



As the economy closes companies, here's a patent monetisation primer

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- **Prepare a game plan, assemble a team and secure resources to explore options for portfolio monetisation**
- **IP monetisation key players are deal facilitators, bankers, brokers, litigators, funders and licensors**
- **Manage the C-suite's expectations regarding timeline, portfolio value, and deals that are possible**

What do you do to monetise an IP portfolio when you don't know where to start? That's a question that patent portfolio managers might face when their executives want to know what the patent monetisation options are when a business winds down.

It's a question that you may want to ask yourself even before your executive ask. Why? If you wait until they ask, you may not have enough time to get an answer. To get in front of the problem, we asked that question at TuSimple. This article is the story of how anyone can get a start on the answer to this question.

In November, the authors wrote about [TuSimple's patent strategy](#), which was focused on creating options for the company so that the portfolio had value for a number of potential corporate strategic directions. Since then, TuSimple announced that it would [wind down its US operations](#).

TuSimple was founded in 2015, had its initial public offering in 2021, and raised \$1 billion at a valuation of \$8.5 billion. In 2022, the company went through internal strife. Then 2023 saw multiple rounds of layoffs. In December 2023, TuSimple announced that it was shutting down operations in the US. Unfortunately, TuSimple is not alone in facing challenges; with tech layoffs and wind-downs, more companies are facing the problem of what to do with their patent portfolios. So, what would you do as the portfolio manager? Before being asked, it seems prudent to have some idea of what your portfolio might be worth if it were monetised. But where do you start?

Prepare the game plan

Your company's resource commitment to pursue a possible patent monetisation deal can be substantial. Although not headcount heavy, a typical team working on a deal to monetise patents draws heavily from the executive ranks and executive attention. For example, a corporate team working on a monetisation strategy might include a corporate development person, part of the patent team, engineering resources, outside resources, and executive oversight. So, to ensure that your scarce resources are not overcommitted, the first step is to define a game plan so you must have some sense of what your goals might be and commitment from the executive team for the needed resources.

For example, form a plan if executives would like to:

- Understand the key monetisation options and present those results to the executive team;
- Get a ballpark sense of timing, pricing, and chance of closing (notably, not all deals will close so you should consider your chance of actually closing);
- Talk to a few significant companies;
- Be all done in two months; and
- At the end of this initial outreach, our executives should have enough information to decide whether to commit additional resources to pursue the activity further.

Define the pitch

Before contacting monetisation companies, it helps to have a pitch deck. You'll want to include:

- Overviews of:
 - The company including: the founding, what was the problem being solved and the target market, funding, and current state;
 - The market you operate in including projections from third parties;
 - The history of innovation;
 - The patent portfolio.
- The role of these patents in the target business area, like the autonomous trucking industry.
- Identified patents that are the Very Important Patents (VIPs) or candidates for VIPs.
- Comparative analysis with competitors' patent portfolios.
- An explanation of who the people are in the meeting.
- Goals for the meeting, for example valuation, timing, and further investments.

Importantly, this pitch deck is targeted for an introductory meeting. The goal is to introduce both the patent holder and the monetisation company. A short PowerPoint deck makes the most sense. The 10-20-30 rule works well. No more than 10 slides, a 20-minute presentation time limit, no font less than 30 points (see Guy Kawasaki's [blog](#) for more information. Note, the 30-point font minimum is a helpful guide but with the kinds of technical data being shown, the rule doesn't always work well). The deck can be a confidential or a non-confidential deck, depending on your goals.

Key players in monetisation

A critical first step is understanding different companies' various roles in patent monetisation. Once you understand the roles, who do you call? Below we break down the kinds of roles you might find people playing in the monetisation space. Importantly, we provide examples, but you should not assume that those companies only operate in one role; many companies operate in multiple roles.

We provide examples of companies that operate in each category so that you can not only understand them but also to help you find other companies in the same industry. Searching for any of these companies and their competitors gives you a good starting point for potential contacts.

The ecosystem comprises deal facilitators, advisors, bankers, brokers, litigation firms, funders, and licensing companies, each playing a crucial role in monetisation. Importantly, effective engagement with these entities benefits from introductions by trusted advisors, so let's start with that group. Although not required, deal facilitators help guide you through the process.

Deal facilitators

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Deal facilitators help clarify your goals, set internal expectations, and prepare your initial pitch. They facilitate introductions to others in the industry and guide negotiations. Deal facilitators also will help you manage your pipeline of opportunities.

Where do you find these professionals? Ask people in the industry (specific events target these types of people) and your law firm. Deal facilitators come from a variety of roles and backgrounds. Typically, they have been involved in patent licensing, enforcement, and fundraising. Often, they have a technical background and business experience. Sometimes they have a legal background, but that may not be necessary. It's also nice to find someone who has worked in-house because they understand some of the needs in communicating with your executive team.

One way to help qualify a candidate is to look at a person's LinkedIn profile to see who they are connected with (do they have connections with the monetisation companies you are interested in?). We all operate in a relatively small world so a good facilitator should have direct connections with these people.

Another place to find help is in your own business development team because they have experience running processes like this one.

Patent litigation firms

Patent litigation firms typically have good connections with funders and others in the monetisation industry. For a good opportunity, the best firms are willing to do a lot of work upfront to help you get ready for the introductory meetings. Also, the monetisers often require the litigation firm to be onboard before any funding can occur so you may as well start talking to these firms first.

The litigation firms work to present a clear and compelling opportunity to a monetiser. They help to shape the invention story, evaluate the patents, make improvements, and evaluate damages models and litigation strategies. Experienced litigation firms will tell you what is normal in a negotiation and what is not. It is critical to know what "normal" is to speed negotiations and manage your executives' expectations.

Top-tier litigation firms should have experience representing patent holders and have a good win track record. Examples include:

- Caldwell Cassady & Curry;
- Irell & Manella;
- Mintz, Levin, Cohn, Ferris, Glovsky and Popeo; and
- Robins Kaplan.

Monetisers

The monetisers are almost all interested in the royalties from licensing the patents to current infringers. We have broken the companies into different categories. But many companies operate in more than one space so do not assume that a buyer might not also be a funder or that a licensing company won't be interested in buying your patents.

Litigation funding

Litigation funders provide non-recourse litigation funding, meaning they supply litigation funding without the ability to be repaid if the litigation goes the wrong way. They may also supply operating capital to the patent holder. The patents may be transferred to a holding company or stay with the original patent holder. The funding deals can be quite complex so having advisors help you understand the implications of various options is important.

Examples of litigation funders include [Burford Capital](#) and [GLS Capital](#).

Buyers

Monetisation-focused buyers (as opposed to corporate strategic buyers) purchase your patents and then license them to others. They specifically are looking at return on investment. In fact, speaking with them feels much more like you are speaking with any Wall Street investor, and you will want

to have your Excel skills at the ready. They want to hear the story of the invention. They want to understand the market for the products that infringe the patents. They want to understand the damages model.

Sales price is often a mix of upfront fees with a piece of the future royalties (the backend). Like all situations with any of the monetisers, it gets complicated when there is a backend. For those with M&A experience, negotiating the backend feels very similar to negotiating an earnout - you are making many assumptions about the business's future success and then trying to split that well before you know any outcomes.

Examples of buyers include [Fortress Investment Group](#), [IPValue Management](#), and [WiLAN](#).

Licensing companies

Licensing companies are typically a group of licensing executives with often decades of experience in licensing patents and they act like your agents to license your portfolio. They have relationships with most of the biggest potential licensees in the world. Like monetisers, they have a strong sense of what a reasonable and obtainable royalty might be from a group of potential licensees. You would typically engage these companies by spinning out the assets into a separate company or by engaging them directly to license your patents.

If you do not have any experience licensing patents for royalties, you will likely need to engage a licensing company or find experts to hire to help you license your patents. Licensing executives tend to have a combination of sales, marketing, business development, licensing, and technical expertise. It's not an easy combination to find.

When you consider that patent licensing pools fall into this category, there are quite a few long-term successful organisations that operate in different ways. Examples of licensing companies include [Marconi](#), [Sisvel](#), and [Via Licensing Alliance](#).

IP-backed lenders

IP backed lenders provide financial backing based on your current business and on the fundamental value of your IP (trade secrets, trademarks, and patents). For companies that continue to operate or are looking for a bridge to success, IP-backed lenders are there. They are different in that they are loaning your company money first on the premise that your business will be a success with an injection of capital, and secondly that your intellectual property position will help defer any losses should your company fail to pay them back. Venture debt looks somewhat like this, except with the IP angle.

An example of an IP-backed lender is [Randolf Square](#).

Manage expectations

After you prepare your pitch deck and start reaching out to different monetisers, if you have done your homework well and your portfolio addresses the right market, you will have an abundance of opportunities that you will need to manage.

A few tips to help you be successful:

1. Be clear about your immediate goals of information gathering and understanding the market.
2. Be clear about your timelines, for example, "We are spending the next six weeks talking to people. Then it will take us a month or more to make some decisions on what we want to do".
3. Do not commit to any one company too early and be clear about that. You need to speak with a few companies in each category and that just takes time.
4. Let companies know that you have a decision-making process and an executive team that needs to be brought along. This helps set expectations and aligns with the reality of your job.

One question you will be asked, over and over, is "what's the value?". At this early stage, think in terms of orders of magnitude. Is this going to be a \$1 million, \$10 million, or \$100 million opportunity? Trying to dial in an exact number this early in the process will just lead to disappointment.

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Results

At the end of a few months, by connecting with various monetisers, you will:

- Understand the key monetisation options and present those results to the executive team.
- Get a ballpark sense of timing, pricing, and chance of closing (notably, not all deals will close so you should consider your chance of actually closing).
- Talk to a few significant companies.
- At the end of this initial outreach, the executives should have enough information to decide whether to commit additional resources to pursue the activity further.

Basically, you will have a pretty good idea of what kind of deals might be possible, what people are looking for, and what kind of timeline and resources might be needed to move forward with a potential deal. You are still far from closing any final deal, but you will have explored what your options are. You will know what the potential value of the portfolio is, what the timelines would look like, and how much your company might make.

Top patent monetisation-focused companies tend to be very business-oriented and often helpful in thinking about what your options are. For those who have never dealt with these types of businesses except at the defensive end of a negotiation, you may be pleasantly surprised by their business acumen.



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