



Knowledge-Based Capital and the Patent Marketplace

Professor Colleen Chien

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What's the Value of a Patent Asset?

PRINCETON UNIVERSITY

Research Technology Licensing

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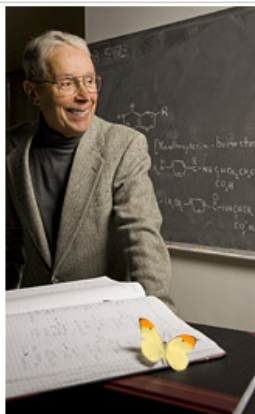
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Alimta: Fundamental science, fundamental benefits

Posted Nov 18, 2011 By Catherine Zandonella [Share](#)



The story of Alimta[®] highlights how university research can yield benefits to human health and society while enhancing revenue for a major pharmaceutical company.

Alimta[®] is a drug approved for the treatment of certain types of cancer. The drug is based on ground-breaking research by Princeton University's Edward C. Taylor, the A. Barton Hepburn Professor of Organic Chemistry Emeritus, in collaboration with Eli Lilly & Co.

Eli Lilly & Co. reported worldwide sales of Alimta[®] of **\$1.82 billion the first nine months of 2011**, according to Lilly's third-quarter [SEC filing](#).

Yet this cancer drug, which has touched the lives of so many cancer sufferers, would never have been developed if not for the creative brilliance of Princeton's Taylor, who first began to study its biochemical mechanism while a student in 1946.

Vehicle of Technology Transfer (TTO)

What's the Value of a Patent Asset?



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List of WIPO Standards, Recommendations and Guidelines

(Part 3 of the *Handbook on Industrial Property Information and Documentation*)

All documents listed below are in PDF format. Most of the PDF files are tagged for accessibility.

- Group (a): [Standards of a general Nature, common to Information and Documentation](#)
- Group (b): [Standards relating to Patent Information and Documentation](#)
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Standards of a general nature, common to information and documentation

- Standard ST.2: Manner for designating calendar dates (May 1997) [\[PDF\]](#)
- Standard ST.3: Two-letter codes for the representation of states, other entities and organizations (November 2011) [\[PDF\]](#)
- Standard ST.13: Numbering of applications for IPRs (February 2008) [\[PDF\]](#)
- Standard ST.96: Recommendation for the processing of Industrial Property information using XML (May 2012) [\[PDF\]](#) New
- ST.96 [Annexes I, II, III and IV](#)

Standards relating to Patent Information and Documentation

Facilitator of Technology Sharing (Standard)

What's the Value of a Patent Asset?



Protection, Deterrence

What's the Value of a Patent Asset?



The screenshot shows the ZDNet website interface. At the top is the ZDNet logo. Below it is a navigation bar with links: Home, White Papers, Hot Topics, Downloads, Reviews, and Newsletters. A secondary red navigation bar contains links for US Edition, Amazon.com, Windows, Big Data, Social Enterprise, Cloud, and Network. A yellow banner below the navigation bar reads "MUST READ: Microsoft's domino effect: Poor PC sales could unro". The main article title is "Wowza! Google acquires Motorola Mobility in defensive move". Below the title is a summary: "Summary: Google announced that it will acquire Motorola Mobility for about \$12.5 billion in a move to 'protect Android from anti-competitive threats from Microsoft, Apple and other companies.'" The article is attributed to "By Jason D. O'Grady for The Apple Core | August 15, 2011 -- 08:00 GMT (01:00 PDT)". There is a small profile picture of Jason D. O'Grady and a "Follow @jasonogrady" button.

Topic: [Security](#) Follow via: [RSS](#) [Email](#)

Wowza! Google acquires Motorola Mobility in defensive move

Summary: Google announced that it will acquire Motorola Mobility for about \$12.5 billion in a move to "protect Android from anti-competitive threats from Microsoft, Apple and other companies."

By Jason D. O'Grady for The Apple Core | August 15, 2011 -- 08:00 GMT (01:00 PDT)

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Protection, Deterrence

What's the Value of a Patent Asset?



Lodsys v. Rovio

Exclusionary Value (PAE)

What's the Value of a Patent Asset?

THE iECONOMY | *Part 3: Protecting Profits*

How Apple Sidesteps Billions in Taxes



David Calvert for The New York Times

Braeburn Capital, an Apple subsidiary in Reno, Nev., manages and invests the company's cash. Nevada has a corporate tax rate of zero, as opposed to the 8.84 percent levied in California, where Apple has its headquarters.

By CHARLES DUHIGG and DAVID KOCIENIEWSKI

Published: April 28, 2012 | 1370 Comments

RENO, Nev. — [Apple](#), the world's most profitable technology company, doesn't design iPhones here. It doesn't run AppleCare

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Vehicle of Transfer Pricing

What's the Value of a Patent Asset?

2011 Microsoft Intellectual Property Payments

(Puerto Rico)

Permanent Subcommittee on Investigations
EXHIBIT #1d

Microsoft Intellectual Property Pool
(Over 85% Global R&D Done in U.S.)

\$1.9 billion

Microsoft
Puerto Rico

Payment to U.S.
For Intellectual
Property

\$6.3 billion

Microsoft
Americas
Sales

Revenues from
Sales in the U.S.
(Stays in Puerto
Rico and not Taxed
in U.S.)

Prepared by the U.S. Permanent Subcommittee on Investigations, September 2012

Vehicle of Transfer Pricing

What's the Value of a Patent Asset?

It depends on the context

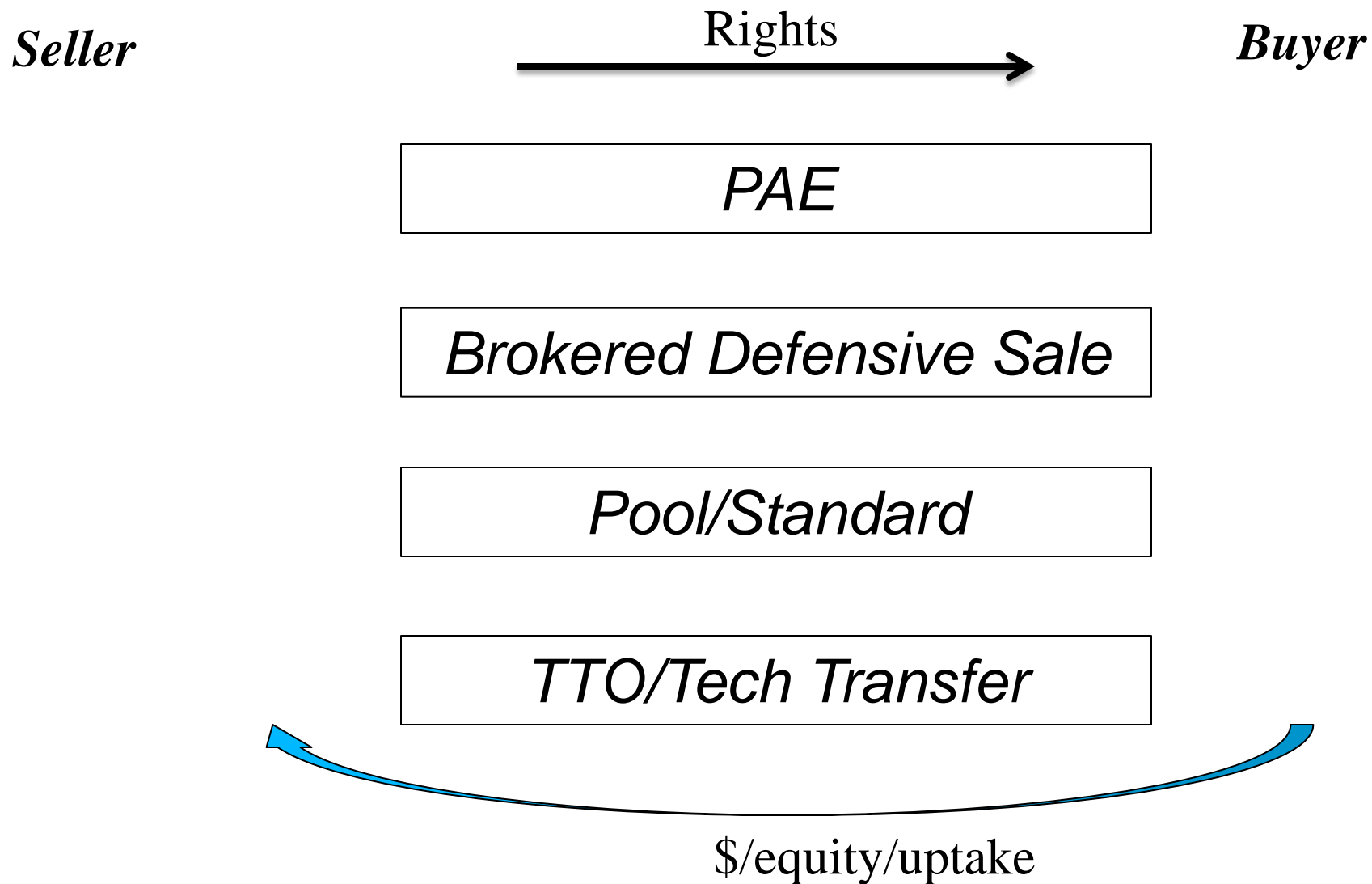
Key Questions

What are the contexts?

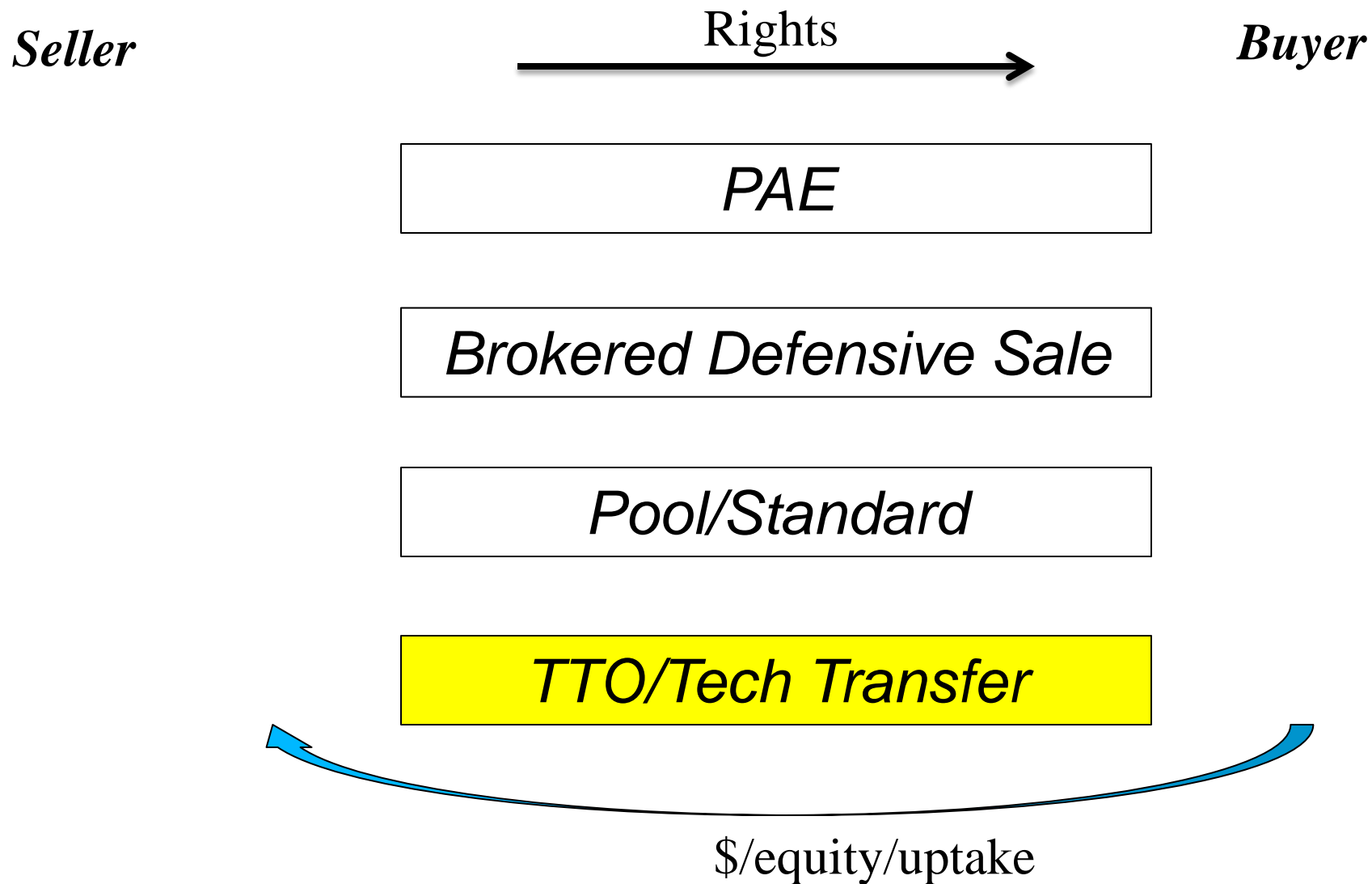
***What are the private and social values
of transfers?***

***What are the implications for policy design?
For governments and the private sector?***


What are the contexts of patent transfers?



What are the contexts of patent transfers?



What are the private and social value of transfers?

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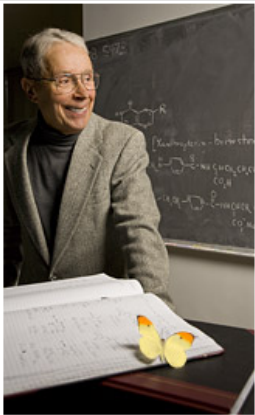
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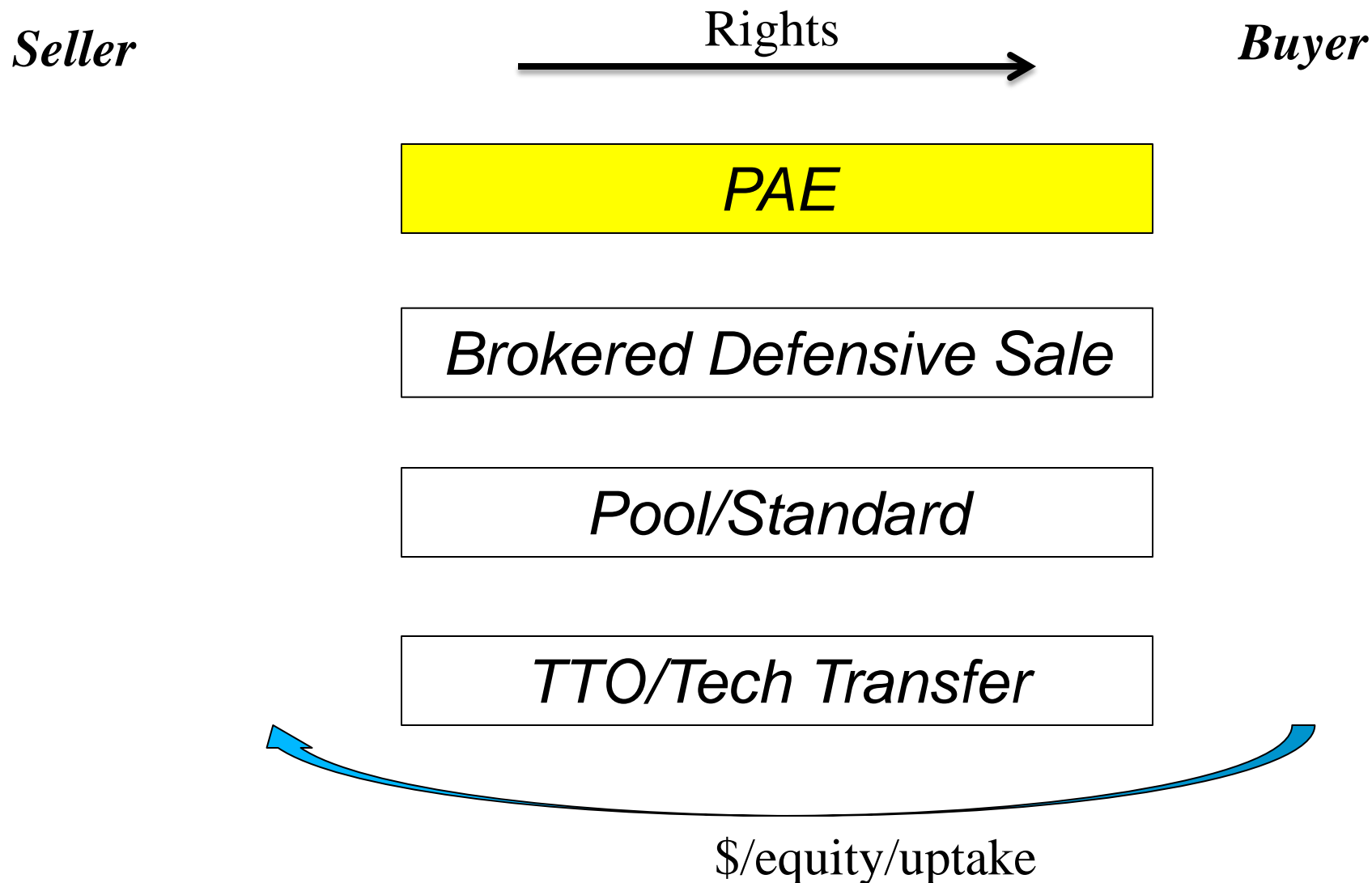
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What are the contexts of patent transfers?



Many infringed patents, many possible enforcers



~250K patents cover a
smartphone

Many infringed patents, many enforcers, many lawsuits?



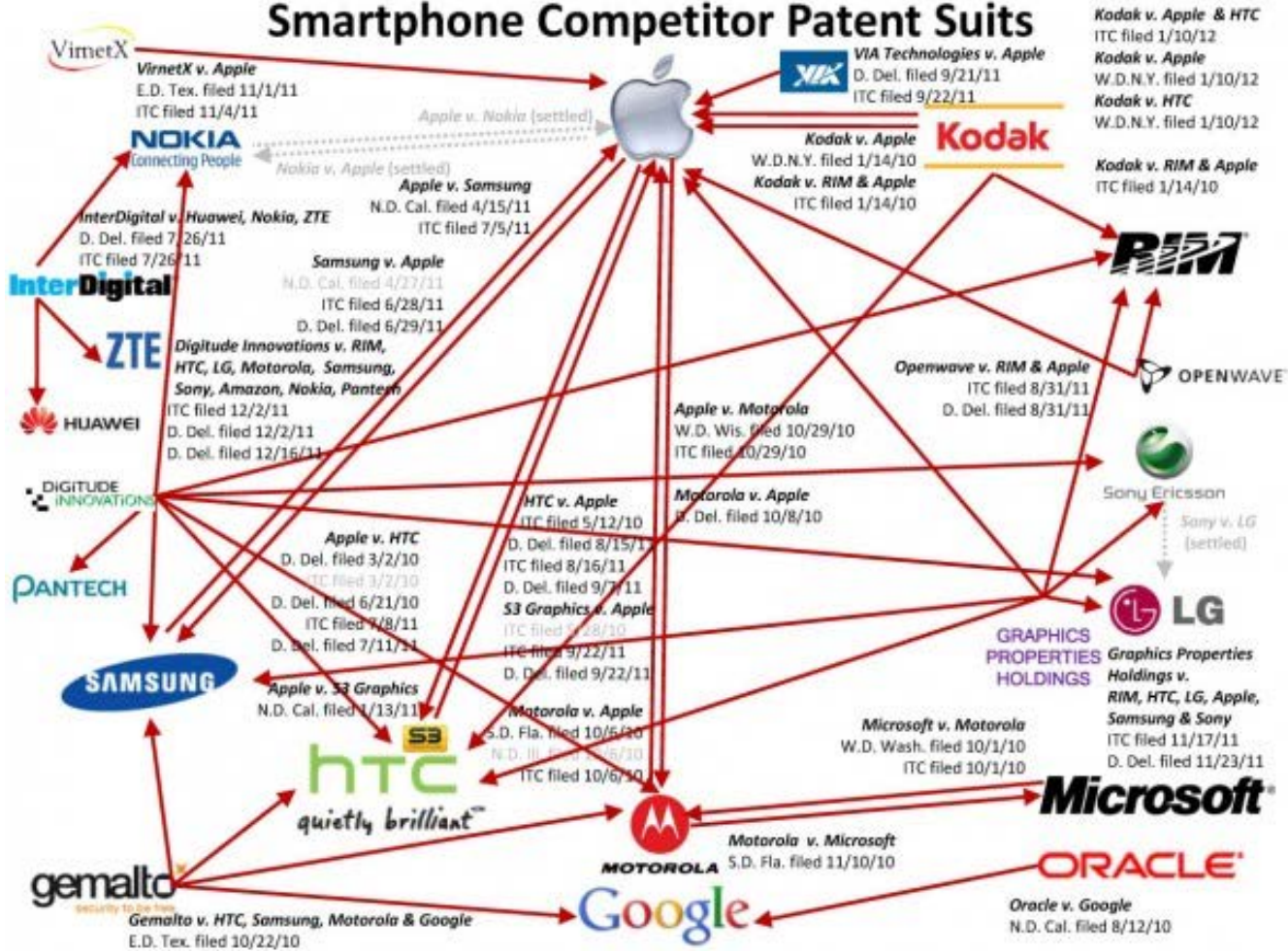
Traditionally Not...

Obstacles to Assertion

1. Counterassertion
2. Disruption
3. Cost
4. Reputation

e.g. Apple v. Motorola spawns...

Smartphone Competitor Patent Suits



Patent Assertion Entity (Troll) = efficient provider of patent enforcement

An entity focused on assertion of patents rather than technology

- Does not make products
- Does not sell technology
- Not a startup

Vernetix (VHC) is “a tiny company with a handful of patents and little or no ongoing R&D is worth billions of dollars.” –

Seekingalpha.com



REUTERS

EDITION: U.S.



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PRESS RELEASE:

Speculation In The Patent Litigation Segment: Seeking Out The Next Big Stock Movers

* Reuters is not responsible for the content in this press release.

Wed Oct 31, 2012 7:01am EDT

Scott Matusow
Contributor

There has been a lot of buzz about Google's ad play
(GOOG). Google's ad play
Filtering Technology with

*“VirnetX stock
is up 700% in
three years”*

Google
ancy

Many infringed patents, many infringers



What Apple has to worry about when it sues...

1. Counterassertion
2. Disruption
3. Cost
4. Reputation

Apple v. Google

What Trolls have to worry about when they sue...

- ~~1. Counterassertion~~
- ~~2. Disruption~~
3. Cost
- ~~4. Reputation~~

Infinity Search LLC v. Google

Many infringed patents, many infringers

Troll Tactics that Drive down the cost of assertion

- Sue many Ds
- Same patent
- Contingent fee lawyers
- Friendly venues

Economies of Scale

What Trolls have to worry about when they sue...

- ~~1. Counterassertion~~
- ~~2. Disruption~~
- ~~3. Cost~~
- ~~4. Reputation~~

Infinity Search LLC v.
Google



Don't Call them Trolls

*Troll Tactics that Drive down
the cost of assertion*

- Sue many Ds
- Same patent
- Contingent fee lawyers
- Friendly venues

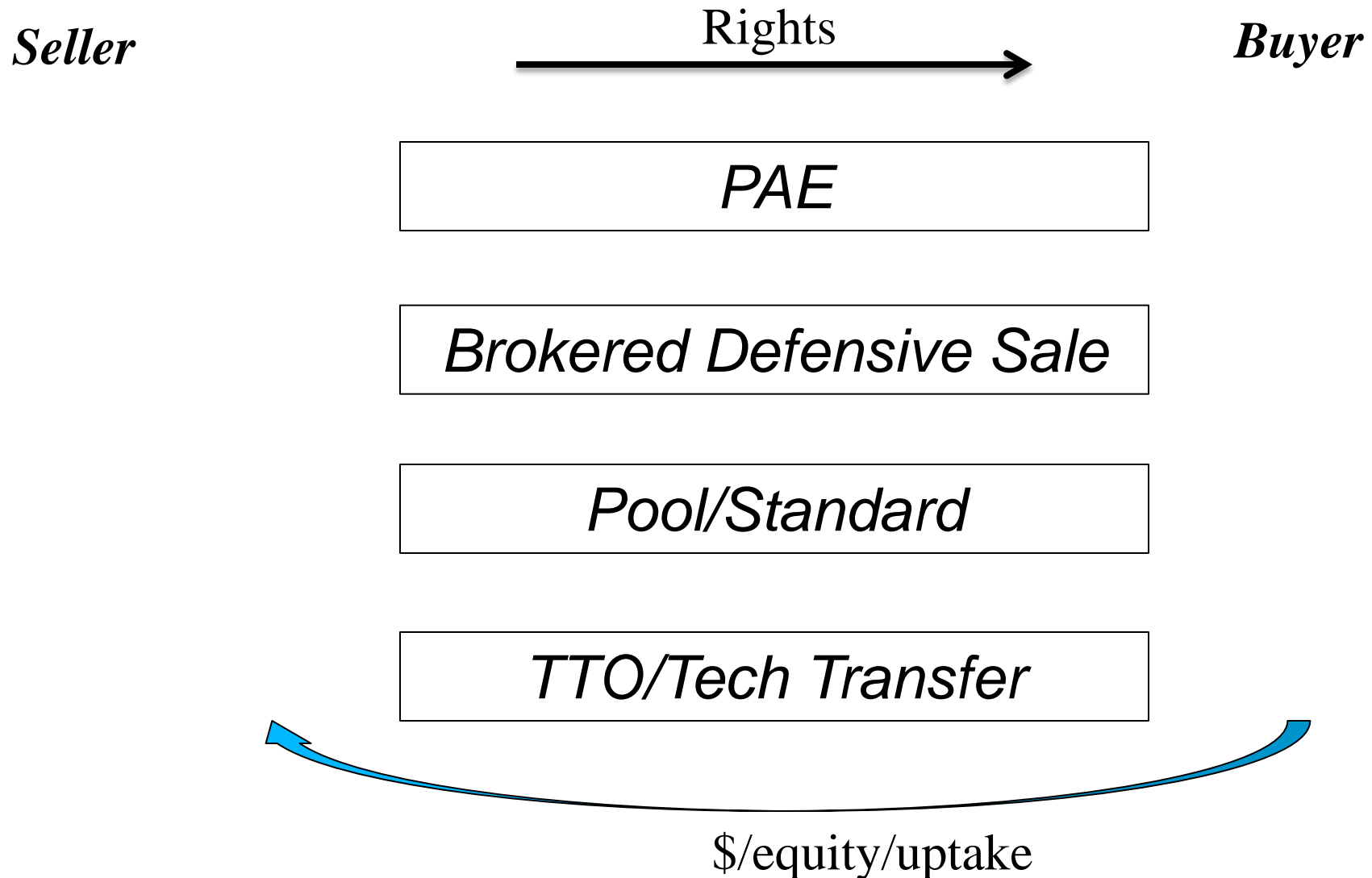
Economies of Scale

What Trolls have to
worry about when
they sue...

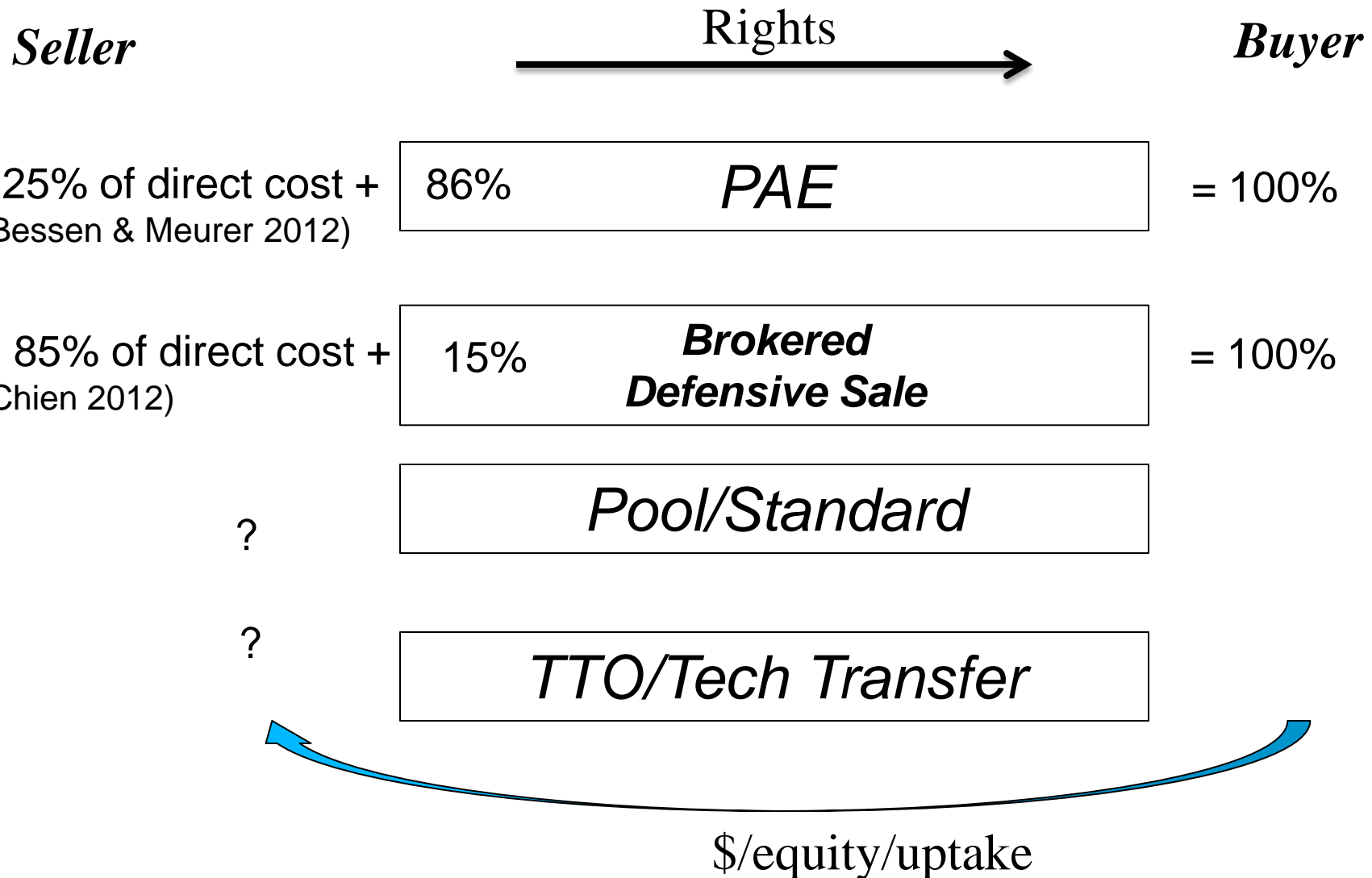
- ~~1. Counterassertion~~
- ~~2. Disruption~~
- ~~3. Cost~~
- ~~4. Reputation~~

Infinity Search LLC v.
Google

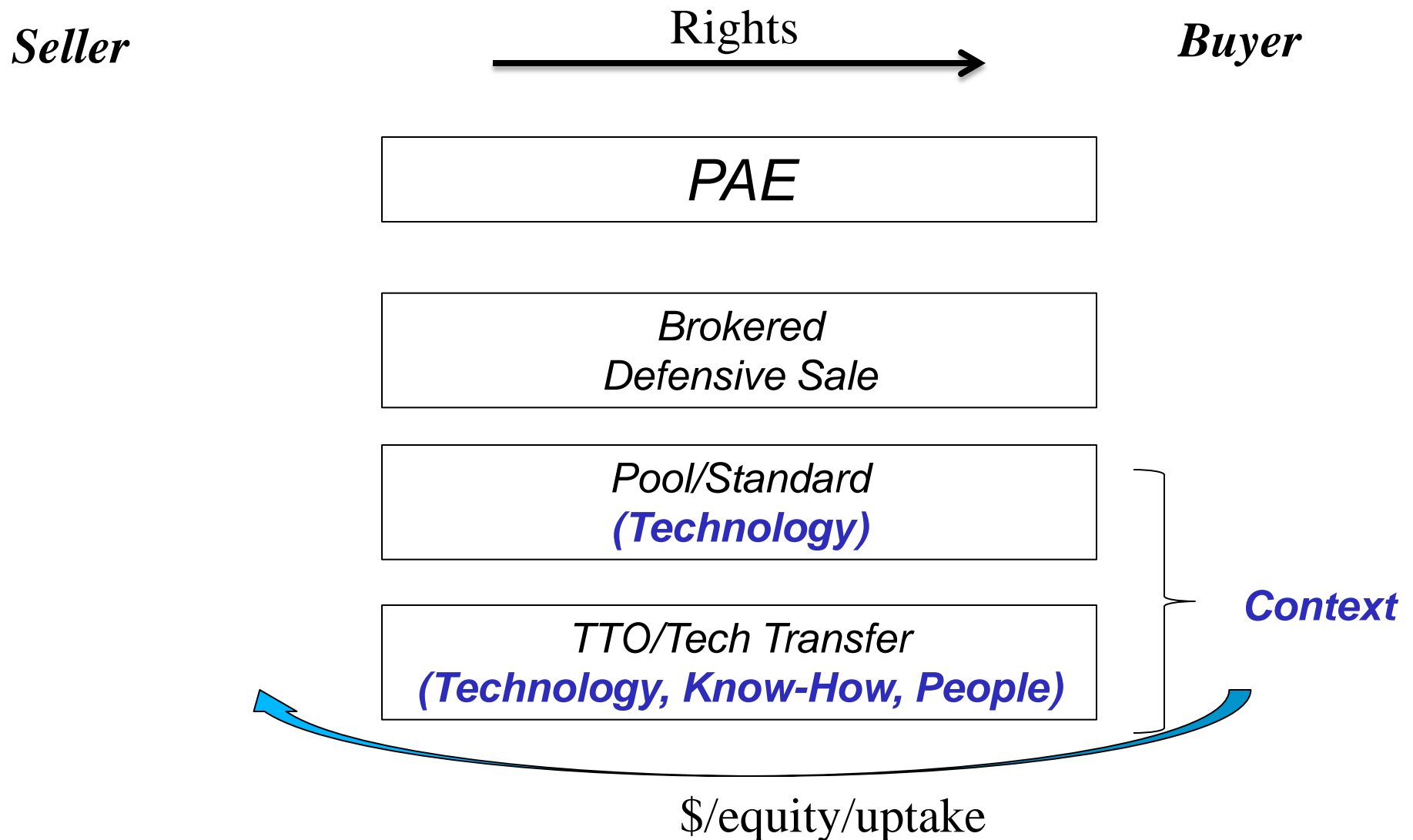
What are the contexts of patent assets?



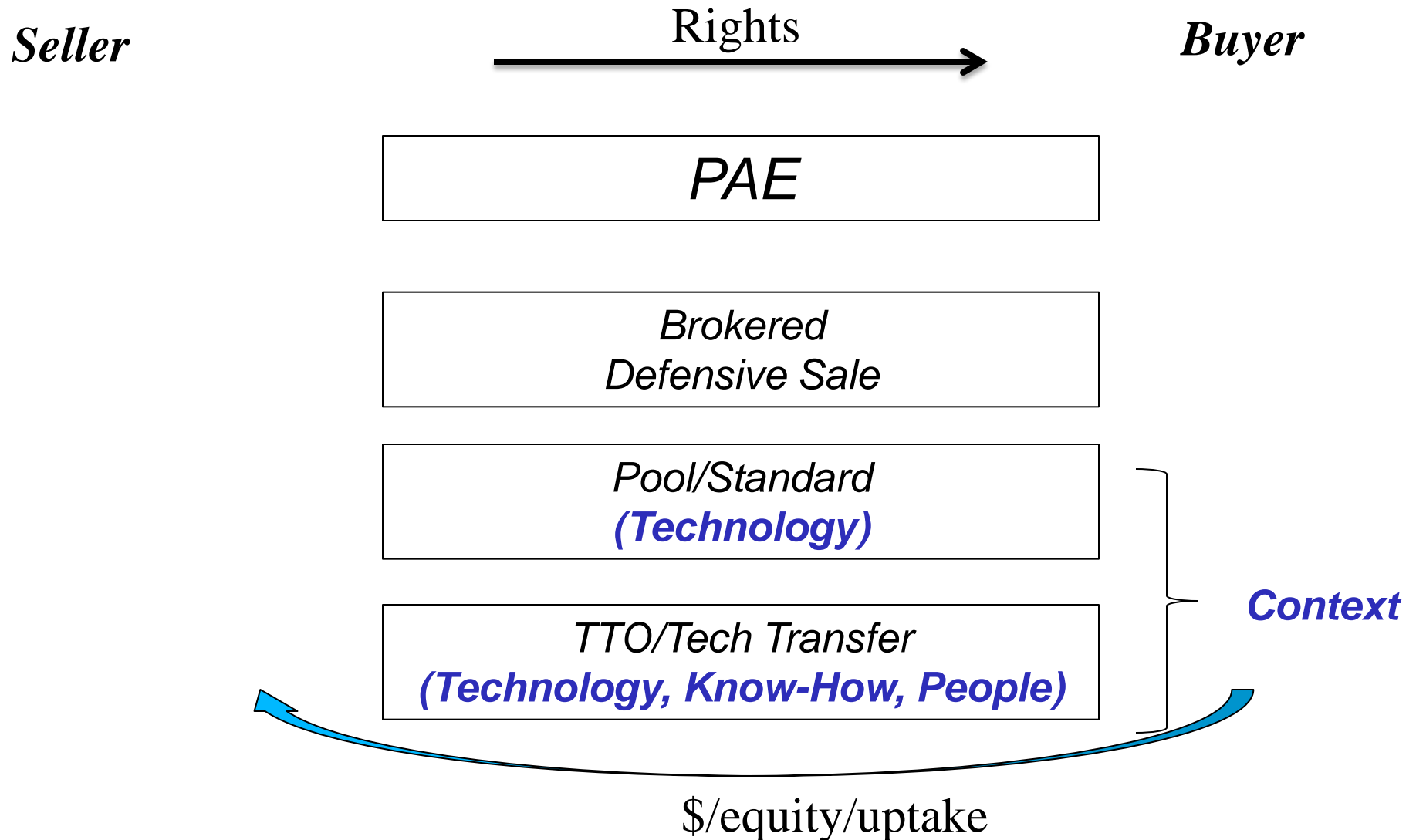
Social v. private costs: Not all transfers are created equal




Not all transfers are created equal



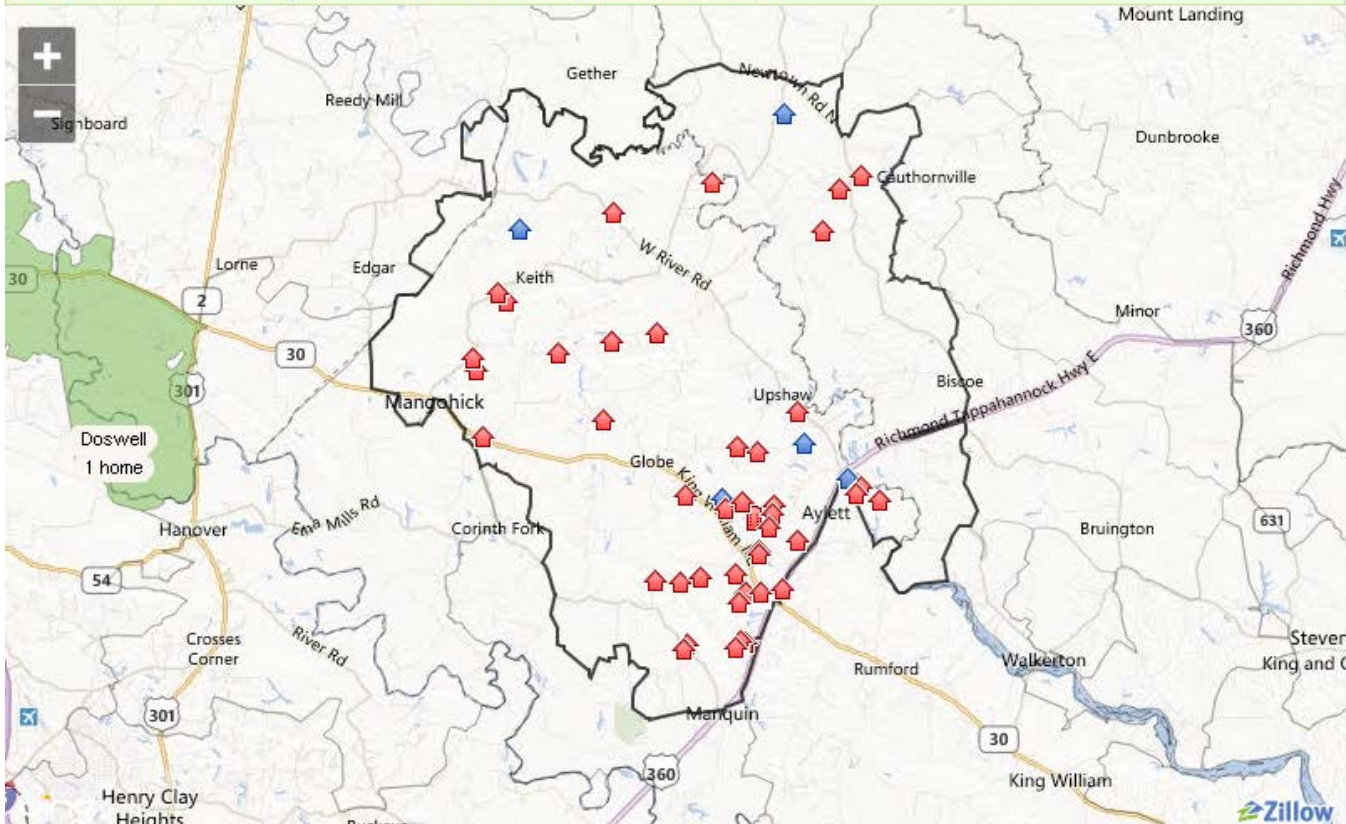
Policy Design: How do we encourage socially desirable transfers? Should we?



Policy Design: How do we encourage socially desirable transfers? Should we?

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Aylett

84 results. 24 unmapped.


Sort: Featured




4150 Smokey Rd, Aylett, VA
Lot/Land For Sale: \$65,000
Zestimate®: --
Est. Mortgage: \$281/mo
[See current rates](#)



359 Nottoway Ln, King William
House For Sale: \$115,000
Zestimate®: \$171,434
Est. Mortgage: \$498/mo
[See current rates](#)



4708 Spring Cottage Rd, New
House For Sale: \$2,200,000
Zestimate®: \$284,806
Est. Mortgage: \$9,521/mo
[See current rates](#)



Manquin, Manquin, VA
House For Sale: \$275,000
Zestimate®: \$258,255
Est. Mortgage: \$1,190/mo
[See current rates](#)
Availability: now

Example traits: Intrinsic traits

(12) **United States Patent**
Zadesky et al.

(54) **TOUCH PAD HANDHELD DEVICE**

(75) Inventors: **Stephen Paul Zadesky**, San Carlos, CA (US); **Tang Yew Tan**, San Francisco, CA (US)

(73) Assignee: **Apple Computer, Inc.**, Cupertino, CA (US)

(*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 117 days.

(21) Appl. No.: **10/188,182**

(22) Filed: **Jul. 1, 2002**

(65) **Prior Publication Data**

US 2003/0076306 A1 Apr. 24, 2003

Related U.S. Application Data

(60) Provisional application No. 60/359,551, filed on Feb. 25, 2002, provisional application No. 60/346,237, filed on Oct. 22, 2001.

Example traits: Acquired traits (Chien 2011)

Issuance Ownership Investment Financing Citation Enforcement

(12) **United States Patent**
Zadesky et al.

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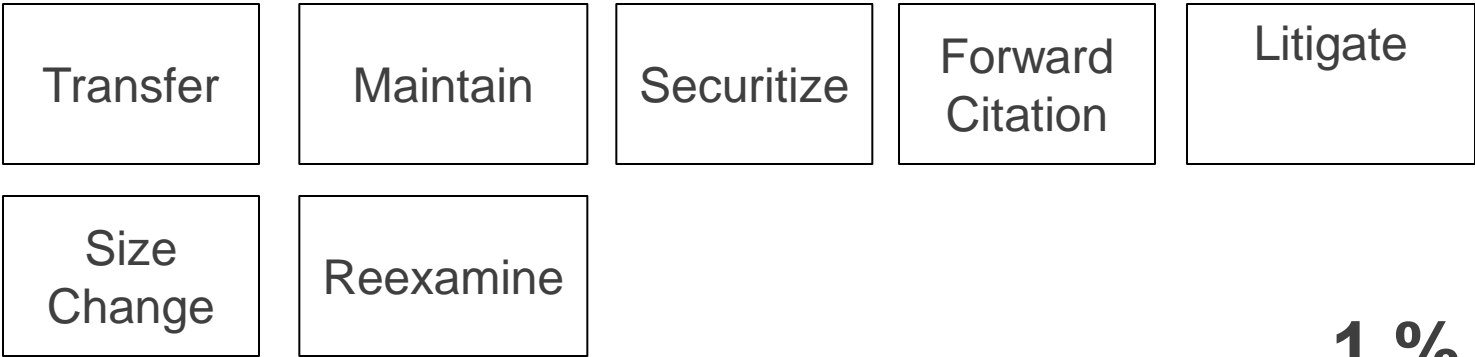
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1 %

**Intrinsic
Traits**

**Acquired
Traits**

Traits internal and external to the patent system

(The Promise of Big Data)

What's being searched

What technology terms are trending

Patent attorney trends

Public disclosures

(Call me if you are interested!)

Traits internal and external to the patent system

1911579

Citations (1) Footnotes (189)

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Predicting Patent Litigation

Colleen V. Chien

Santa Clara University - School of Law

August 17, 2011

Texas Law Review, Vol. 90, p. 283, 2011

Santa Clara Univ. Legal Studies Research Paper No. 17-11

disruptive, unpredictable, and costly. The inability to anticipate patent litigation makes it practically uninsurable, exposes corporations to the risk of accumulating patents in order to ward off litigation. This article confronts this systemic problem by examining the factors that

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Policy design: should/how do we encourage socially desirable transfers?

Context- Driven Information – Defensive Context Example

The Ability to Search among patents and readily find..

- In-force patents (maintenance fee and invalidation)
- The owner of a patent
- Intrinsic and acquired traits
- Relevant patents

→ A solution to the sorting problem, that leverages
existing and encourages further disclosure of context
information

How to Do This – Leveraging Existing Data

Consolidate multiple patent information databases

Make patents searchable by:

- whether in-force (here and abroad), various owners of record, types of conveyances, family information (foreign/continuations), etc., litigated or not, who's litigating patents in this area

Classify patents according to industry definitions

How to Do This – Creation of New Data

Marking Registry

Virtual Marking provisions of the AIA

Reinvigorate the marking requirement

Administrative changes/carrots to encourage disclosure of context data

Licensing Registry

PCT applicants can request that the Int'l Bureau make information available on its PATENTSCOPE website

Carrots/Administrative Tweaks for Context Disclosure/Dissemination?

Form **PTO-1595** (Rev. 03-11)
OMB No. 0651-0027 (exp. 03/31/2012)

U.S. DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

RECORDATION FORM COVER SHEET PATENTS ONLY

To the Director of the U.S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies)

Additional name(s) of conveying party(ies) attached? ☐ Yes ☐ No

3. Nature of conveyance/Execution Date(s):

Execution Date(s) _____

- | | |
|---|---|
| <input type="checkbox"/> Assignment | <input type="checkbox"/> Merger |
| <input type="checkbox"/> Security Agreement | <input type="checkbox"/> Change of Name |
| <input type="checkbox"/> Joint Research Agreement | |
| <input type="checkbox"/> Government Interest Assignment | |
| <input type="checkbox"/> Executive Order 9424, Confirmatory License | |
| <input type="checkbox"/> Other _____ | |

2. Name and address of receiving party(ies)

Name: _____

Internal Address: _____

Street Address: _____

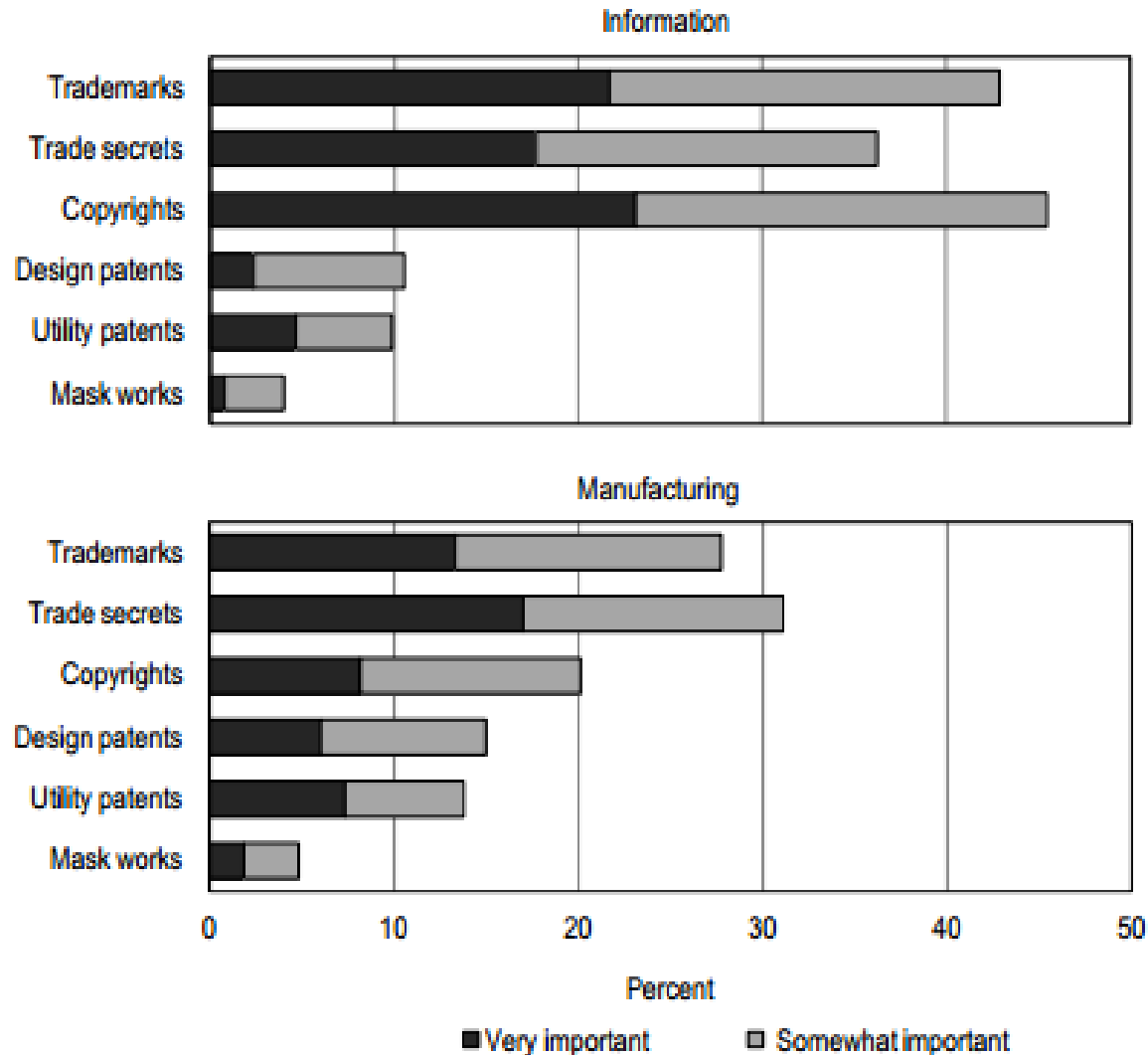
City: _____

State: _____

Country: _____ Zip: _____

Additional name(s) & address(es) attached? ☐ Yes ☐ No

Markets for other IP assets (NSF 2012)



Policy Design

Who should do what?

What transfers can/should the patent system facilitate?

- Patent rights
- Knowledge
- Technology