

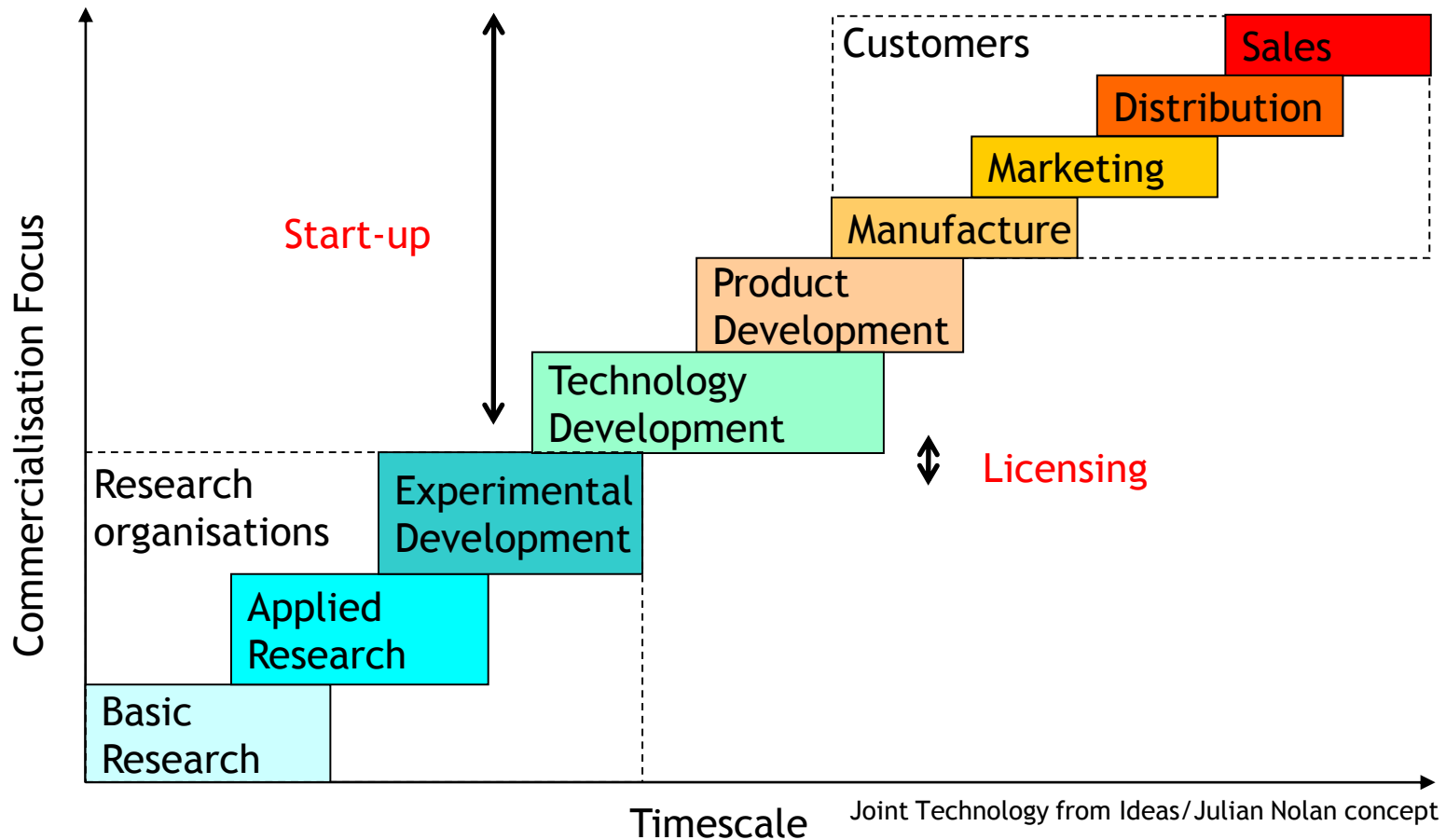
Start-up or license ?

Julian Nolan, Co-founder, Patrious

ASTP conference 27th/28th May.

The context

Risk	High	Medium	Low
Driver	Technology	Transition zone	Market

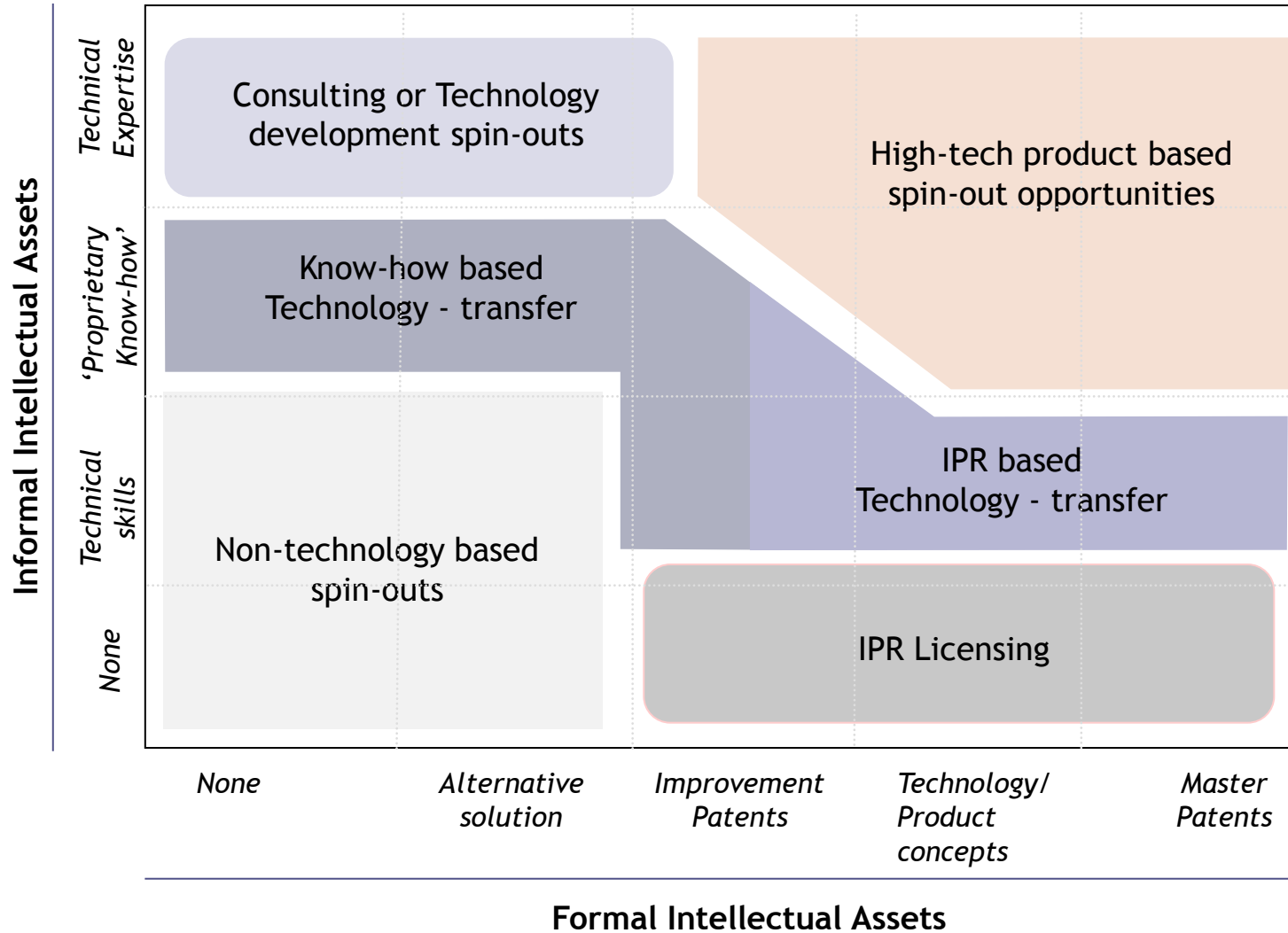


Timing and financials

Licensing				Start-up						
Financing	Patent owner			Start-up creation			Enterprise expansion			Divestment
Stage	Develop	Market	Exit	Seed	Creation	1st Round	2nd Round	3rd Round	Mezzanine	Exit strategy
Profit	Speculative	Focused	Sell	Business ideas screening	Creation of enterprise	Partnerships	Development	Follow on product	Diversification	Trade sale
	Technology driven	Market driven	License	Market analysis	Product development	Start of production	Expansion of distribution channels	Increased sales and production	Modification of capital structure	IPO
	Technology / market patent focus	Applications patent focus	Abandon	Business plan	Marketing strategy	1st sale				MBO
Loss										
Source of financing	Patent fund			FFF, Angel, Venture Capital			VC, Banks			Public markets
Investment duration	1-2 years (existing IP)	1 year		5-10 years	5-7 years	5 years	3-5 years	3-5 years	1-3 years	
ROI expected	NA	NA	NA	80%	60%	50%	40%	30%	25%	
Equity in	IP only			Company (and associated IP)						

Adapted from Dominicé J.E. "Le marché du Venture Capital Suisse", 1997

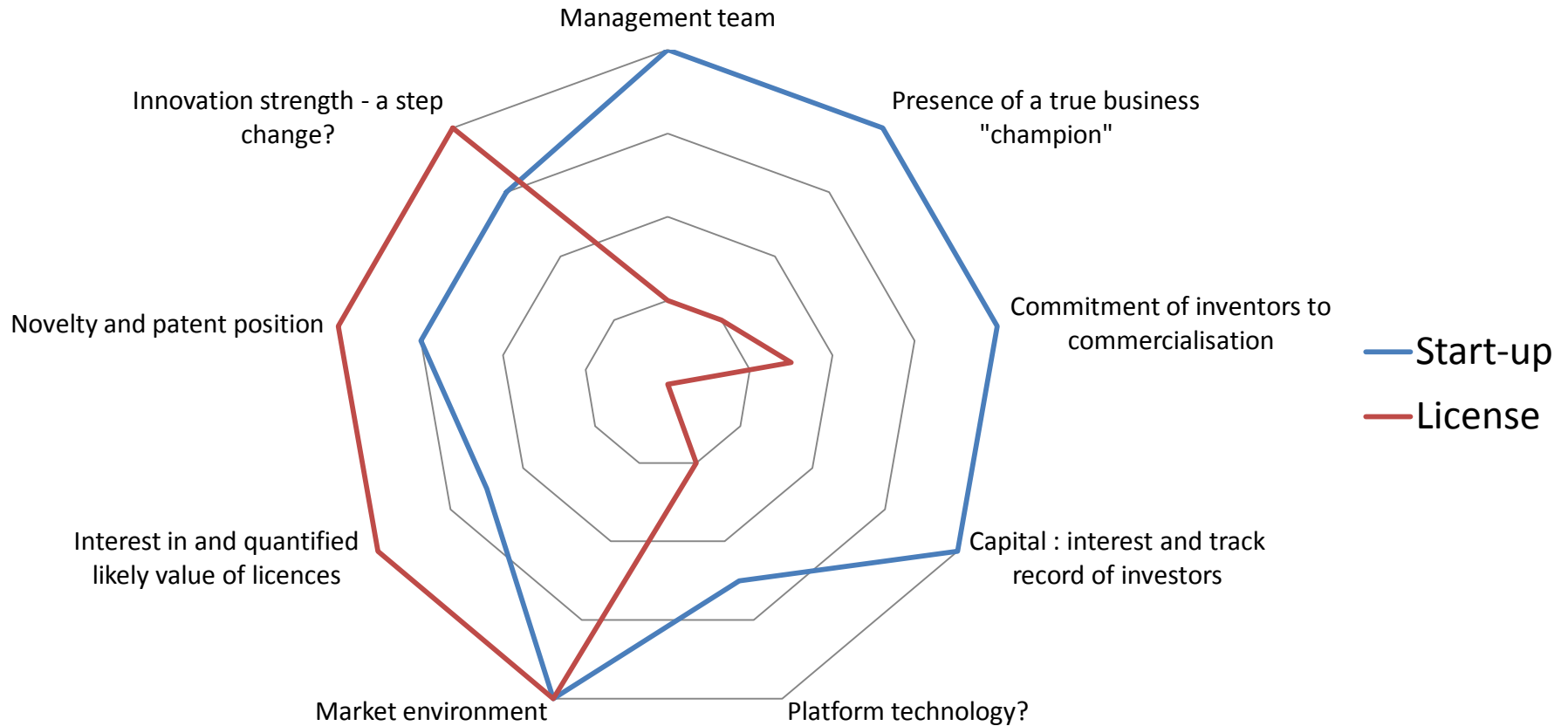
IP considerations ...



But mostly ...

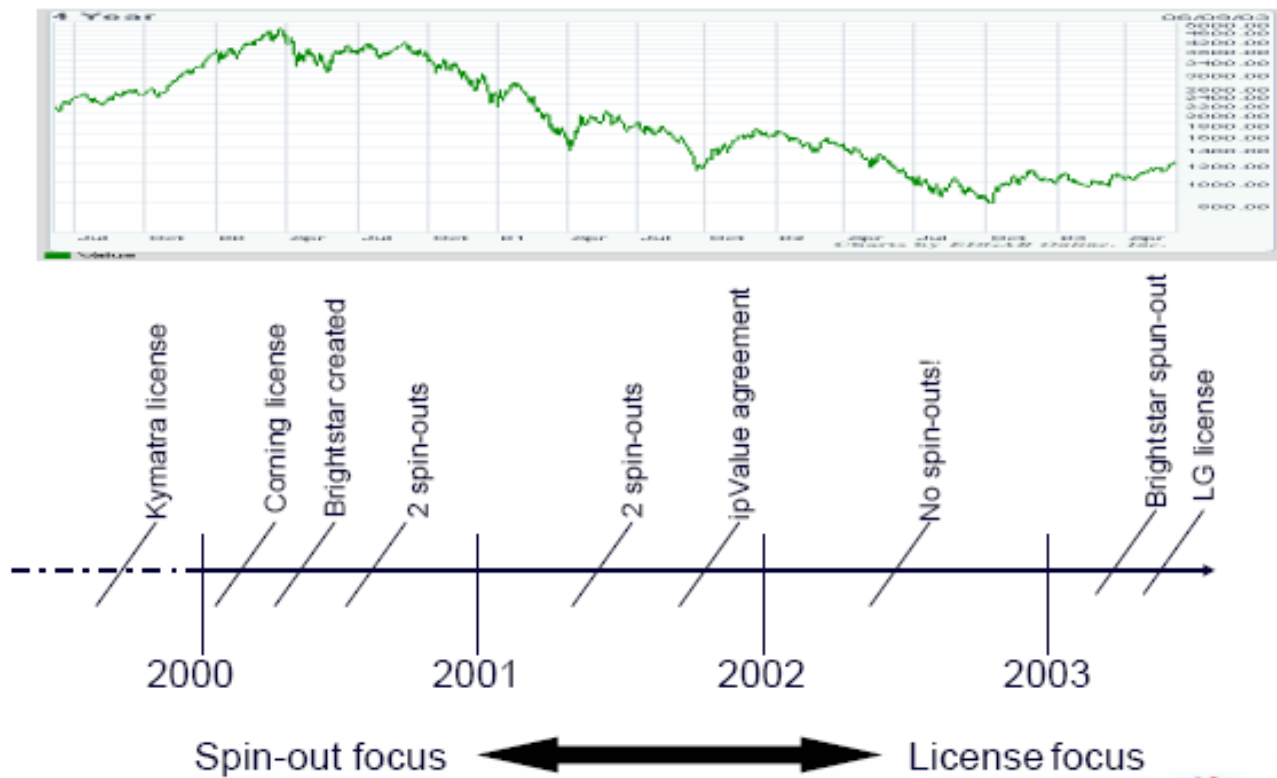


Key Success Factors



Importance of timing

Activity at BT Group plc



From licensing in a changing market, BT Group plc

The test

What does it do ?

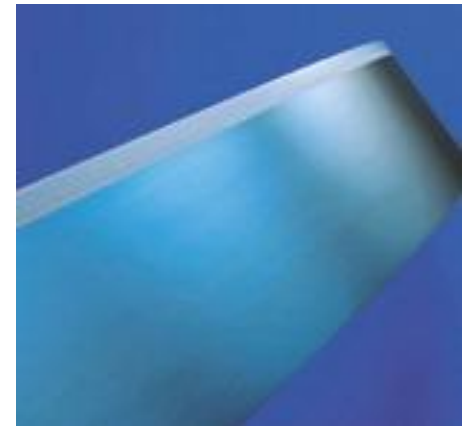
What does it do better ?

What is better worth ?

Is the time right ?

BTG case study (1)

- BTG SA - Lausanne, Switzerland
 - Manufacturer of patented ceramic coated blades for cutting paper/board
 - Reduces down time
 - Big impact on profitability
 - High selling price of blade substantiated
 - Strongly patented technology
 - Used to initially protect margins ...



But what happens when the patents expire?

BTG case study (2)

- Before the patent expired, BTG
 - Developed relationships with customers
 - Put in place class leading logistics
 - Onward developed the technology and filed new patents
- Result
 - Small decline in revenues but largely business as usual
 - Very successfully established business around a patented technology which could have been licensed.

Sensaura case study (1)

➤ Sensaura Ltd. - London, UK

- 3D audio technology
 - Virtualises 3D audio from only two loudspeakers
 - Patents, software, documentation
 - Licensed to >80% of PC market + CE manufacturers
 - Embedded in audio chipset
 - Patents used to sustain competitive position



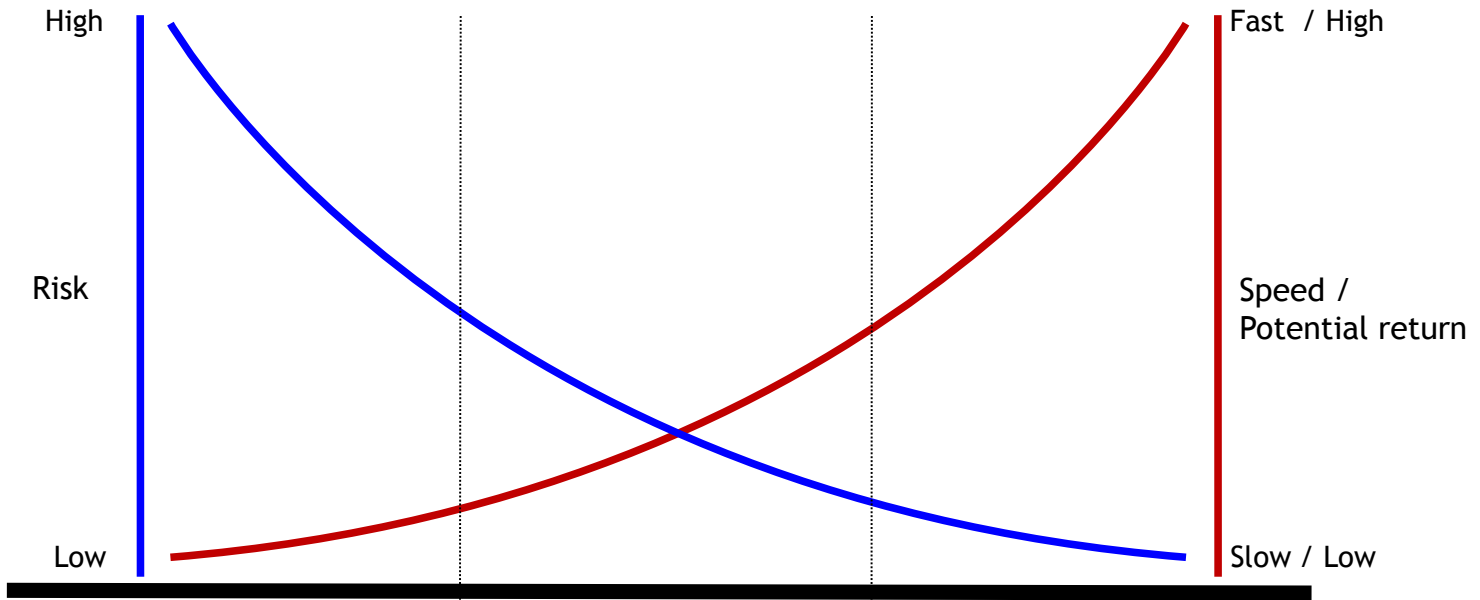
But, why license instead of selling hardware ?

Sensaura case study (2)

- Resources
 - Technology development / licensing
 - Vs.
 - Much broader investment
- Marketing
 - Value chain positioning
 - Ability to reach customers / sales cycle time
 - Industry dynamics
- Result
 - Licensing strategy resulted in successful business faster and at lower risk than if company had moved up the value chain.
 - Acquisition by Creative Labs.



Summary



Business model	Licenses as-is	Develop & license	Start-up
Input	Patented IP	Patented IP	Patented IP
Activity / Risk	Commercialisation	Idea development	Venture development
Exit	License / sale	License / sale	Trade sale / MBO / IPO
Output	Patented IP	Market ready ideas	Market ready products

Based on figure in "A buyers guide to the innovation bazaar", Harvard Business Review, June 2007

Thank-you

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