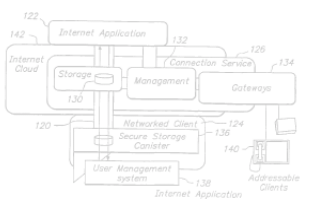
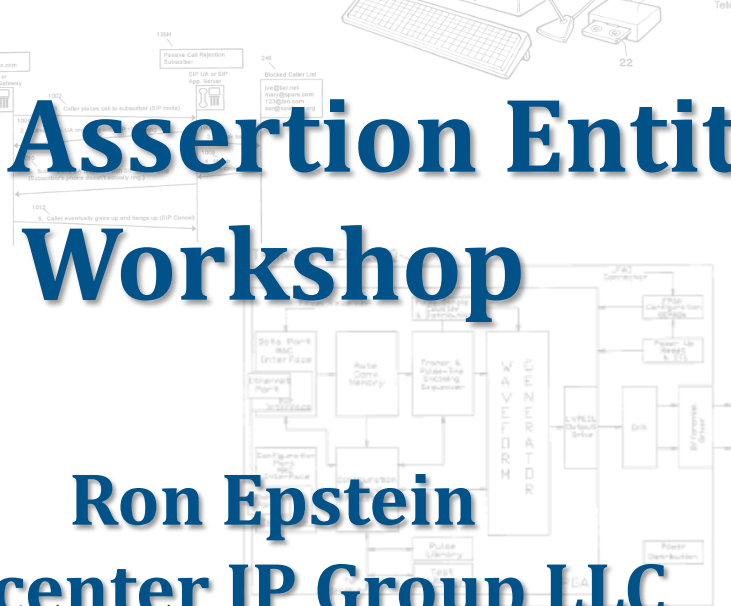
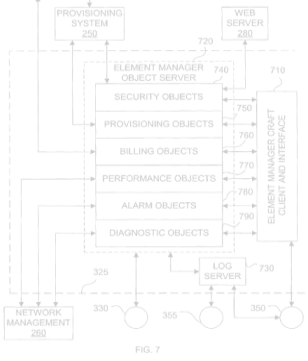


Patent Assertion Entities Workshop

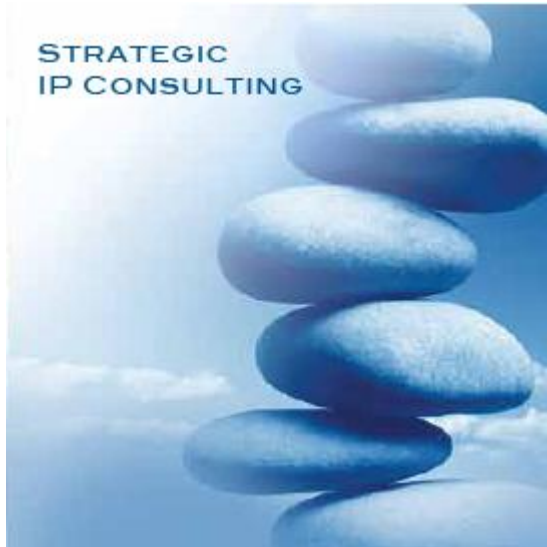
Ron Epstein

Epicenter IP Group LLC

December 2012

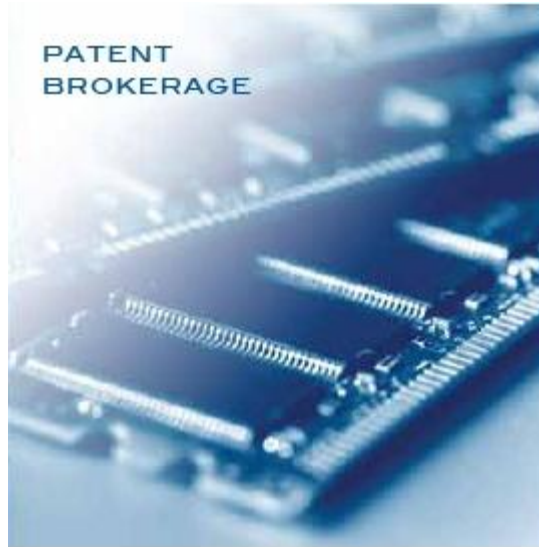


Valuation Creation Experience



> \$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:



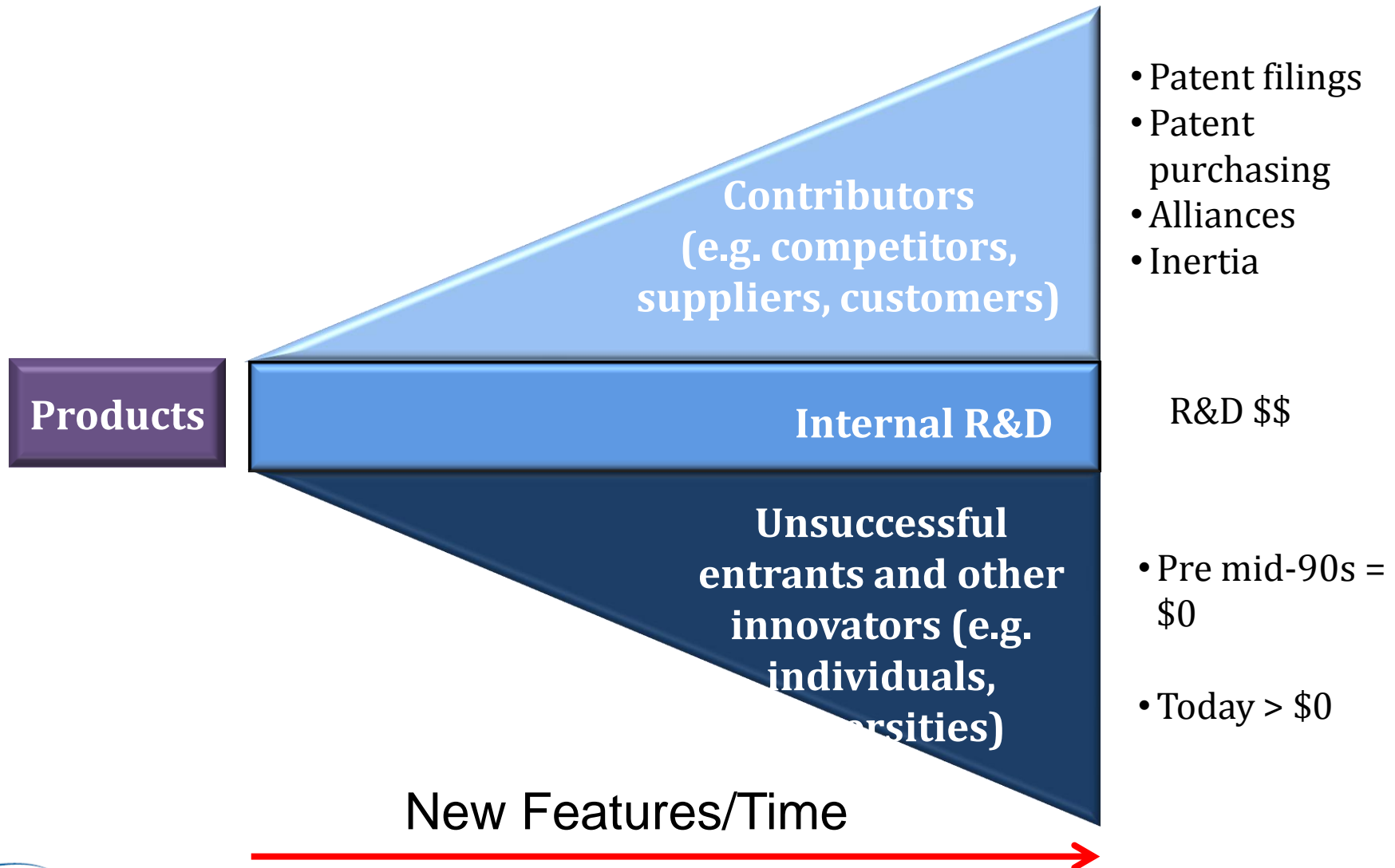
Business Asset

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

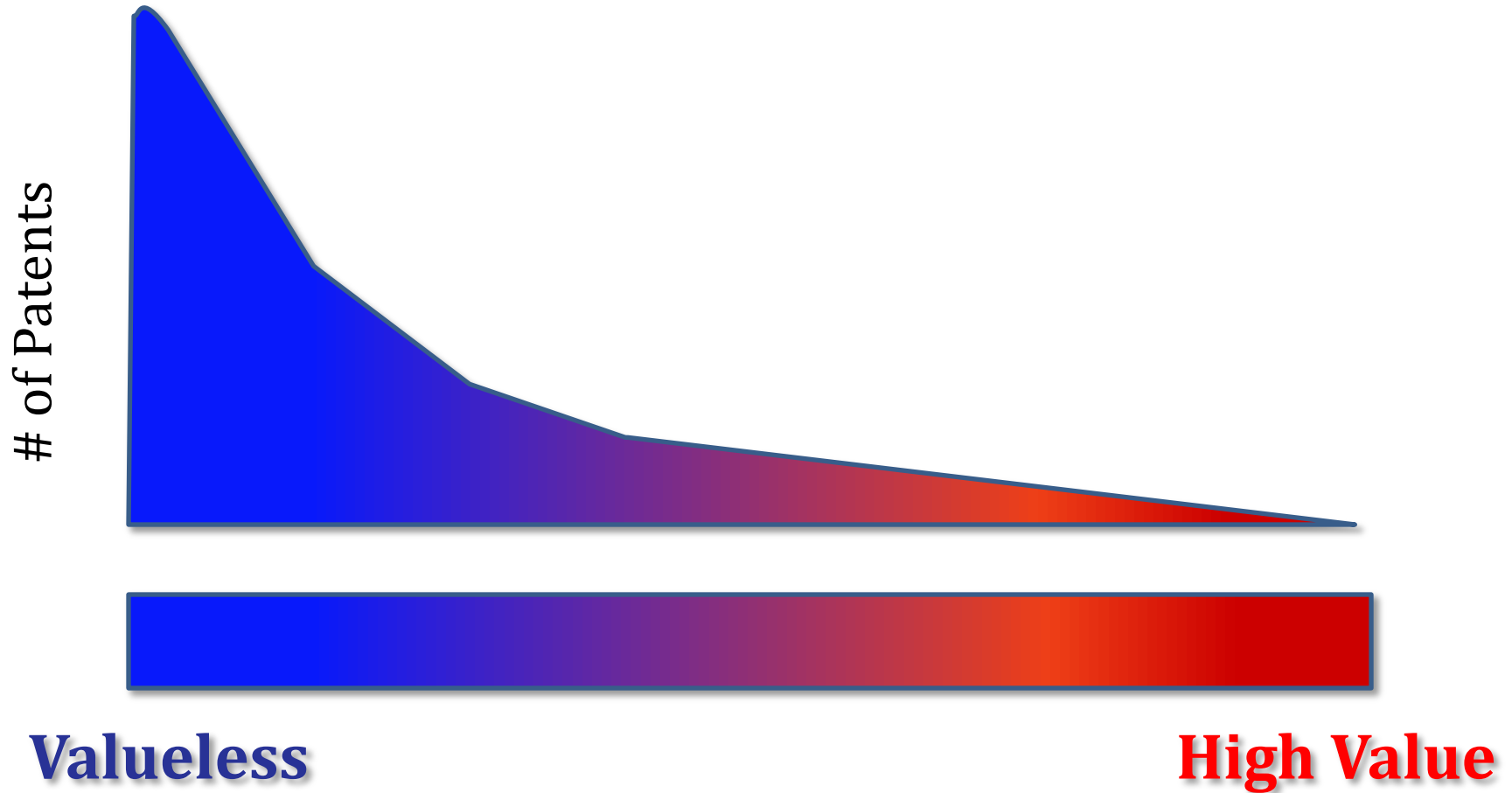
Patents are Big Business and Big News

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

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

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