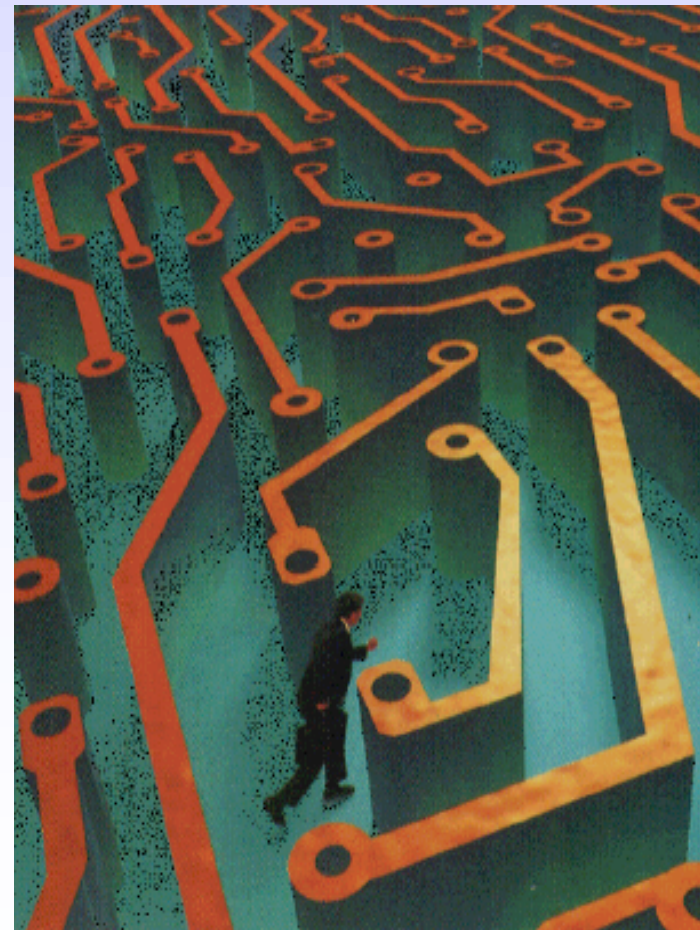


# ***Corporate IP Commercialization and Tech Spin-Outs***

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**& Strategic Partnering**  
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# *Panel*

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- Andrew Garman, General Partner, New Venture Partners
- David Harnett, Senior Director, Microsoft IP Ventures
- Jim Huston, Venture Partner, Blueprint Ventures
- Charles (Chip) D. Murray, Managing Dir., Intellectual Assets & Licensing, DuPont
- Mark Schueler, General Manager, DSM Venturing
- John Spangenberg, CEO, Seaquation
- Paul Williams, Strategy Director, Seaquation

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# *Key Questions*

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**How does one identify a promising spin-out candidate (and is the process replicable)?**

**What are the criteria for a successful spin-out?**

**What are the key value drivers -- and how does their relative importance vary depending on the deal context?**

# *Spin-Out - Value Drivers*

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## ***What is the Spin-out “Story”?***

**The value proposition -  
answers the question,  
“If this is so good,  
why do you want to get rid of it?”**

# ***Spin-Out - Value Drivers***

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## ***How good is the Technology?***

**R&D maturity – concept, proof of concept, beta, production?**

**Are there scalability issues?**

**What is the likelihood that there will be follow-on improvements, new applications, etc.?**

**Are there transferable tangible assets, e.g., plant & equipment, design data, software, etc?**

**What are the competitive/alternative technologies?**

# ***Spin-Out - Value Drivers***

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## ***How strong is the IP?***

**Patent maturity – Is there a single provisional patent application or a portfolio of issued patents?**

**Are there any licensees? Any royalty revenue?**

**Are there trade secrets or know-how? How well is it documented?**

**Has a strong brand identity been developed?**

# *Spin-Out - Value Drivers*

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***Is there transferable human capital?***

**Does the technology/business come with technical personnel?  
What about the key inventor(s)?**

**What about the management team? Will it be (should it be) spun-out? If not, can the spin-out attract highly qualified management?**

# *Spin-Out - Value Drivers*

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## ***What is the current or anticipated market?***

**What is the competitive landscape in terms of size and number of players, anticipated market share, etc.?**

**What does the projected demand curve look like?**

**Are there significant entry barriers, e.g., blocking patents, capital equipment costs, regulatory approval, etc.?**

# ***Spin-Out - Value Drivers***

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## ***What are the economics?***

**Are there current earnings?**

**How long will it take to recoup the R&D investment**

**What are the overall benefits for the corporation?**

**Will it be difficult to get top management buy-in?**

# ***Spin-Out - Deal Structure***

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## ***What is the preferred spin-out structural model?***

**Spin-off (divestiture model) vs. Spin-out (venture model)**

**outright sale (cash, stock or both)**

**passive equity investment in Newco, based on IP value**

**active (operational) participation in Newco JV**

**etc.?**

# ***Spin-Out - Deal Structure***

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## ***What are the financing alternatives?***

**strategic corporate buyer/partner?**

**institutional investor/partner:**

**VC(s), private equity, hedge fund, etc.?**

# ***Spin-Out - Deal Terms***

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## ***IP Value -***

**How does one value the IP to justify the purchase price, cash investment or equity share?**

**Should one get an independent valuation opinion and, if so, when and by whom?**

# ***Spin-Out - Deal Terms***

## ***IP Allocation –***

**Which IP should be assigned to the spin-off and which retained by the corporation?**

**What licenses should the non-owning party get?**

**Should the corporation reserve a license under the IP transferred to the spin-off?**

**Should the spin-off get a license under the IP retained by the corporation?**

**Should the corporation get a grant-back license under the spin-off's future IP?**

# ***Spin-Out - Deal Terms***

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## ***License scope parameters -***

**Patents only or patents plus copyrights (software, designs, databases, etc.)? What about trade secrets and/or know-how?**

**Future improvements?**

**Non-“Foreground” applications?**

**Non-exclusive or exclusive field-of-use?**

**Royalty-bearing or royalty-free?**

**Sublicensing rights?**

# ***IP Commercialization Alternatives to Spin-Out***

## **IP licensing program --**

**Exclusive field-of-use licenses for variety of vertical applications.**

## **Non-exclusive licenses –**

**Assertion based (stick) – The “Troll” debate  
Patents plus know how, tech support (carrot).**

**Sale of IP with purchase price based (partially or entirely) on revenue-share from exploitation by buyer.**

**Donation of IP to University, etc.**