



# Intellectual Property As Assets

A Portfolio-Based Perspective for Emerging Businesses

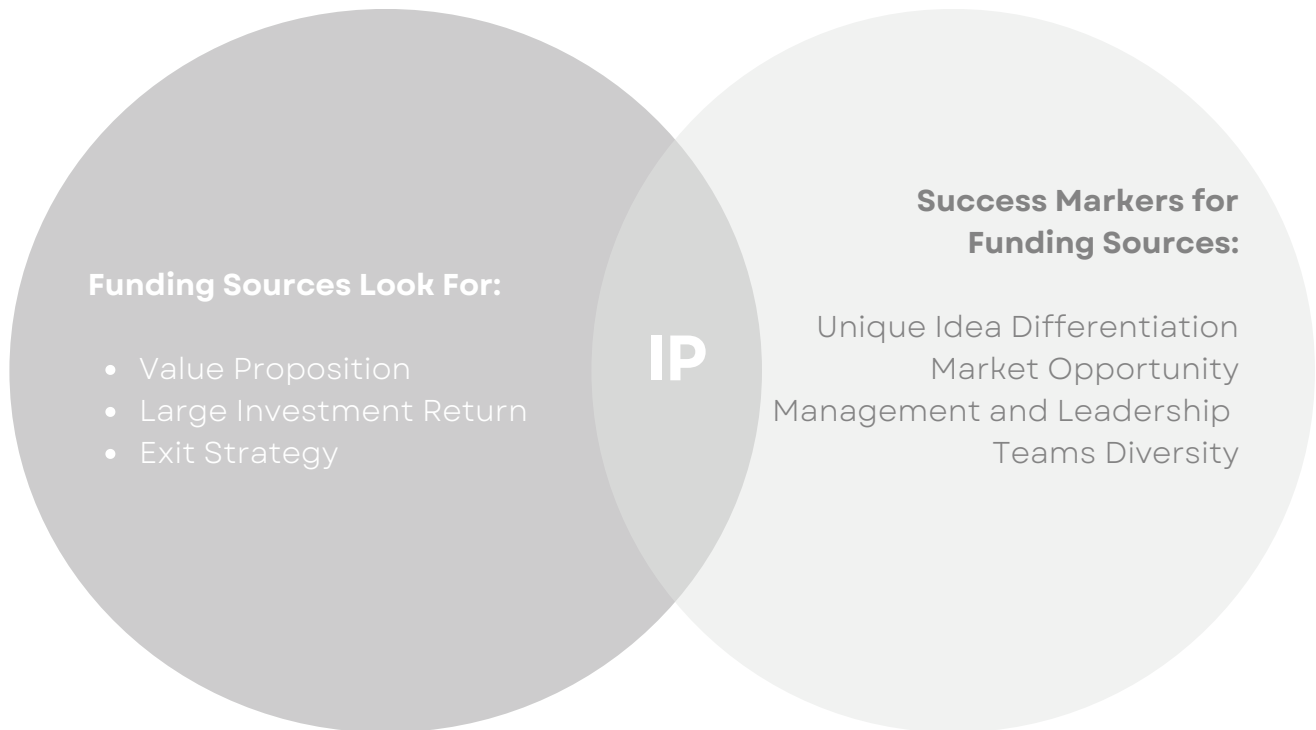


**McCoy Russell LLP**  
INTELLECTUAL PROPERTY LAW



# Intellectual Property's Relationship To Funding

When securing funding, emerging businesses need to show proof of assets, assets in process, and the value proposition. For emerging businesses, having a patent or a patent application on file with the United States Patent and Trademark Office (USPTO) can be a valuable role in securing venture capital (VC) funding.



Securing brand protections and rights can signal to investors that your idea is far along to commercialize, protect against third parties, and worth investment.

Outside of VC funding, research finds that patents also hold value in securing funding from other sources. Graham et al. (2009) find, based on the responses of over 1,000 early stage technology companies founded since 1998, that patents were important in making funding decisions for friends and family (31 percent), commercial banks (21 percent), angel investors (57 percent), and other companies (54 percent), as well as investment banks (50 percent).

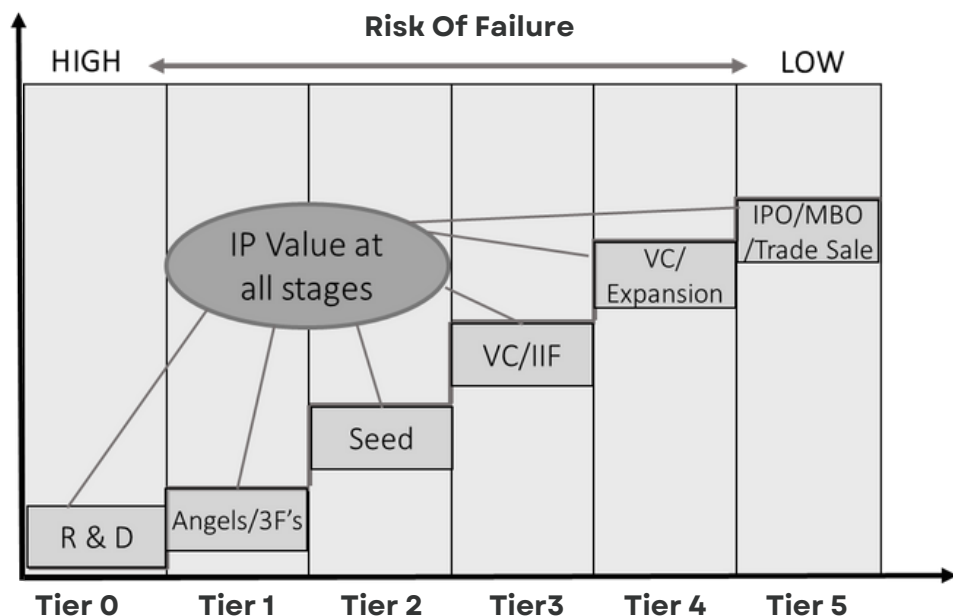
A patent strategy can indeed affect a tech startup company's growth. Data indicates that companies that have patents in earlier rounds (especially before obtaining funding, or in Rounds 1 and 2) are able to obtain more total funding. This occurs in all markets, but is especially so in Biotechnology/Agriculture, IT/Hardware and Medical devices, in which the largest patenting activity tends to happen in the beginning of the company's life. This suggests that patenting early may be more important for start-ups than what some views in venture capital may predict.



## Stages of Commercialization

### Product Development Stage:

- Market consolidation
- Market expansion
- Market penetration
- Product enhancement
- Sales & distribution
- Product development
- Marketing & research
- Prototyping
- Market definition
- Innovation & R&D



### Tiers 0/1

#### Preincubation

- Direction
- Collaboration
- Guidance
- Resources etc
- Pre-Seed funding
- IP Creation

### Tier 2

#### Incubation

- Mentoring
- Seed funding
- Contacts
- Consulting
- Clients
- IP Development

### Tier 3

#### Post-Incubation

- Funding
- Structuring
- Relationships etc.
- IP Growth

### Tiers 4/5

#### Commercial Maturity



# Due Diligence for Investment of Intellectual Property

## Phase I Review

Portfolio	Intellectual Capital	Management	Business Model	Financial	Technology	Competition	Sales & Marketing	Deal Structure
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## Phase II Evaluation and Development

Portfolio Synergy	Existing IC	Executive Skill Set	Mission Statement	Profit %	Product Demo	Market Value	Market Size & Growth	Debt Leverage
	Future IC	Board of Directors	Partnership	Cash Flow	Tech Plan	Differentiate	Customers	Acquisition Strategy
	Competitive IC	Employee Skill Set	Mega-trend	Use of Funds			Outside Influences	Risk Factors
			Futuring	Valuation			Sales Strategy	

## Phase III Due Diligence

Patent Doc	Employee Agreements	Supplier Relations	Debt	External Lab Review	Industry News	Customer Relations	Financial
Trademark Doc	Comp/ Incentive	Agreements	Tax Status & Planning			Distributor Relations	Legal
Trade Secrets	Employee Issues		Audit Review				
IC Threats	Shareholders		Property				

Intellectual property due diligence helps assess the value of a company's IP assets considering depth, scope, enforceability, ownership, and potential.

When selling IP, due diligence is a defensive strategy to get an idea of value of the intangible assets and potential to maximize value. When purchasing IP, due diligence is an offensive strategy that looks for any problems to value the intangible assets, such as enforcement and potential litigation.



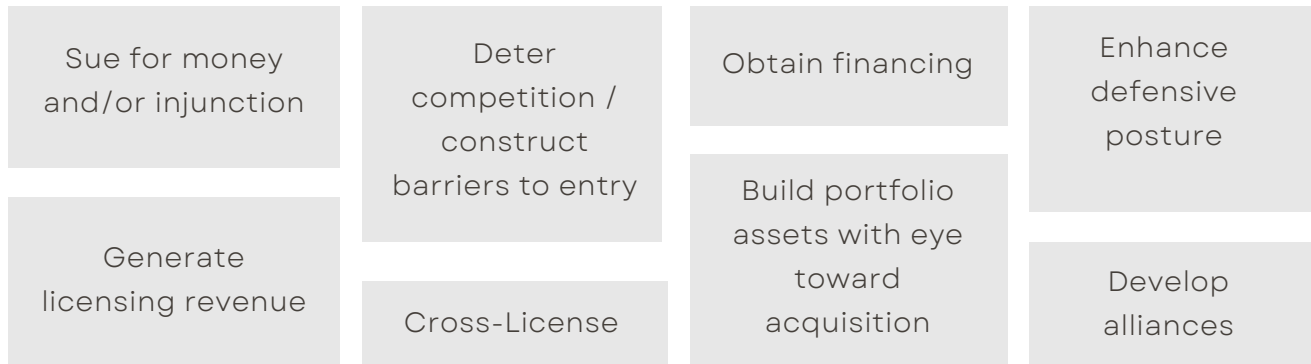
# Intellectual Property Valuation Options

Intellectual Property Assets derive from a variety of system: **P**atent System, **C**opyright System, **T**rademark System, and through **T**rade **S**ecrets.

AT A GLANCE IP COMPARISON				
	<b>P</b>	<b>C</b>	<b>T</b>	<b>T S</b>
Coverage	Ideas	Expression embodied in a fixed medium	Consumer Recognition and Goodwill	Business Information
Types	Utility, Design, Plant	N/A	N/A	N/A
Requirements	New, Useful and Non-obvious	Originality	Use in Commerce (US)	Valuable, maintained as secret
Term	20 Years from date of filing (utility), 15 Years for Design	95 years for a corporation	Indefinite if used properly	As long as it remains a secret
Limitations of Filing	Must be filed within 1 year of public disclosure in US			
Period of Examination	Approx. 2-4 years (petitions for accelerated exam)	Approx. 1-3 months - minimal exam.	Approx. 6-9 months	N/A
Search	Recommended		Recommended	

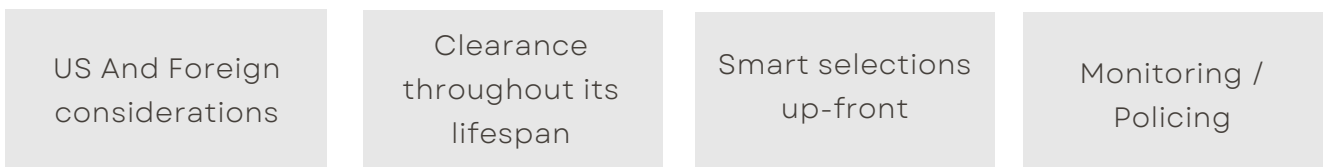
## Patent Options

Patents can help create valuation if part of a larger branding strategy. A variety of valuations options helps protect and develop a business corner of the market.



## Trademark Options

Trademarks can create significant valuation if part of a branding strategy. US and Foreign considerations can affect the valuation. There is an importance of clearance throughout its lifespan, making smart selections up-front, and monitoring/policing.



## Copyright Options

Copyright can create valuation if part of a branding strategy. Be aware of open-source as it can reduce valuation.

## Trade Secrets Options

Trade Secrets can be used where patents may not have a long enough term or be possible. They are kept under lock and key, with restricted access and publications. while, valuation is hard to monetize, due diligence records can create better investment return.





# Internal Mechanisms to Create Value Added Intellectual Property

## A Portfolio Based Intellectual Property Strategy

A portfolio is greater than the sum of its parts. Rather than putting all your eggs in one basket, diversify your investment, and avoid an easy "single-path" for competitors to create.

Keys to A Portfolio-Based Strategy:

- Understanding the IP landscape to identify innovation and IP opportunities across multiple aspects of the business
- Tracking
- Early focus on branding

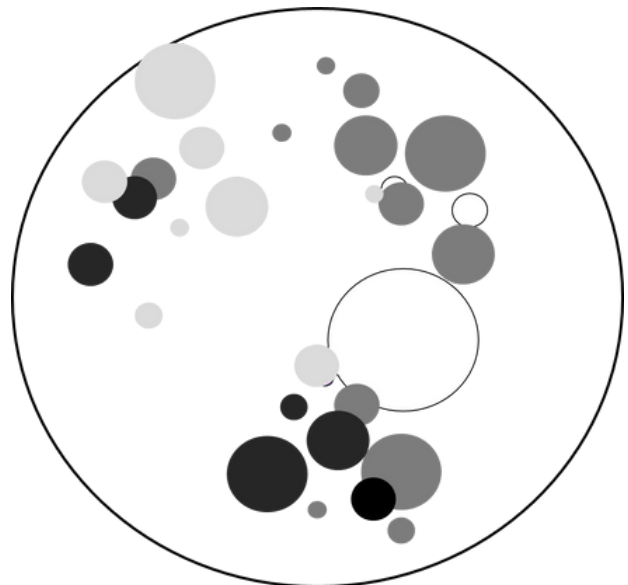
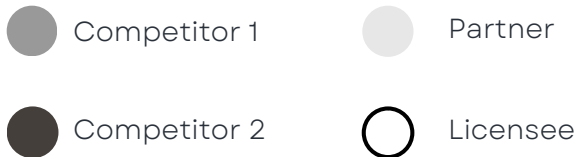
## Patent Portfolio Evaluation and Diligence

Fundamentals to a portfolio-driven IP success:

- Overview of claim scope
- Competitor analysis
- Position of portfolio within landscape
- Patent filing trends in related areas
- Open space for new patent filings
- Early identification of potential risks in portfolio
- Formation of IP process in preparation for exit strategies

## Field Awareness

White Spacing

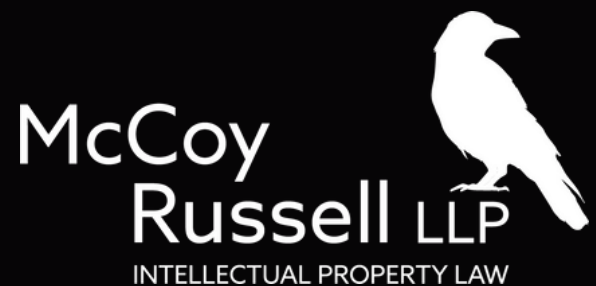






# What Next?

Contact us at [info@mccrus.com](mailto:info@mccrus.com) to discuss next steps for your obtaining protections for your brand and ideas with one of McCoy Russell's Attorneys.



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