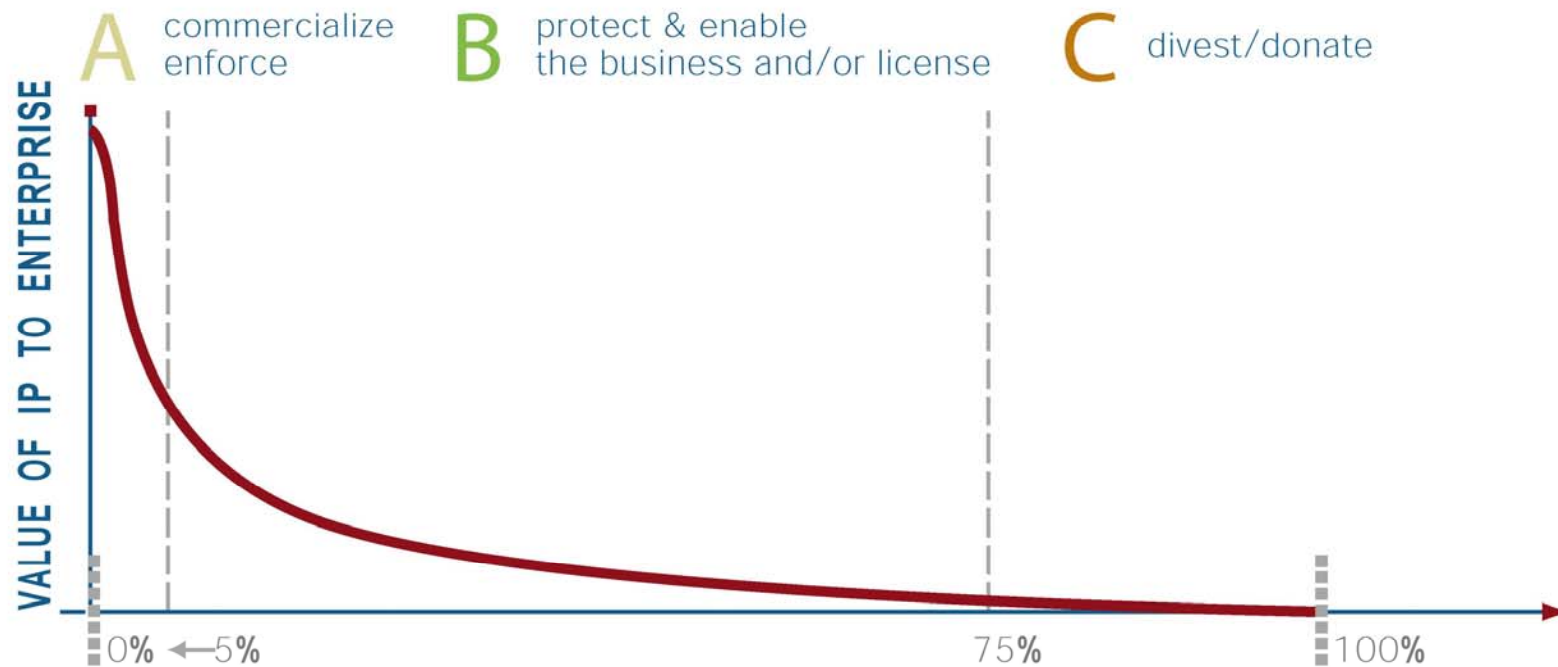


## Two Significant Characteristics of Intangibles

- They may have multiple simultaneous uses
- Their value depends upon context
  - Their role(s) in company business strategy
  - The application(s) of the intangible
  - The number and magnitude of their separate value streams
  - The perspective of the viewer of the value
  - The dimensions of value used in measurement

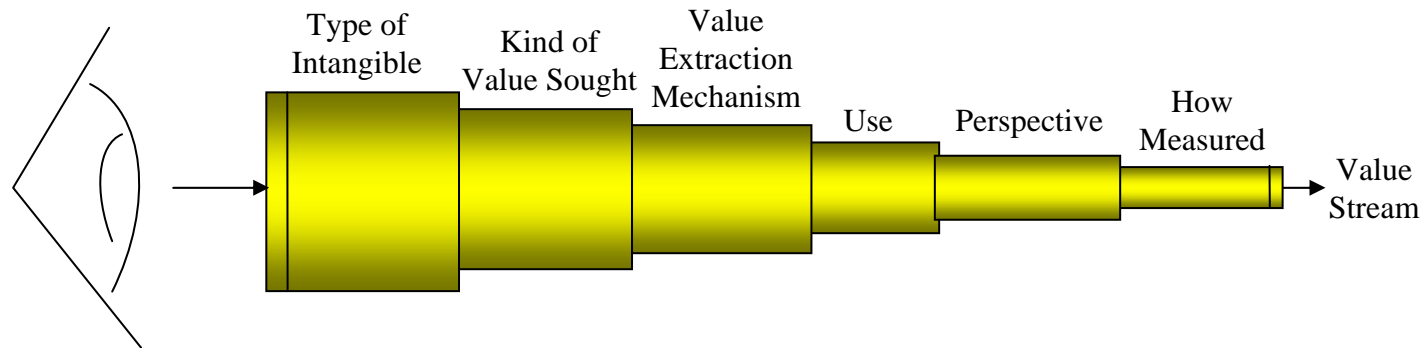


# The value of IP in a portfolio is not normally distributed



PERCENT (%) OF PORTFOLIO

# Visualizing Context



## What Intangibles are included in the transaction?

- Intellectual property
  - Patents, Trademarks, Copyrights, Trade secrets
- I-Stuff
  - Brands, Relationships, Know-how, Complementary business assets
  - Other intangibles

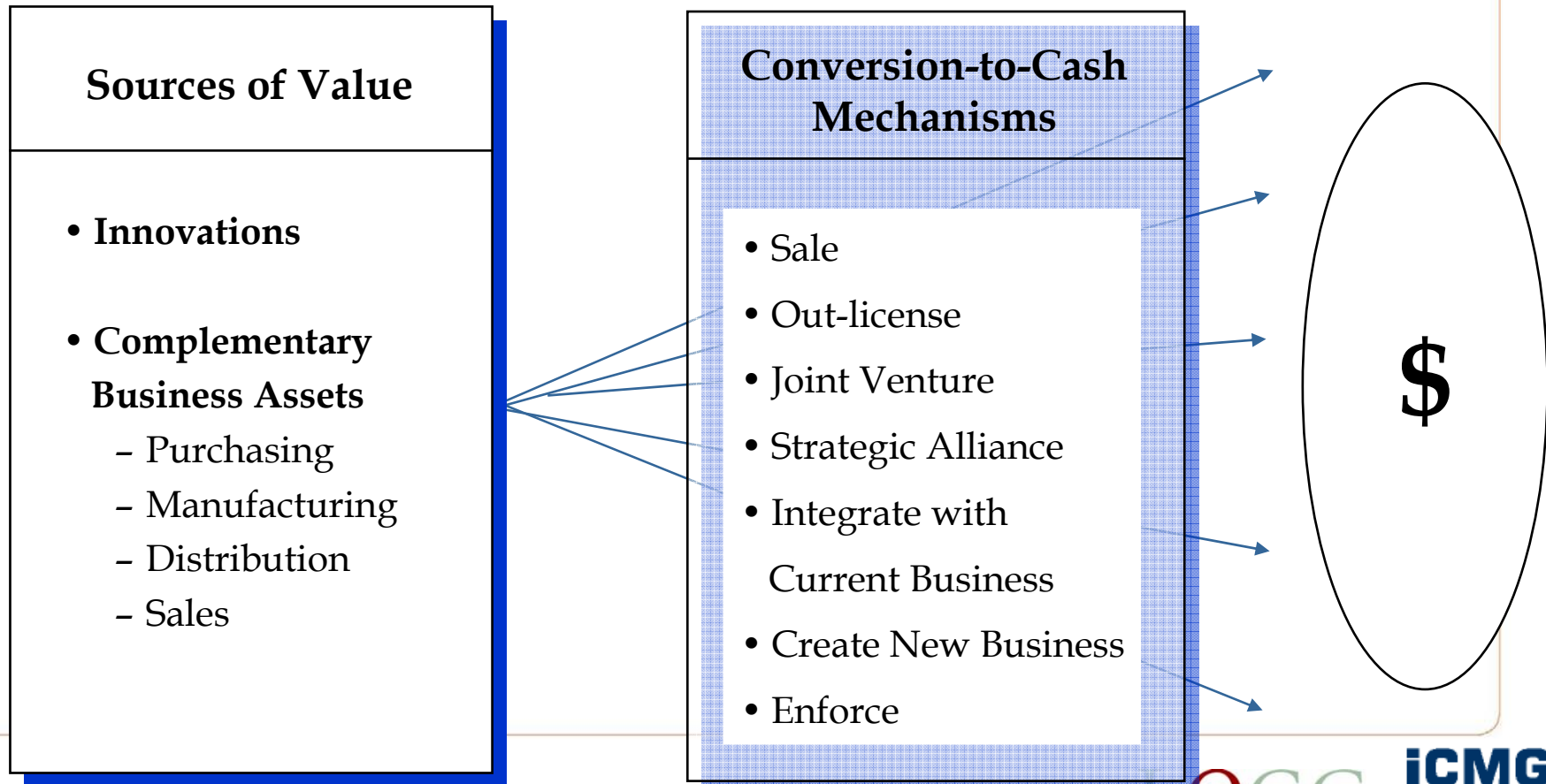


## What Are Some Examples of the Kinds of Value Companies Seek From their IP?

- **Protection**
  - Rights to exclusive use
  - Design Freedom
- **Revenue Generation**
  - From protected products & services
  - Directly from the IP itself
- **Cost Savings**
  - Litigation Avoidance
- **Positioning**
  - Access to markets
  - Access to the technology of others
  - Competitive Blocking
  - Basis for Business Alliances
  - Reputation / Image

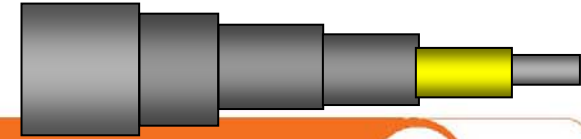


# Sources of Value and Value Extraction Mechanisms



## The “Use” Element of Context

Applications	Market Segments
Product Innovations	
Consumer Goods Packaging	Food-related packaging Health & Beauty aids packaging
Industrial Goods Packaging	Electronic parts packaging Automobile parts packaging
Office Storage	Office Storage



# The “Perspective” Element of Context

## For Whom Is Value to Be Determined?

### Internal User

- Licensing Director
- R&D Director
- Human Resources Director
- Legal Officers

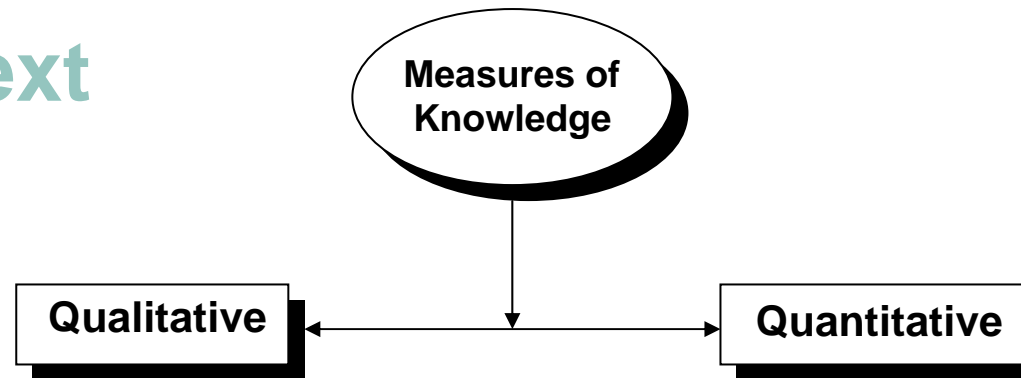
### External User

- Tax Authority
- Litigation Court
- M&A Candidate
- Investor
- Purchaser
- Licensee

## What Form of Value?

- Fair Market Value?
- Value-in-use?

# The “How Measured” Element of Context



## Value-Based

- Value Category
- Alignment with Vision and Strategy
- Satisfaction
- Quality of Knowledge

## Vector-Based

- Rate of Increase
- Rate of Decrease
- Backlog
- Market Share Forecast
- Coverage
- Comprehensiveness
- Stock price

## Non-\$

- # Evals/Unit Time
- # of Staff
- Age
- Remaining Life
- # Units

## \$-Based

- \$ Invested
- \$ Revenue
- Forecast Income
- Costs to date
- Forecasted Costs
- Profits



# A Context “Engine”

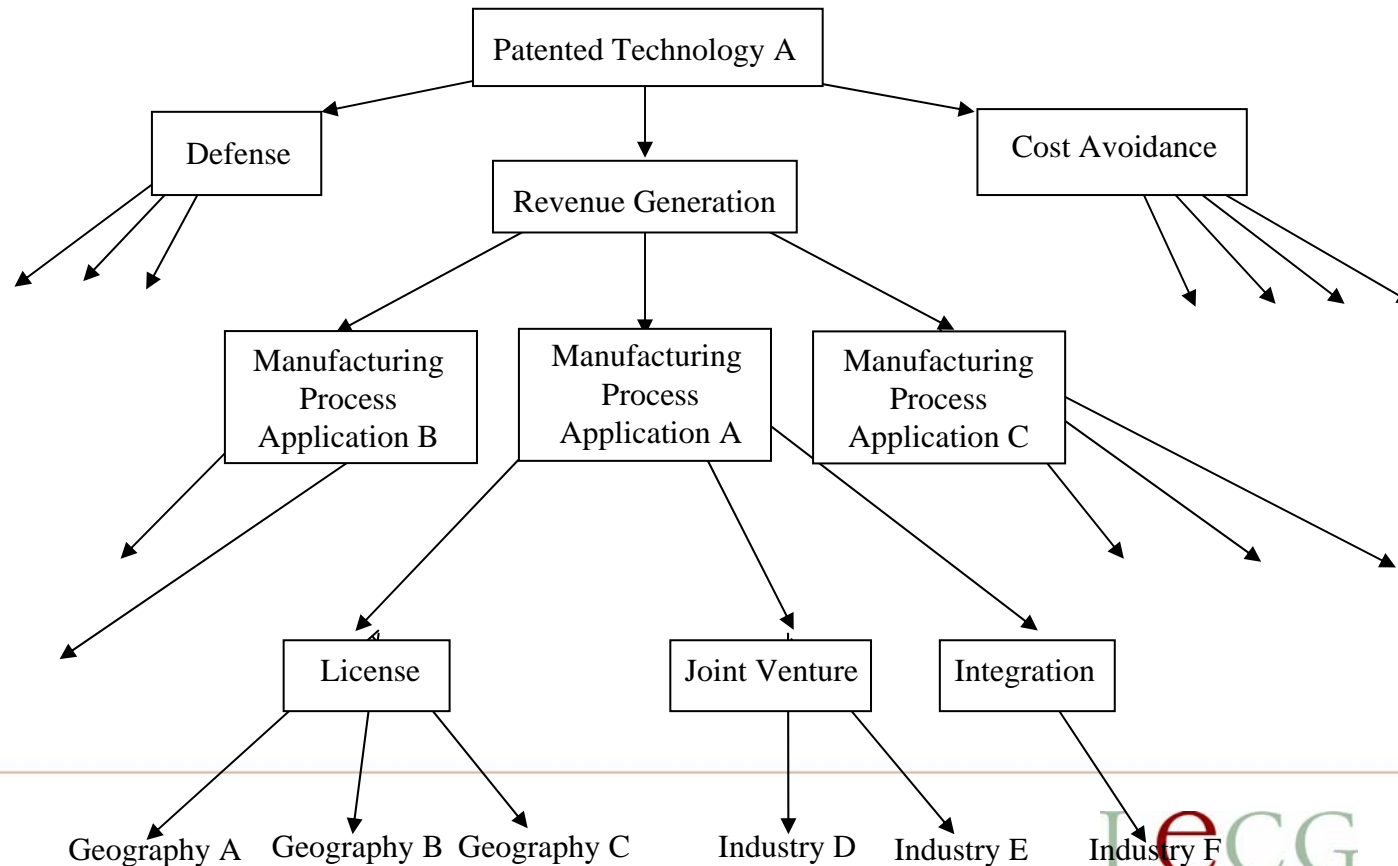
Kind of Intangible	Kind of Value Sought	Applications (Uses)	Cash Conversion Mechanisms	Application Markets	Valuation Approach	Measures
IP Patent Trademark Copyright Trade Secret  Knowledge  Know-how  Relationships	Defensive	Product	Sale	By geography	Fair Market Value	Dollars
	Offensive		License	By industry		Units
	Revenue Indirect	Manufacturing	Joint Venture	By Customer type	Value to Owner	Vectors
	Direct					
	Cost Savings		Strategic Alliance	Other	Value to Buyer	Per Cent
	Positioning	Other	Integration			Improvement
			Spin-out			Other
			Donation			



## Multiple Value Streams

- To be able to fully understand the value potential residing in the firm's intangibles, we must develop an “intangibles perspective”
  - We must stop thinking of them as “assets” and begin to think of them as “generators of value streams”
  - We must toss out traditional thinking about accounting for, measuring, and valuing intangibles
  - We must start thinking of intangibles as entries on an Income Statement, not as items for the Balance Sheet

# Using the Context Engine, Identify Potential Revenue Streams for each intangible and the Context for each Revenue Stream





# Questions?

# Thank You

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