

# IP Strategy Conference Kyoto University – May 2017

MITCHELL ROSENFELD, DIRECTOR, HOULIHAN LOKEY

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### Corporate Finance

#### 2016 M&A Advisory Rankings All U.S. Transactions

	Advisor	Deals
1	<b>Houlihan Lokey</b>	<b>179</b>
2	JP Morgan	150
3	Goldman Sachs & Co	142
4	Morgan Stanley	132
5	Barclays	105

Source: Thomson Reuters

**No. 1** U.S. M&A Advisor

**Top 10** Global M&A Advisor

**Leading** Capital Markets Advisor

### Financial Restructuring

#### 2016 Global Distressed Debt & Bankruptcy Restructuring Rankings

	Advisor	Deals
1	<b>Houlihan Lokey</b>	<b>71</b>
2	Rothschild & Co.	47
3	Moelis & Co.	38
4	Lazard	36
5	PJT Partners LP	31

Source: Thomson Reuters

**No. 1** Global Restructuring Advisor

**1,000+** Transactions / Valued Over  
\$1.5 Trillion

### Financial Advisory

#### 1997 to 2016 Global M&A Fairness Advisory Rankings

	Advisor	Deals
1	<b>Houlihan Lokey</b>	<b>996</b>
2	JP Morgan	953
3	Bank of America Merrill Lynch	728
4	Morgan Stanley	665
5	Duff & Phelps	601

Source: Thomson Reuters. Announced or completed transactions.

**No. 1** Global M&A Fairness Opinion Advisor

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# Patent Metrics Are Critical to Valuation

Royalty Base



Royalty Rate



Probability of Monetization

Impact (standard patent damages practice)

- **Total Addressable Market (TAM)**
- TAM is adjusted based on various factors including **geographic coverage** of the patents and **smallest salable part**
- Existing **encumbrances** are also taken into account when further adjusting TAM

- **Patent stack** – what portion of the stack does the patent holder have?
- **EoU charts** – these are value-driving patents that increase the royalty rate
- **Exemplary patents** – inform the valuation concerning potentially market-essential and high-value patents

The model is a component of two different types of critical assumptions:

**Market Specific**

Discrete assumptions across technologies and markets through patent analytics (e.g., **specific patent tech category coverage, geographic patent coverage, licensing success rate, addressable market adjustment, etc.**)

**Company Specific**

Cumulative assumptions across technologies and markets, independent assumptions on specific companies

**Function Served**

Provides an order of magnitude value – Identifies highest risk by competitor – Provides insights into risk mitigation strategies  
Requires assumptions about discount rates, cost of licensing, taxes, etc.

# Examples of Factors That Impact Potential Value

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## Timing and Overall Market Conditions

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- Patent purchasing demand and pricing of completed sales is significantly lower than 2011/2012 levels (the Nortel and AOL sales being high-water marks)
- Software-related patent pricing has been particularly challenged following *Alice v. CLS Bank*; other factors relating to damages and “IPRs” have further diminished prices

## Extent of Non-U.S. Patent Coverage

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- Chinese and German patents are trending higher and can significantly drive up the price of a portfolio

## Certain Licenses in Core Markets

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- The scope of each license might range from small to material, but in each instance it affects the value of the portfolio

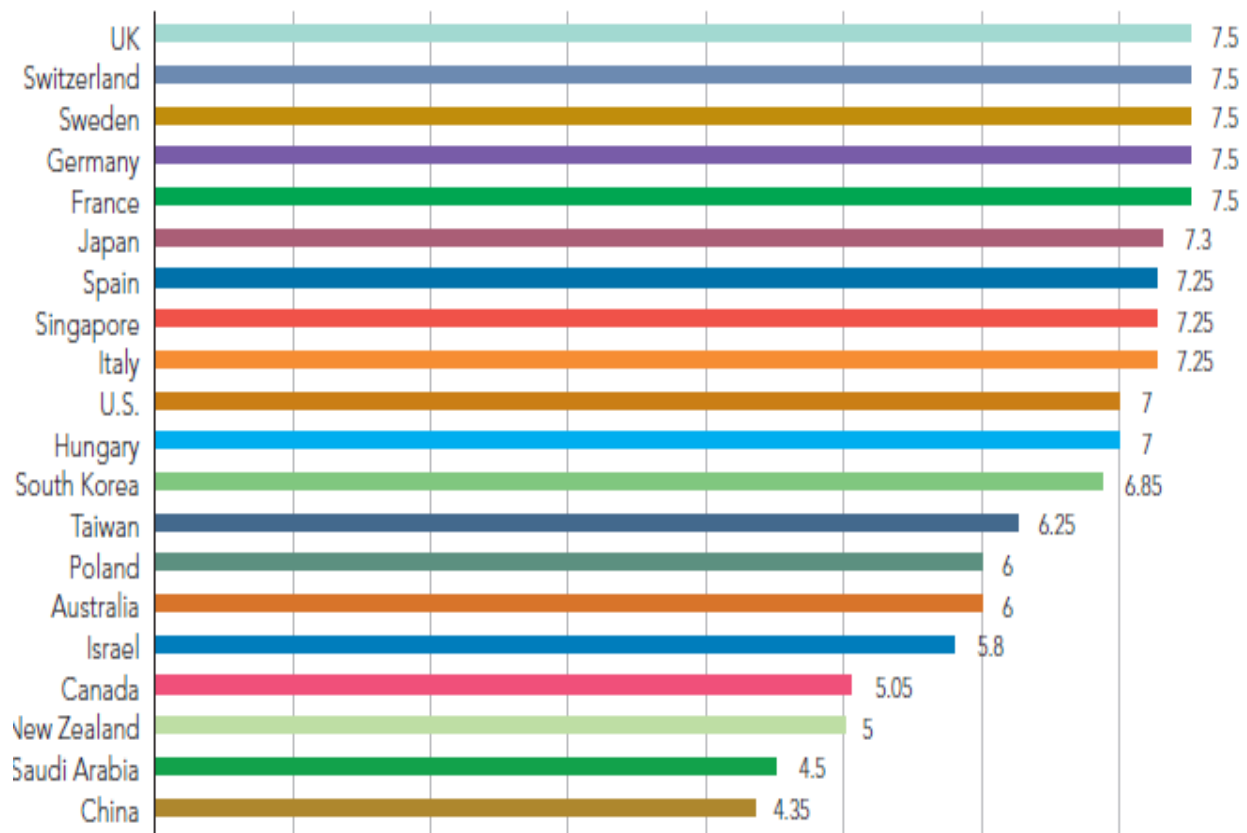
## Remaining Life in Certain Tech Categories

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- Typically, patents with less than three years of life have lower value
- The sweet spot is typically between five to 10 years of remaining life

# Major Shift in the Global Patent Protection Landscape

## Country by Country Patent Protection Scores



Based upon eight categories: maximum score = 8

- Patent category scoring by country based upon the U.S. Chamber of Commerce 2017 IP Index report
- First time that the United States has not been first—***due largely to weak scores in patentability requirements and patent oppositions***
- United States is first in protection of copyrights and trade secrets and fourth in trademarks

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