

Strategies for Investing in Intellectual Property

by **David S. Ruder**
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Ruder, David S. Strategies for Investing in Intellectual Property – Intangible Valuations, Real Returns. Beard Books – Washington D.C. 2008, 159 pages.

David S. Ruder is an investment banker, attorney, and IP-entrepreneur. After starting on Wall Street he went to Northwestern University for a JD/MBA, specializing in technology and intellectual property, before continuing life in law practice. Consulting experience includes helping to set-up OceanTomo's M&A advisory practice. More recently he founded Terrier IP Investments LLC, a private investment firm focused on IP-based investments in companies backed by private equity and venture capital.

Intellectual property management in the US has traditionally lain in the domain of IP-attorneys. This book broadens the perspective with a different starting point, that of the financier. The compilation work outlines practical, sometimes well known, examples in simple easy to relate to language. The book has twenty six chapters divided into four parts with a comprehensive index. Each chapter is well referenced with primary and secondary sources, e.g. www.royaltysource.com, Sports Junkies Rejoice! The Birth of ESPN B. Rasmussen QV Publishing 1983, "Value Intangibles!" DeutscheBank Research J. Hoffman October 18 2005. The sections walk the reader through 1) rethinking valuation, 2) investment opportunities, 3) investing strategies and 4) licensing.

The thinking is – consider the financial perspective from the beginning, and how it fits in with overall strategy. Law is touched on, but only within the context of necessity rather than as an over-riding thematic. The author's broad experience includes some of the cases discussed so the reader benefits from firsthand accounts and consequent insight. The investment thesis is driven by three IP premises – intangible competitive edge, increased prominence in the financial markets, and new perception of unrealized value in such assets. The diatribe is one of copious examples, starting well with the illuminating InterTrust saga; how Philips and Sony in their desire to acquire key DRM (digital rights management) patents paid ten times more than book value for InterTrust, yet recovered almost immediately in the first settlement alone (Microsoft). Things are not always what they seem; the differences between cost, market and income valuation approaches are discussed. Moving onto the second section, opportunities, Coca-Cola is used as an excellent example framework; even covering the unusual related "pouring rights" specific to this industry; least one forget every situation is different. Having identified investment opportunities the tack moves to strategy – equity, arbitrage, securitization, and licensing companies. The fascinating tales of the NTP-RIM litigation and Acacia's NPE/Troll philosophy are briefly reviewed before investment criteria are discussed. Patents, copyright and trademark deals are discussed qua terms, payment structures, and risk allocation. Salvage value is noted as the investment backstop not to be overlooked. Finally, a gem of wisdom; though IP-assets are indeed intangible it does not make them an investable asset class *per se*; which opinion will be controversial in some quarters.

Lawyers tend to focus on case-law or civil procedures whilst closely monitoring the latest CAFC rulings. Some, tea-leaf readers, are pre-occupied with *Bilsky*, trying to predict which side the Supreme Court will favor. This book brings a different spin to the equation, a refreshing and necessary perspective, that of the financier; getting to the gist of what does it all mean, and so what. It is an up-to-date compilation of the broadest sweep through the field necessary for the IP-manager. Despite the previous swipe at lawyers, it is specifically this angle which could be improved. Certainly the author commands the body of knowledge.

Overall – highly recommended; very readable and difficult to put down.