

IP Valuation: Optimizing the Value of Your IP Assets in Uncertain Times

March 22nd, 2017



Licensing Executives Society
(U.S.A. and Canada), Inc.
Silicon Valley Chapter

Moderator



Gene Quinn,
IPWatchdog

Panelists



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- Hypothesis :
 - Trends, whilst interesting and directional, are not the dominant factors for patent value

Consider the Analogy of Real Estate



**2073 Edgewood Dr,
Palo Alto, CA 94303**

4 beds · 4 baths · 3,074 sqft

● FOR SALE
\$3,750,000

EST. MORTGAGE
\$15,042/mo



**4299 E Cascio Dr,
Byron, IL 61010**

5 beds · 5 baths · 7,300 sqft

● FOR SALE
\$575,000

Zestimate®: \$550,629

EST. MORTGAGE



**1611 Crow Ct,
Sunnyvale, CA 94087**

4 beds · 3 baths · 3,285 sqft

● FOR SALE
\$2,288,000

Zestimate®: \$2,292,481

EST. MORTGAGE



Now Consider Patents

- Will the future bring a new insight into the interpretation of the Law?
 - Historical record suggests this will happen
 - LG vs. Quanta, Alice, etc.
- Most market actors are trying to optimize company value and not patent value
- Patent value is a function of the buyer's need, which is often a function of factors outside the buyer's control
 - Example: Nortel's bankruptcy
- Once a buyer has acquired what he needs, other similar patents may immediately have lower value
- Therefore it appears to me that patent value is directly impacted by particular circumstances and precise timing and the impact of trends is marginal

LES Silicon Valley – Patent Market Overview

Kent Richardson
March 22, 2017

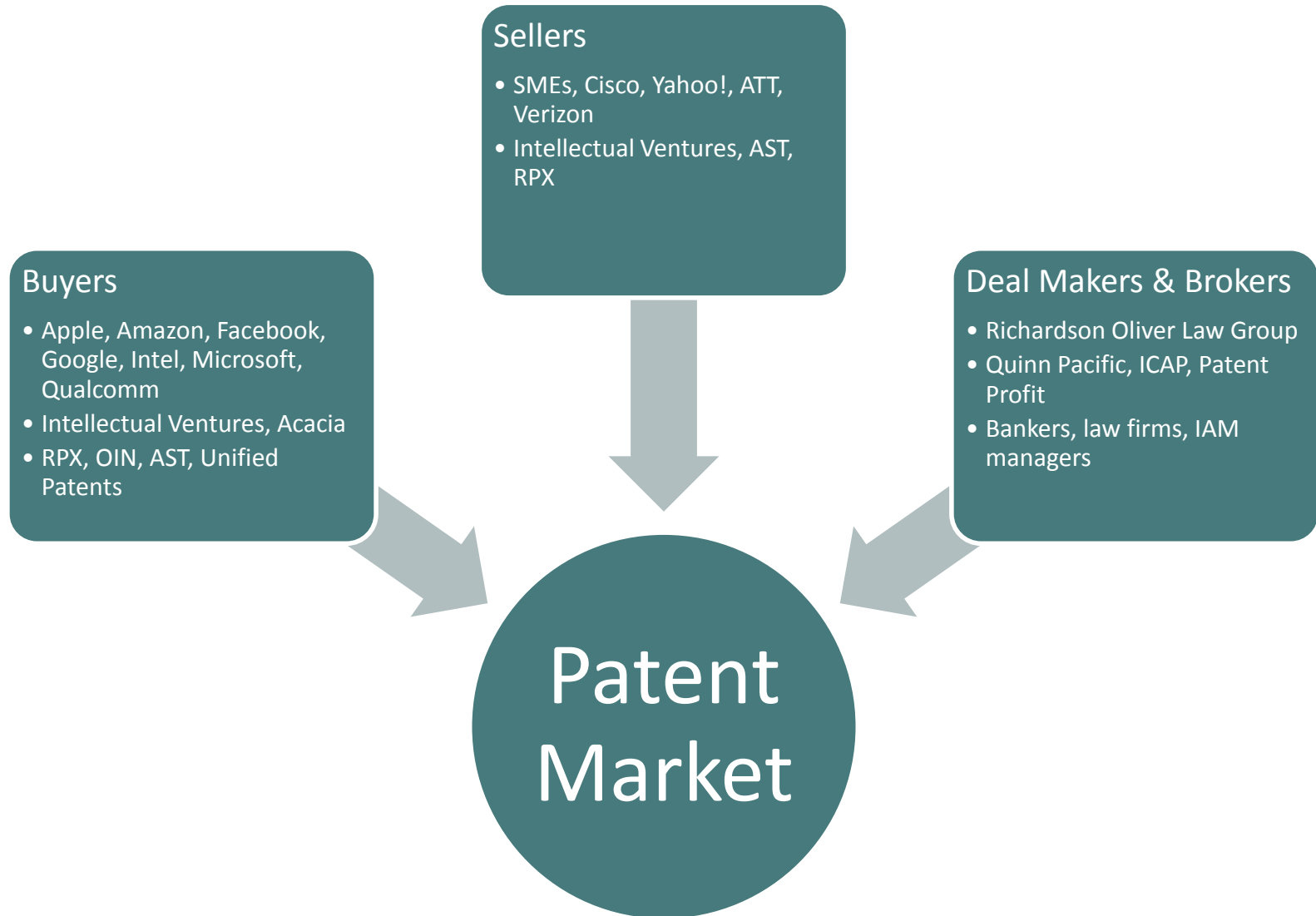


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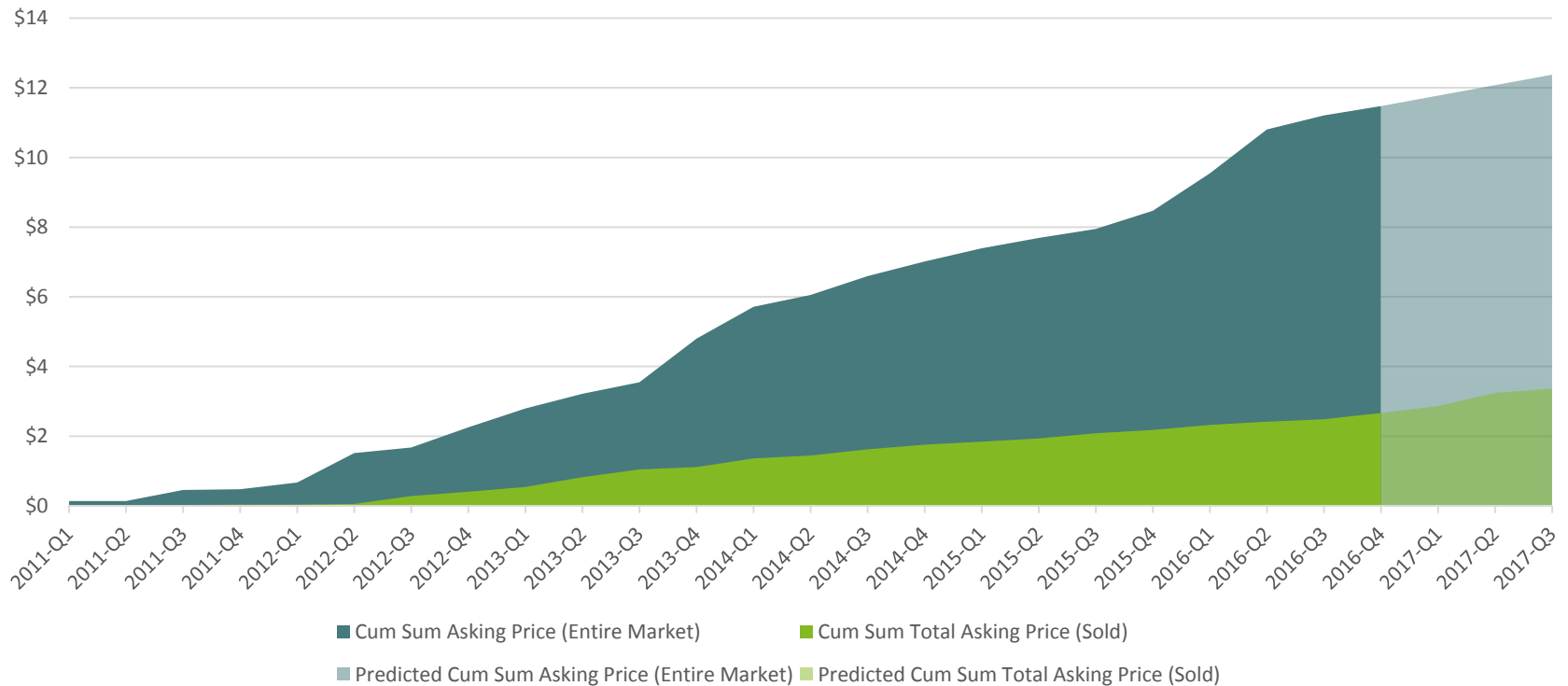
Patent Buying Ecosystem



How Big Is the Patent Market?



Cumulative sum of asking prices (\$B) - brokered and private market



Substantial market

- Since 2011 we have tracked over \$11B in patent packages across more than 90,000 patent assets
- Over 100 technology categories represented across hardware, software, communications; including automotive-specific categories

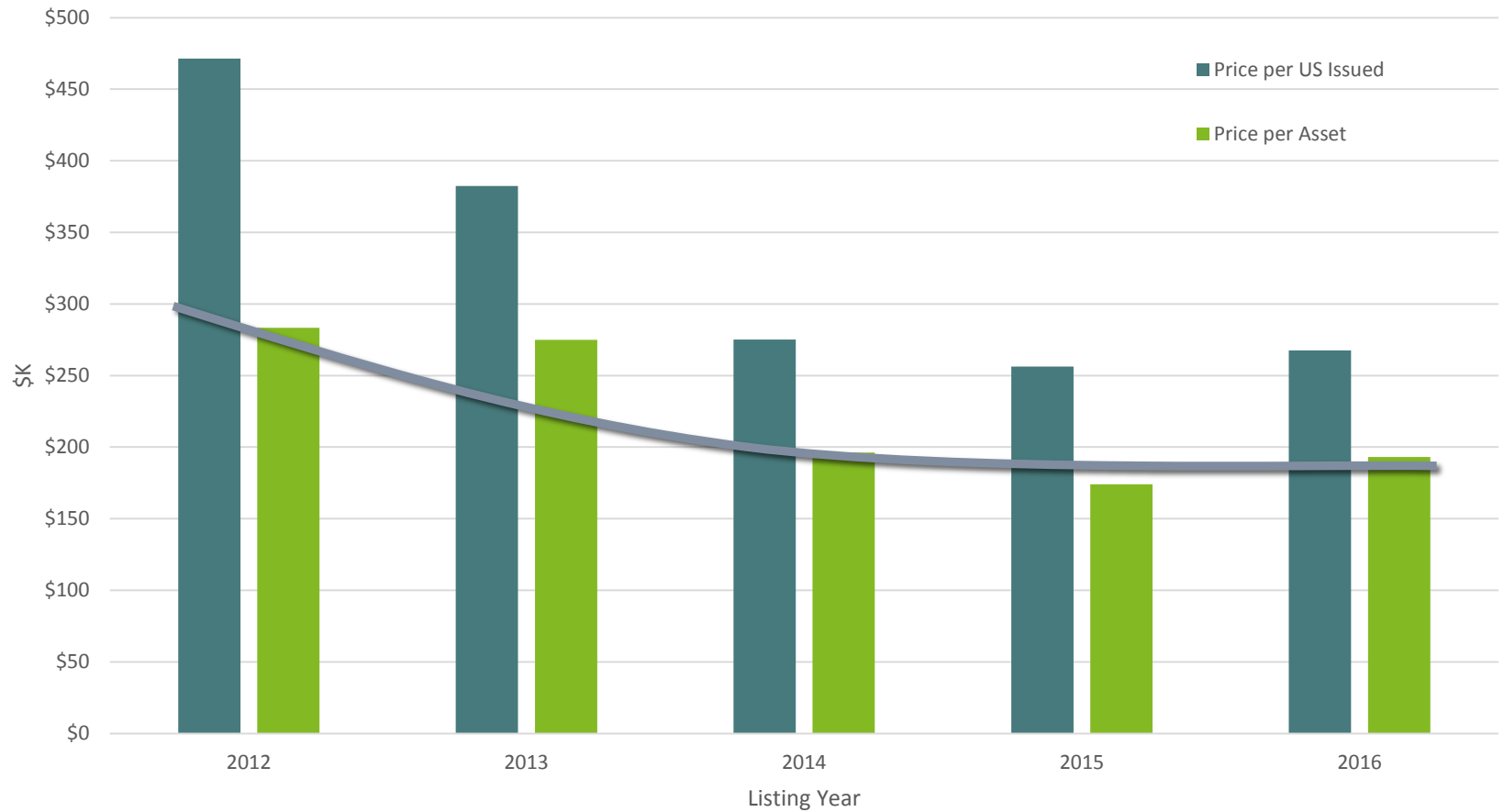
2016 market robust, but...

- 772 packages, over 11,000 assets
- **Takeaway:** Monitoring the market enables cost effective risk mitigation

Asking Prices Are Stabilizing



Average Asking Prices (\$K)





***IP Valuation:
Optimizing the Value of IP Assets in Uncertain Times***

***Efrat Kasznik, Founder & President
Foresight Valuation Group, LLC***

March 22, 2017

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Intangible Assets Are “Invisible”



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Industry report - Financial reporting for intangibles: the case of the invisible assets

26
FEB 14

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[Foresight Valuation Group LLC - IP valuations](#)

Google's recently announced sale of Motorola Mobility's mobile phone business to Lenovo for \$2.9 billion reignited some of the discussion around the valuation of Motorola's IP assets at the time of the original \$12.4 billion acquisition in 2012. Financial markets and IP experts were embroiled in speculation about what exactly Google paid for when buying Motorola, and how central the intellectual property – primarily Motorola's massive patent portfolio – was in driving the acquisition price. Looking at Motorola's balance sheet on the eve of the acquisition offered no clues to untangling the acquisition price: according to US Generally Accepted Accounting Principles (GAAP), internally grown 'intangible assets' (the accounting terminology used when referring to intellectual property) are not reported as assets on the balance sheet of the company that created them.



Efrat Kasznik

Why are Intangible Assets Invisible?

- **Reporting Gap:** Internally-generated IP Assets are NOT valued annually nor reported on the financial statements of companies
 - Companies only report IP Assets they acquired from other companies
 - Therefore it's hard to estimate the portion of the value of IP of the overall value of the company
- **Disclosure Gap:** Most IP transactions are highly confidential
 - Lack of transparency into basic deal terms (price, royalty, assets involved)
- **Comparability Gap:** IP assets are unique and novel
 - Difficult to compare one asset/deal to another
 - Valuations are highly contextual and depend on the circumstances of each specific deal (buyer, seller, use of IP)

Are IP Values Correlated with Company Valuations?

*That's impossible to know because IP Assets are **not fully valued** on the balance sheets of companies:*

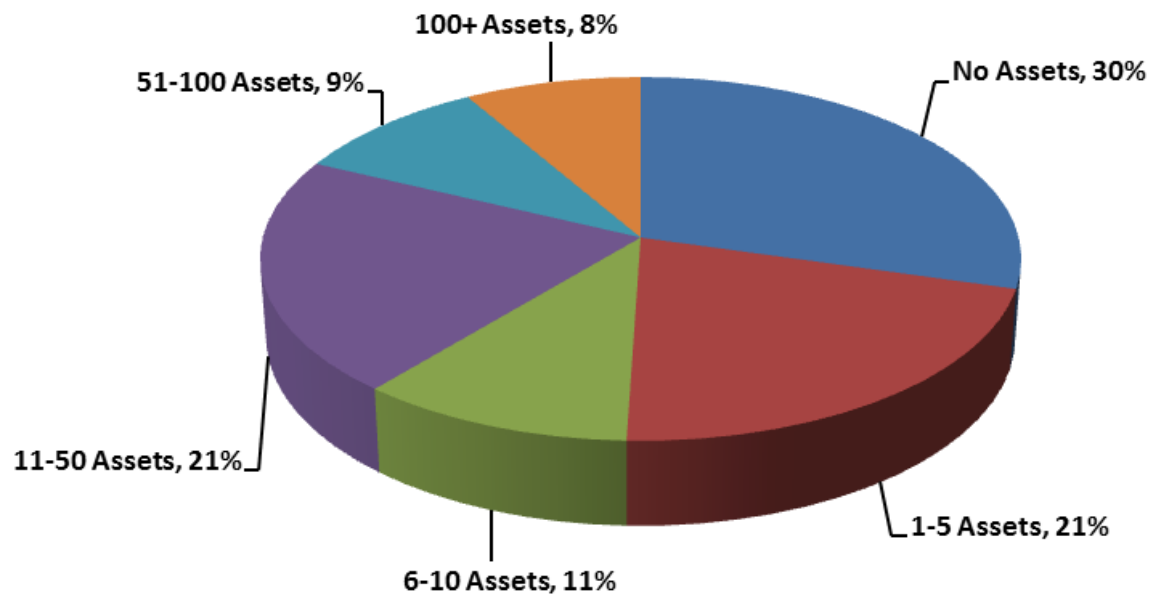


Total market Cap:
\$1.6 Trillion

Total IP on Balance Sheet:
\$10.2 Billion

US Unicorns: Patent Portfolio Breakdown

US Unicorn IP Portfolio Breakdown



Source: Foresight Valuation Group LLC

US Unicorns: The “IP Valuation Gap”

