



Rigorous empirical
research on
intellectual property



The Value of Intangible Assets

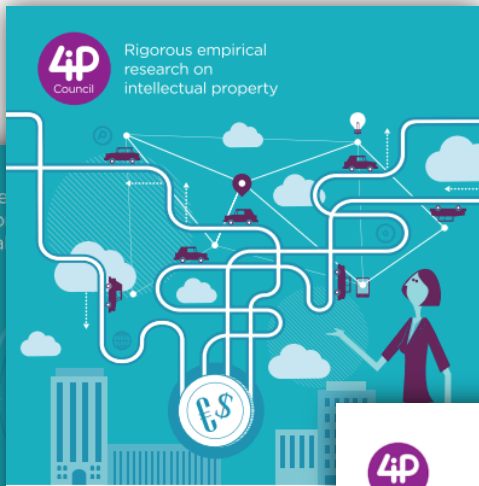
Hosts:

- Axel Ferrazzini, Managing Director, 4iP Council EU &
- Dana Robert Colarulli, LESI Executive Director

Presenters:

- André Gorius, Winnotek / Former IP Valuation Director, Solvay





The Value of Connectivity in the Automotive Sector

Prof. Bowman Heiden
Center for Intellectual Property (CIP), Chalmers University of Technology
The Hoover Institution, Stanford University

FRAND licensing levels under EU law

Dr Jean-Sébastien Borghetti
Professor of Private Law at University Paris II Panthéon-Assas

Dr Igor Nikolic
Senior Fellow at University College London (UCL) Centre for Law, Economics & Society

Dr Nicolas Petit
Professor of Law at the University of Liege and at the College of Europe

Summary

February 2020



Pirates of the 3D Realm: Strategies for IP protection from the widespread adoption of additive manufacturing by consumers

by **Alessandro Burro**
Candidate at Bocconi University
LL.M. in Law of Internet Technology

Case Law post CJEU ruling *Huawei v ZTE*

4iP Council Case law home CJEU Huawei v ZTE German court decisions Italian court decisions English court decisions English/Irish court decisions Romanian court decisions French court decisions Dutch court decisions National Courts Guidance

Authors
& contributors

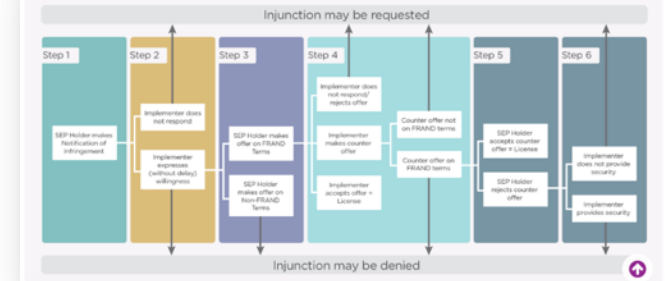
National Courts Guidance

Negotiating Licenses for Essential Patents in Europe


Increased clarity provided on the principles established by the Court of Justice of the European Union in *Huawei v ZTE*.

The Court of Justice of the European Union clarified, in *Huawei v ZTE* (Case No. C-170/13), European law relating to the availability of injunctive relief for infringements of FRAND-based standard essential patents. In doing so, the Court provided a legal framework focused on the good faith

Huawei v ZTE process



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Rigorous empirical research on intellectual property

Types of IP
Benefits of IP
IP for Business Growth
4 Reasons to Patent
4 Reasons 4 Copyright
4 Reasons 4 Trademarks
SME Features
Research

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4 REASONS TO PATENT

- 1 - MARKET ACCESS
- 2 - NEGOTIATING
- 3 - FUNDING
- 4 - STRATEGIC VALUE

Explore how patents add value with our [interactive guide](#).

4 REASONS 4 COPYRIGHT

- 1 - COMPETITIVE EDGE
- 2 - REPUTATION
- 3 - COLLABORATION
- 4 - FUNDING

Explore the benefits of copyright with our [interactive guide](#).

4 REASONS 4 TRADEMARKS

- 1 - DIFFERENTIATION
- 2 - PROTECTION
- 3 - REPUTATION
- 4 - REVENUE

Explore the benefits of trademarks with our [interactive guide](#).

4 REASONS 4 DESIGN RIGHTS

- 1 - EXCLUSIVITY
- 2 - COMMERCIALISATION
- 3 - REPUTATION
- 4 - VALUE

Explore the benefits of design rights with our [interactive guide](#).

Which types of intellectual property do you need?

Filter table columns

	PATENTS	COPYRIGHTS	DESIGN	TRADEMARKS	TRADE SECRETS
What do they protect?	Inventions and processes that are new, non-obvious and capable of being patented.	Original literary, artistic, musical, dramatic, cinematographic, and other intellectual creations.	Original designs of products or parts of products.	Signs that distinguish goods or services from those of other undertakings.	Confidential information that has commercial value.
Examples of what is protected	Medicines, machines, chemical processes, agricultural products, etc.	Books, music, films, software, etc.	Product designs, etc.	Logos, slogans, etc.	Recipes, etc.
How are my rights protected?	By filing an application for a patent with the relevant authority.	By creating original works and registering them with the relevant authority.	By registering the design with the relevant authority.	By registering the trademark with the relevant authority.	By keeping the information confidential.
How long is my protection protected?	Up to 20 years.	For the life of the author, plus 70 years after death.	15 years from the date of registration.	Indefinite.	Indefinite.
Do I have to register it?	Yes, filing an application for a patent is required.	No, but registration can provide additional protection.	Yes, filing an application for a design is required.	Yes, filing an application for a trademark is required.	No, but registration can provide additional protection.

How do I use intellectual property to grow my business?



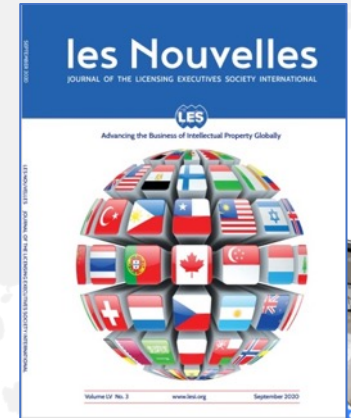
Who is LESI?

The Licensing Executives Society International (LESI) is an umbrella association of 33 national and regional Member Societies in more than 90 countries serving more than 7000 individuals.

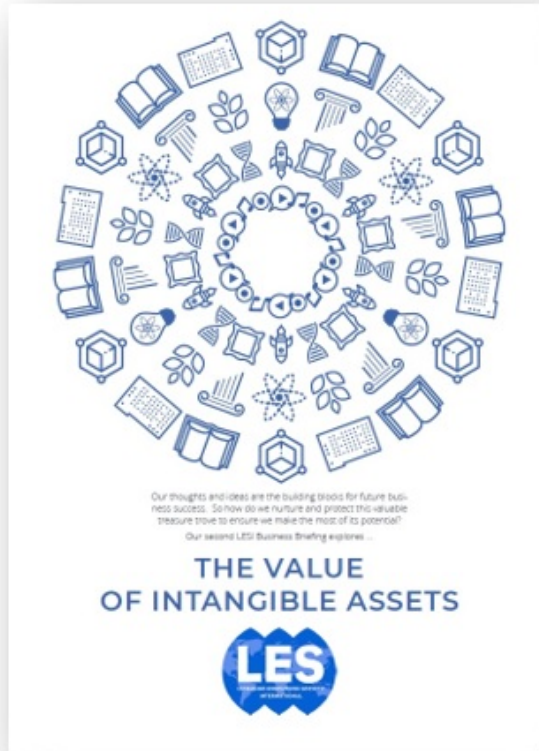
- Provides a global platform that enables businesses, professionals, and industry players to network, learn, encourage IP transactions and understand licensing, amongst licensing professionals around the world.
- Provides leadership on key issues important to licensing professionals in companies, firms and other organizations
- Maintains an international and diverse board where women prominently serve in the leadership
- Offers a variety of meetings, conferences, webinars and certifications to inform and educate professional – both in person and now virtually too!
- **Save the Date:** Annual Meeting May 2021 – a global (virtual) conference



LET'S INNOVATE!



LESI: Advancing the Business of Intellectual Property Globally



- The second in a series of Business Briefings published by LESI in May 2020.
- Written specifically for SMEs, useful for all.
- For those involved in the business of IP for the first time, these briefings provide critical information that may help your enterprise to be successful.
- The three briefings are written by LES members who are experts in their subject and active in licensing in various markets throughout the world.

www.lesi.org/publications/business-briefings

Our Authors:



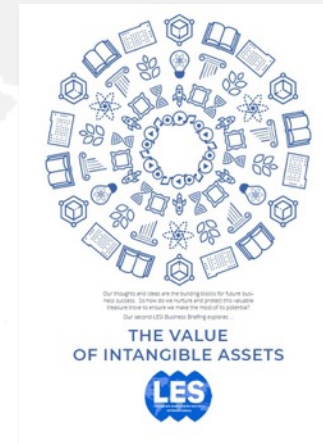
Today's Presenter:

André Gorius,
Winnotek, Former IP
Valuation Director Solvay



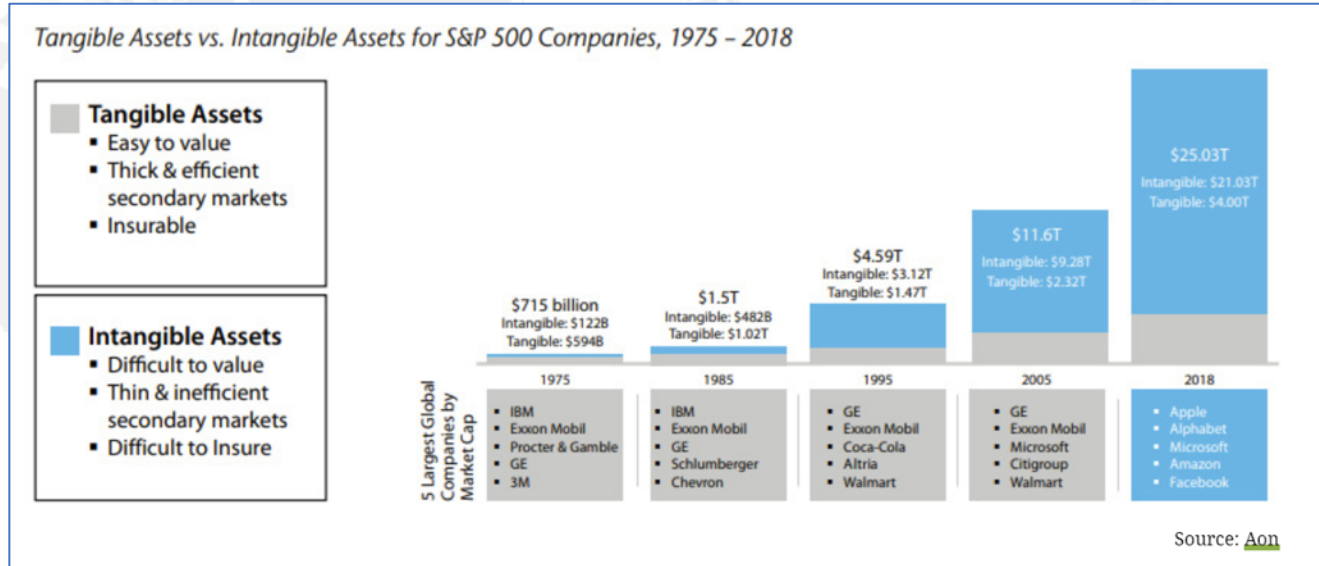
Additional Authors:

- **Véronique Blum**, Founder of Stradivalue, Associate Professor at Université Grenoble Alpes, **France**
- **Martha Laura López**, SIPI Fund, **Mexico**



LESI Business Briefing: The Value of Intangible Assets

We live in a world of Intangible Assets



“SMEs holding registered IP rights are 3 times more likely to have expanded domestically and 4.3 times more likely to have expanded internationally. Those that are aware of IP are 1.9 times more likely to have expanded domestically and 2.4 times more likely to have expanded internationally. The expectations are even more impressive: 3.8 times more likely to intend to expand domestically, and 5.4 times more likely to intend to export.”
(Feb. 2020 Report, Ontario, Canada)

Why do we focus on intangible (IP) assets?



- **Intangible value of enterprises**

- Recognition of intangible assets as part of Company value
- Increasing trend of % intangible value vs. total value
- A recognized need to increase market actors' confidence in Intangible Value
- Intangible assets interact: complementarity of assets

- **Intellectual Property assets**

- Intangible in essence
- In interaction with other assets (tangible and intangible – e.g. human capital)
- Protected by Rights and/or secret
- Forward-looking: what usage do they allow? **How and why are they bearing a value now or are they going to bear a value later ?**

Why value intangibles?

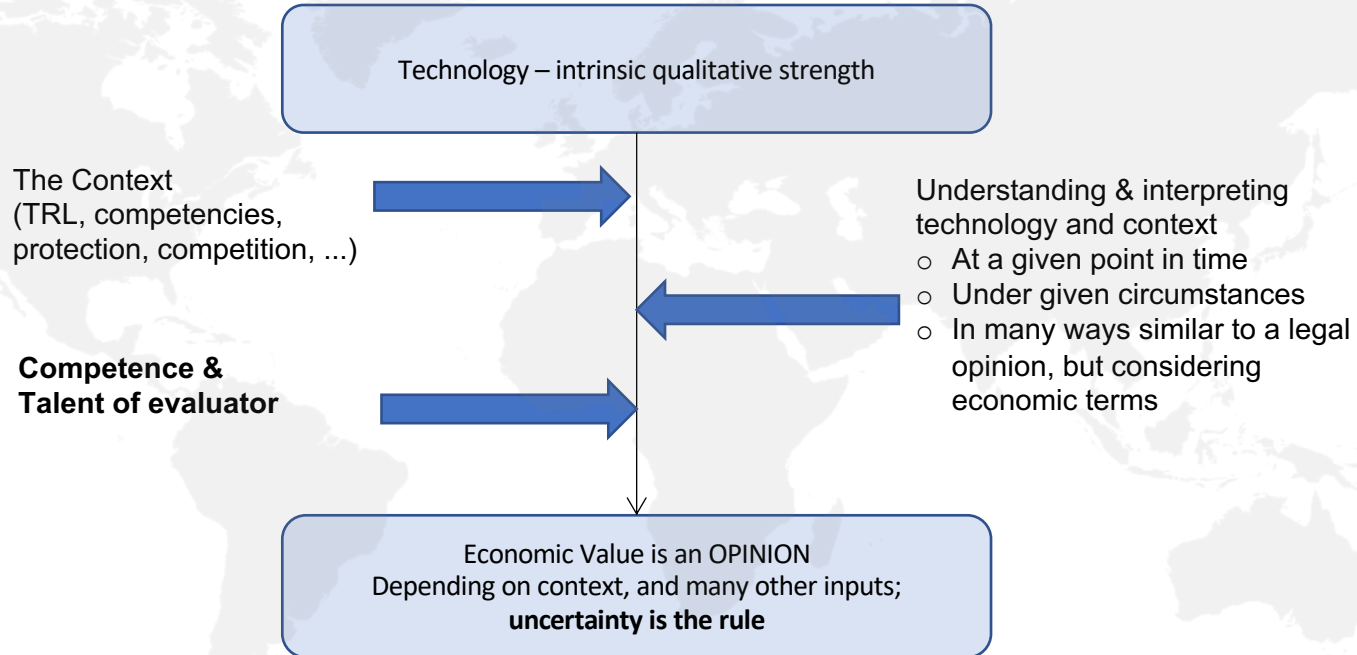
Because (some) economic value is needed for a wide spectrum of usages

- **Enterprise/ Management-Oriented**
 - R&D cost decision/allocation
 - Other strategic decision-making / cost allocations /...
- **Transfer-oriented**
 - Intra-Group Transfer Pricing
 - Licensing /Sale-purchase of technologies, trademarks
 - R&D partnerships, ...
- **Conflict-oriented : evaluation of damages**
- **Finance and accounting-oriented**
 - Mergers & Acquisitions: Purchase Price Allocations
 - Income or market- view (e.g. debt financing)



One has to recognize the strengths and weaknesses of IP valuation:

IT IS AN OPINION



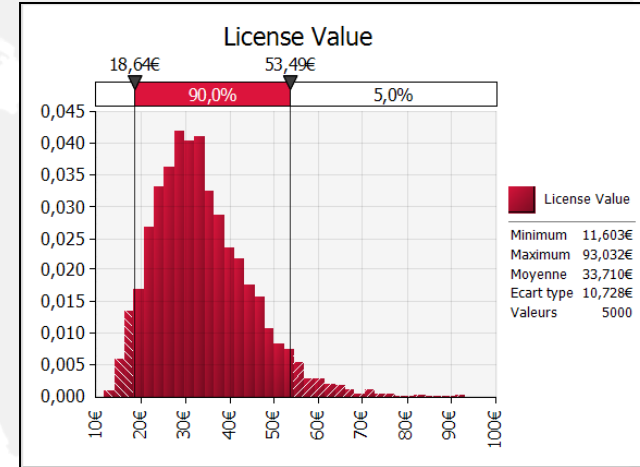
Then, **AND ONLY THEN**, use an appropriate valuation method

	Costs Approach	Market Approach	Revenue Approach	Revenue Approach
Principle	Costs of replacement	Comparison with real transactions	Discounted Cash Flows (Revenues, Profitability, ...)	Real Options
Key Issues	Cost is not value	Comparability Quality of transactions databases	Royalty rate Discount Rate	Decision trees and Discounted Cash Flows
Application domains	If no other data available Rather early stage techno.	Patent Patent portfolios	All types of intangibles	R&D projects Strategic projects
In Practice	Seldomly used as primary methods	Used for patent portfolios essentially	Very often used Discount rate is NEVER a detail	Sometimes used Very useful to foster project team discussions and analyses

Managing uncertainty – simulating a license value

	Base Case	Simulation	Min	Peek	Max
Net sales first year	100	100	80	100	120
yoy Growth rate	3%	4%	1%	3%	10%
Royalty Rate vs. Net Sales	5%	6%	3%	5%	10%
Duration	10	11	5	10	15
Peers WACC	10%	10%	8%	10%	12%
Technology Risk Premium	1%	3%	0,5%	1,0%	5,0%

Simulation of 5000 Scenarii
 (« Monte Carlo »(*))
 License Value lies in a range
 15M€ - 50 M€



(*): using MS Excel plug-ins, create 5000 scenarios choosing randomly parameters in the given variation range

Real Life: how IP Valuation helps build an IP strategy

- **Start-up Company**

- New, competitive technology
- An ambitious and realistic Business Plan
- Sales beginning
- IP:
 - Internal knowledge and know-ho dependent on few (critical) persons
 - Few patents, acquired at the initiation of the Company, a few years protection left
 - No real management of IP assets, **no IP strategy**
 - **No real entry barrier**

- **Value of Technology ?**

- Model “as-is”
- Model with extended patent protection



A Real-Life Example – Impact of IP Strategy

Business Plan	Year	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
Sales	20,0%	\$M 100	\$M 216	\$M 310	\$M 402	\$M 528	\$M 633
yoy			116%	43%	30%	31%	20%

		Royalty Rate		
		4,5%	5,0%	5,5%
Protection Time	3 Years	\$M 27	\$M 30	\$M 33
	10 Years	\$M 137	\$M 152	\$M 167
	15 Years	\$M 258	\$M 287	\$M 316

IP Strategy could multiply the value of the Asset by 5 to 10

LES International IP VALUATION COMMITTEE

- **Our Objectives**

- Foster a common culture and understanding of IP Valuation, especially the economic perspective
- Prepare us to be able to use best judgement when choosing/applying/being provided with valuations
- Detect and promote complimentary and/or new approaches where needed

- **Our general roadmap**

- *Foster communication* between IPV committees in local LES Societies around the world
- *Share and educate*: share and update Toolboxes, Databases and Literature Repositories with LES members
- *IP Valuation Profession*: Project: create and manage a WW recognized IPV Certification

Q & A



Thank you!



www.lesi.org

Twitter: @LESIntl

andre.gorius@winnotek.com

+336 7896 1501



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Speaker details coming soon