

Due Diligence in Competitor Licensing

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UT-Advanced Patent Law Institute

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I. (Patent) Transactions Overview

Transaction Type	Description
Purchase by VC/Private Equity, Invested \$	<i>Financially driven</i> , often M&A but can be direct tech purchase, such as by conglomerate
Joint Venture	Separate entity; IP usually transferred or licensed in
Strategic Licensing	Partnering, <i>e.g.</i> , Supply Agreement; license Field for platform tech
<i>Direct Competitor Licensing</i>	Pay peer “royalty” to use patents (directly, or via infringement damages/settlement)

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I. Licensing Trend

- Patent Acquisitions as Indicator?
 - One 2015 patent tracking vendor study showed a continued 10% annual increase despite uncertainty from AIA and *Alice*
 - Study did not address *value* of transfers
 - Methodology not carefully explained
- Royalty-rate reductions in licenses reported for “high-tech” companies (Bloomberg)

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I. *Buy* the Patents (if Possible)

- Apple, Microsoft, & RIM beat Google to \$4.5 billion sale of 6,000 Nortel patents (2011)
- Google buys Motorola Mobility for ~\$4 Billion
 - Sold off assets to Lenovo; kept most patents
- Kodak forced to sell 1,700 key patents for \$94 M and license 20,000 more (2014)
 - Superconsortium: IV, Apple, FB, Adobe, Microsoft; RPX, Google, Samsung, HTC, etc.

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I. Licensing Still in the Mix

- Nokia sold smartphone business to Microsoft
 - Microsoft paid another \$2.2 B for 10-year license to retained patents (2G, 3G, 4G) (2014)
- Nokia licensed same retained patents to LG (~June 2015)
- Question: How is “competitor-to-competitor” even defined?

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I. Potential Steps to a License

- Product “finalized”; patent clearance/FTO
- Pertinent patent(s) located
- Non-infringement / invalidity analysis
- Design-around considered; not feasible
- Risk exists – tough choice to reach out to competitor and reveal possible strategy
- Product revisions (at any point)?

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