



# Intellectual Capital for Communities in the Knowledge Economy Nations, Regions, Cities and Emerging Communities



WORLD BANK INSTITUTE  
*Promoting knowledge and learning for a better world*

World Conference on Intellectual Capital for Communities  
- Fourth Edition -



# Emerging practices for knowledge assembling

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# Emerging practices for patent assembling

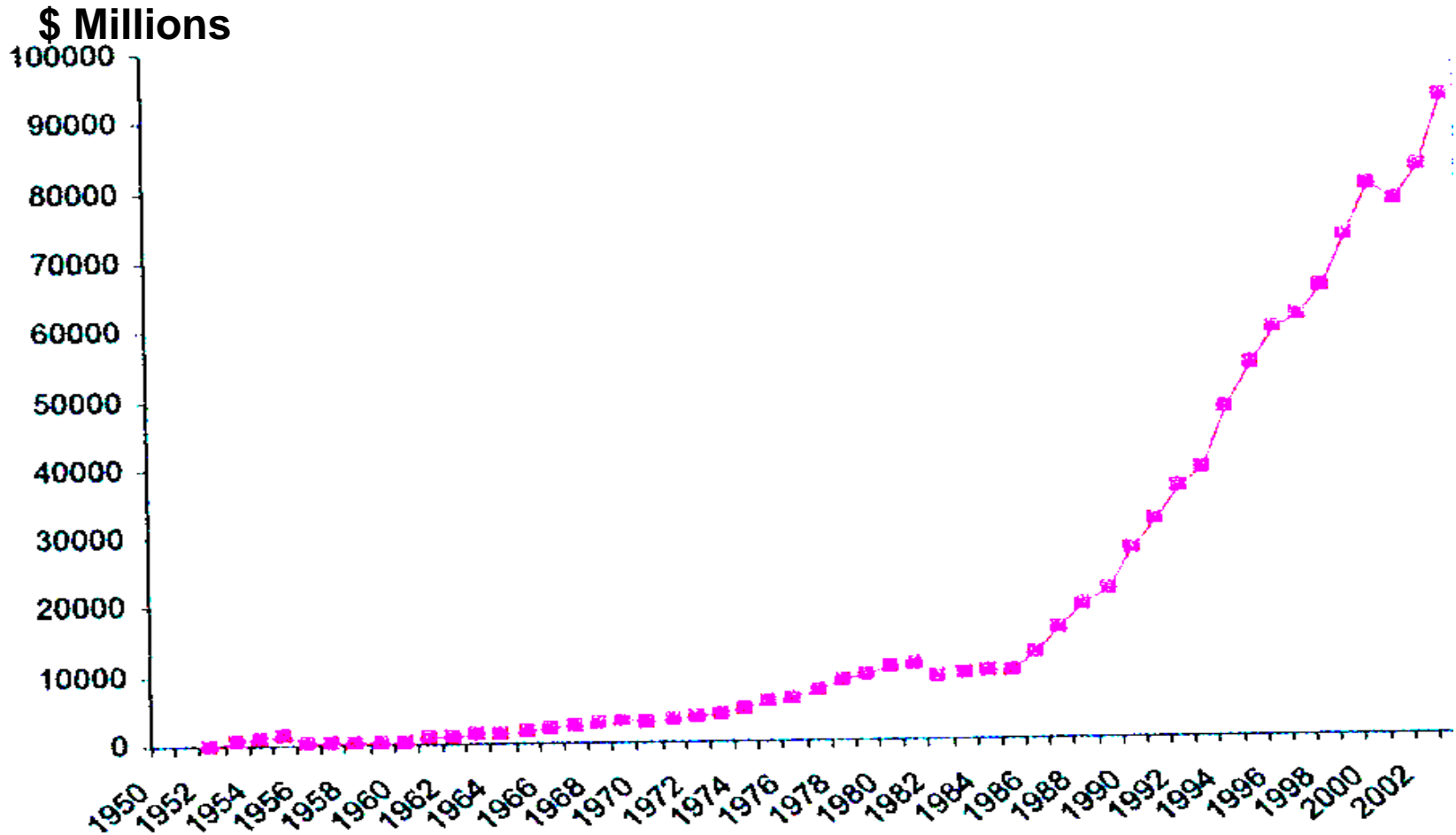
- **Why did it happen recently ?**
- **What are the trends and the new tools**
- **Consequences for PROs and companies**

# Why did it happen recently?

- **Convergence of 3 key elements :**
  - **Dramatic increase of patent filings all over the world in most sectors**
  - **Parallel growth of licensing revenues**
  - **Market recognition of intangible assets (such as patents...)**

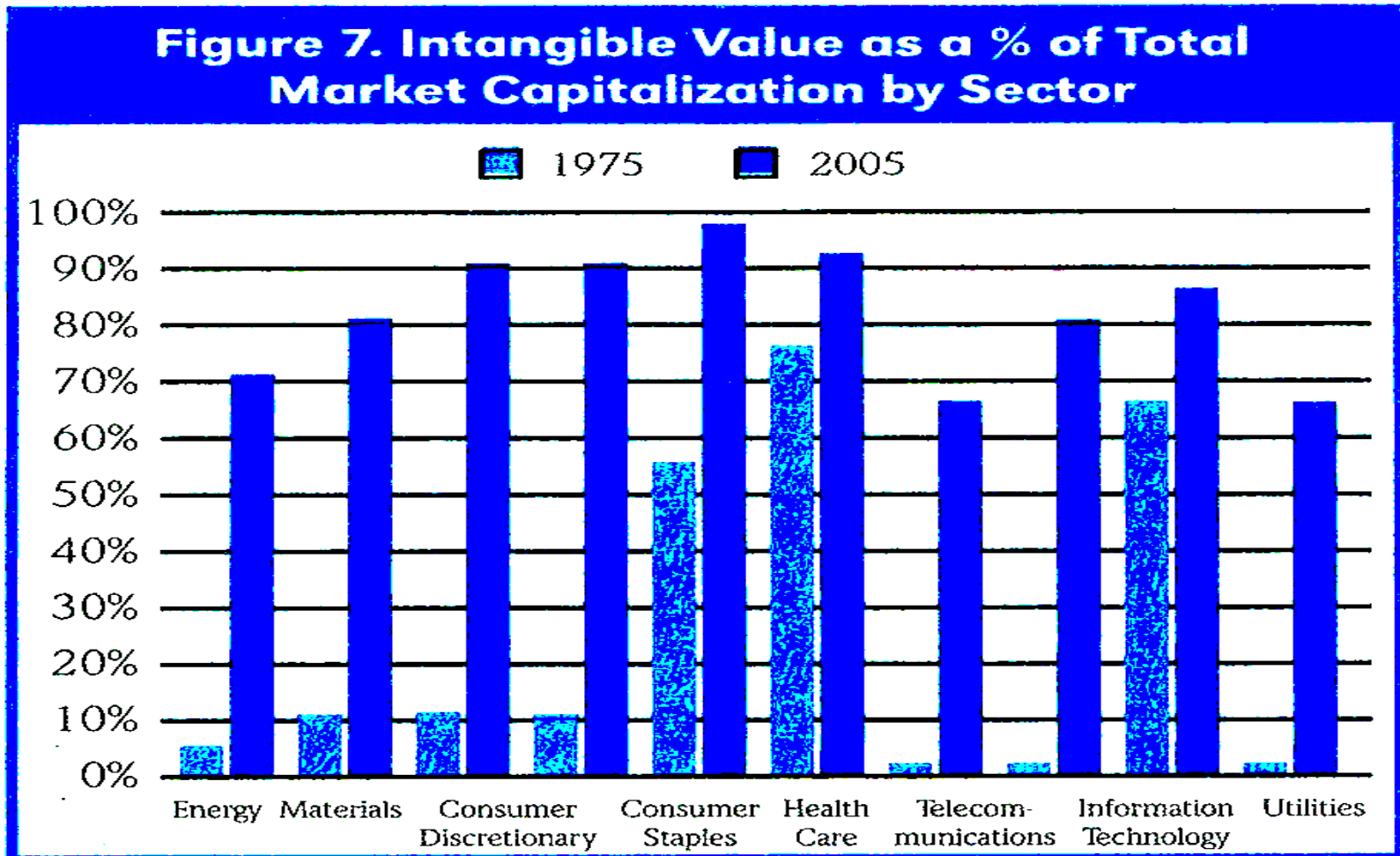
# Royalty and Licensing fees

(S Athreye & J Cantwell, Economics N°52 Oct 2005)



# Intangible value as % of total market capitalisation by sector

(K Cardoza et al, Les Nouvelles, Mars 2006)



# New Paradigm

- **New vision of the 33 M existing patents and related know-how**
- **From an handicrafted business to the creation of a market for ideas**
  - **Slow (face to face) → Computers**
  - **Not efficient, local → More efficient, worldwide**
  - **Low ROI on IP portfolio → Higher ROI**
- **Dramatic positive impact on Open Innovation implementation**

# Creation of a worldwide Market place for IP

- **Ideally, one web site showing all inventions made by PROs or companies and available for licensing**
- **“Matching tool”**
  - **Any type of IP**
  - **All fields**
  - **« Open » language**
  - **Very low cost**
  - **Easily “feeded”**
  - **Friendly interface**
  - **Offering services (evaluation, valuation, licensing)**
  - **Improved ROI for the licensees**



# Existing market places

- **Specialized operators**
    - PROs( F2T, Spark IP, UTEK, ...)
    - By sectors (Pharmaceuticals, ...)
  - **Global operators (PROs, companies, all fields)**
    - Yet 2.com, Open-IP.org, TechTransferonline...
  - **National operators**
    - Japan, Taiwan / China
    - Facilitating inventions transfers among local PROs and companies
    - Becoming the biggest regional player
    - Identification of the most valuable trends
    - France / Europe vs USA / Japan / China
-  **Extremely useful for IP aggregators**

# Auctions

- **IP Auction GmbH (2007)**
- **Rated Patent Exchange (eBay style)**
- **Ocean Tomo (Merchant bank)**
  - **2006 (8.5 and 24 M \$)**
  - **Bundle of patents**
  - **Anonymous**
  - **FTO risk**
  - **All types of IP**
  - **Two auctions / year (USA / Europe)**
  - **Average price : 120.000 \$ / patent(s)**

# Why patent aggregation ?

- **Poor quality of the patents delivered by USPTO**
  - Easy to obtain patents with broad claims and questionable validity
  - Not enough time to seriously review them
- **High tech sector is overcrowded by patents**
  - Freedom to operate almost impossible




**Increasing risks of litigation**

# Patent Aggregation

- **1/ Patent Troll**

- Buy trivial patents at a bargain price from PROs, bankrupted companies, inventors.
- Target healthy corporations selling successful products (eg. Blackberry)
- Claiming an infringement and ask for the shutdown of the product line ... if a settlement could be reached
- Not exploiting similar products (immunity to countersuits)
- Often backed by contingency lawyers (eg. Blackberry)
- Less lucrative due to new US laws.

# Patent Aggregation (II)

- **2/ Patent Pool**
    - **Preventive classical approach (decided by IP owners)**
      - **Two (or more) IP owners license one or more of their patents to one another or to third parties.**
      - **“Simple” mean to gain right to build and sell products**
      - **Standards (Mpeg, DVD, ...) but not only High Tech**
      - **Reduce royalty exposure**
      - **From 2 to more than 100 patents**
      - **Prevent licensee from litigation (safety net)**
-  **Very trendy**

# Patent Aggregation (II)

- **Business oriented approach**
  - **Investments funds, private corporations (US)**
  - **No aim to develop and market products**
  - **Intellectual venture**  
**(\$4 billions, 5000 new patents / year, \$100 M / quarters, 350 employees)**
  - **Non exclusive licensing**
  - **Litigation prevention for a “reasonable” fee**
  - **High tech**

# Consequences

- **Patent aggregation is trendy and lucrative due to the emergence of facilitating computerized tools (33 M patents)**
- **FTO must be checked at the initiation of any significant R&D project and investment**
- **Companies are now filing patents, not to protect their future products, but to cross license them in case of FTO issues**
- **Monetization of the patent is moving forward. A patent stock exchange will be created by 2010 in Chicago.**
- **Companies will soon have to integrate the value of their patents portfolio in their books. More transparency but a challenging task.**
- **It is of the strategic importance for E.C. to do not let the U.S. proceed alone**

**Thank you for your attention !**

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