



The Intellectual Ventures Report (2nd Edition)



The Intellectual Ventures Report (2nd Edition) builds upon the information disclosed in the First Edition of our report. Avancept applied the skills and techniques mastered through more than 30 years experience in law, business, technology, and journalism to uncover a tremendous amount of information about IV. Our Second Edition provides three times the information found in our First Edition and reveals the remarkable growth of IV during just a few short years of active IP asset acquisition. We are now pleased to offer a 1,989-page report detailing our findings.

A search on “Intellectual Ventures” reveals lots of opinions about the company but few independent facts. Most information about IV comes from the company’s own nuanced disclosures. This report aims to fill that void

by providing information on the intellectual property assets that the company appears to own and the parties who supplied these assets. Among other things, we describe how IV employed IP arbitrage as a technique for building one of the world's largest IP portfolios in just a few short years.

What is Intellectual Ventures

Intellectual Ventures was founded by Nathan Myhrvold and Edward Jung in 2000, “driven by the belief that invention is the highest-value and most interesting part of the commercial food chain.” Myhrvold formerly served as Microsoft’s chief technology officer, and Jung was Microsoft’s chief architect. Intellectual Ventures has been organised to invest in innovations and technologies across a broad spectrum of industries

everything from computer hardware to biotechnology, and consumer electronics to nanotechnology. The company has acquired inventions and related IP from a combination of corporations, individual inventors, government agencies, and universities worldwide. In addition, Intellectual Ventures has contracted with numerous inventors to develop its own IP, much of which is still pending in various patent offices around the world. Intellectual Ventures now claims to be one of the top 50 patent filers in the US. The company has also struck licensing arrangements of various sorts with universities and research labs throughout the developed and developing worlds.

To finance these IP acquisitions, Intellectual Ventures has raised more than \$5 billion from companies such as Microsoft, Intel, Sony, Nokia, Apple, Google, and eBay, and various financial investors, according to published reports. Intellectual Venture's corporate investors typically receive a royalty-free license to the entire Intellectual Ventures portfolio in exchange for their investment. According to published reports, Intellectual Ventures plans to group all acquired patents into clusters of like technology and then license the patents to potential users or infringers of each technology cluster. The goal is to derive more value than would likely be attained from the licensing of any individual patent.

Intellectual Ventures has been at the forefront of efforts promoting intellectual property as a legitimate business in its own right. Myhrvold even authored a white paper on the benefits of invention entitled "Invention – the Next Software." The paper, part of Myhrvold's testimony before the US Senate, suggests that a viable and socially beneficial business can be based upon the commercial exploitation of invention alone. This paper discloses a variant of the post industrial "open innovation" model advocated by various economists and others.

The Avancept IV Report (Second Edition)

Our report attempts to fill the void in information about Intellectual Venture's (IV) patent portfolio. IV does not reveal its portfolio publicly, relying instead upon numerous shell companies to conduct IP transactions. Using only publicly available information, we believe that we have found some 1,100 shell companies associated with IV. From these shell companies and other IV entities, we have found 810 apparently relevant IP transactions from 2001-2009. These transactions pertain to 7,018 US patents, and 2,871 US patent applications that appear to be directly controlled by the company. We have further categorized these patents and applications according to their technical subject matter.

We use the transactions found and other information to estimate the portfolio's overall size to comprise more than 10,000 patent families that amount to some 25,000-50,000 directly controlled patents/applications worldwide by the end of 2009, although this number could range even higher depending on factors such as the company's international filing preferences. Thus, in just a few years of active acquisition, IV appears to have acquired a patent portfolio among the top 10 in size for domestic US companies and quite possibly at the upper end of the top 10.

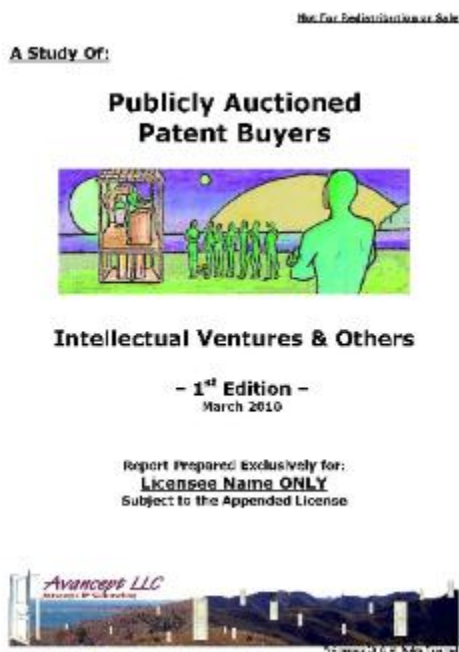
We have also attempted to describe IV's apparent organization and its corporate philosophy of "invention capitalism." We provide some information about the company's funding and investment mechanisms, as well as its sales and licensing efforts. We also discuss the company's forays into actual technology development with IV Labs and TerraPower.

IV may represent the greatest exemplar of IP arbitrage to date. We note that approximately half of IV's US portfolio originated with non-US entities. As an IP arbitrageur, IV seems to have successfully exploited the relative disparities in IP value between the US and the rest of the world. We note that much of IV's portfolio originated from European entities, where IP seems to be particularly undervalued as a general rule. The company has also been successful at obtaining IP from universities and governments worldwide.

We are generally enthusiastic about IV's reported goal of turning invention *per se* into a sustainable and socially useful business model, and we believe that the public should be able to study this portfolio as easily as it can study the portfolios of the world's other great IP portfolios.

We hope that this report will assist in according this remarkable portfolio its full and appropriate commercial import.

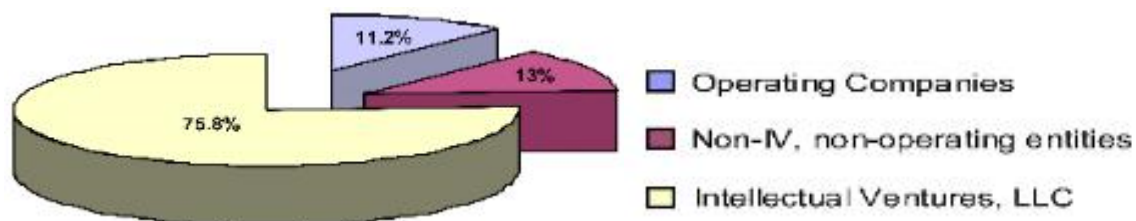
Publicly Auctioned Patent Buyers: Intellectual Ventures & Others



Little information has previously been revealed about the buyers of publicly auctioned patents. While the auctioned patents have been analyzed, and the sellers reasonably scrutinized, the buyers have remained somewhat of a mystery. Our latest report aims to fill that void by providing information about the buyers, both individually and as a group, of some 300 patent lots offered at nine Ocean Tomo patent auctions from Spring 2006-Spring 2009. This 225-page report also describes the evolving nature of public patent auctions and what their success says about open innovation in the knowledge economy.

By categorizing the buyers into various groupings, we are able to provide increased granularity with respect to purchase prices at these professionally conducted auctions than appears to have been previously reported. Intellectual Ventures paid more than \$60 million for the lots having published pricing data, with the non-IV buyers paying some \$20 million for those lots having published pricing data. Our research indicates that the operating company buyers, while few in number, tend to have paid the most per lot.

Our research confirms the rumors that Intellectual Ventures purchased the lion's share of patents sold at the Ocean Tomo auctions. We found that IV appears to have purchased some 76% of the lots sold, with the remaining 24% split about equally between other non-practicing entities and operating companies.



In a broader context, we also examine the role of patent auctions in the knowledge economy and what the “success” of these auctions says about open innovation business strategies. The research provided here should be of interest not only to IP practitioners but also to legal and economic researchers as well.

Our research also debunks the common myth that IV acquired most of its patents via auctions, as we find that the patents acquired likely amount to no more than 7% of the Bellevue-based company’s total portfolio. The report further debunks the often repeated rumor that Intellectual Ventures spends no more than \$40,000 per patent.

Rank	Apparent Buyer	Lots Purchased
1.	Intellectual Ventures	229
2.	Open Invention Network LLC	8
3.	Resource Consortium Limited	5
4.	Wi-Lan, Inc.	

This publication marks the first of our executive series based upon data enhanced from our “The Intellectual Ventures Portfolio In the United States: Patents & Applications (2nd Edition, 2010).” This report has recently been mentioned in both the New York Times and Dow Jones Newswires. Our research here adds new patent shells and additional patents to those identified in our ground-breaking report.

From the Avancept LLC home page:



For technology companies Strategic intellectual property advice requires more than just legal, business, or technology expertise ... it requires all three of them.

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