

Aggregators and Brokers
Berkeley Center for Law and
Technology

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What do Buyers Care About

- Valuation
- Title and Encumbrances

The \$150M Portfolio

	YEAR						
	1	2	3	4	5	6	7
Experts and expenses	\$ (500,000)	\$ (500,000)	\$ (500,000)	\$ -	\$ -	\$ (500,000)	\$ -
Damages (Your Expert)	-	-	-	-	-	-	150,000,000
Contingency Firm	-	-	-	-	-	-	(60,000,000)

The Arbitrage

	YEAR						
	1	2	3	4	5	6	7
Experts and expenses	\$ (500,000)	\$ (500,000)	\$ (500,000)	\$ -	\$ -	\$ (500,000)	\$ -
Damages (Your Expert)	-	-	-	-	-	-	150,000,000
Contingency Firm	-	-	-	-	-	-	(60,000,000)
Net	\$ (500,000)	\$ (500,000)	\$ (500,000)			\$ (500,000)	\$90,000,000
Discount Rate	75%						
NPV	\$4,887,844						

The Analogy of buying a House

- What are the concerns:
 - Title
 - Authority
 - Liens / Security interests
 - Easements
- Title Insurance covers many of these when you buy a house...
- But, there is no Title Insurance in the IP world – this is usually covered by R&Ws and DD

Mosaid/Agere

2007 News Releases

"FOR IMMEDIATE RELEASE"

MOSAID Wins Competitive Bid for Essential WiFi and WiMAX Patents from Agere Systems

OTTAWA, Ontario – February 22, 2007 - MOSAID Technologies Incorporated (TSX: MSD) today announced that it has won a competitive bid for a portfolio of essential WiFi and WiMAX patents from Agere Systems (NYSE:AGR). Under the terms of the agreement, MOSAID will pay Agere US\$25 million during MOSAID's fiscal 2007 fourth quarter, US\$5 million in the fiscal 2008 fourth quarter, and eight subsequent annual payments of US\$5 million, creditable against Agere's 20% of royalty revenues earned under a revenue sharing formula.

21 February

Mosaid's market Cap = US\$295M

Agere Deal = ~23% of market Cap

The Mosaid/Agere Transaction

Agere Deal Announcement Slide (3Q Conf Call)

- MOSAID wins competitive bid for essential WiFi and WiMax patents from Agere Systems
 - 20 issued and three pending patents
 - Patents essential to 802.11 WiFi and 802.16 WiMax standards
- Multi-billion dollar target markets
 - Video game consoles, handheld gaming devices, WiFi-enabled handsets, **laptops**
- Licensing revenues from WiFi and WiMax patents have potential to surpass DRAM memory patent licensing revenue to date

Why is the Intel Case important

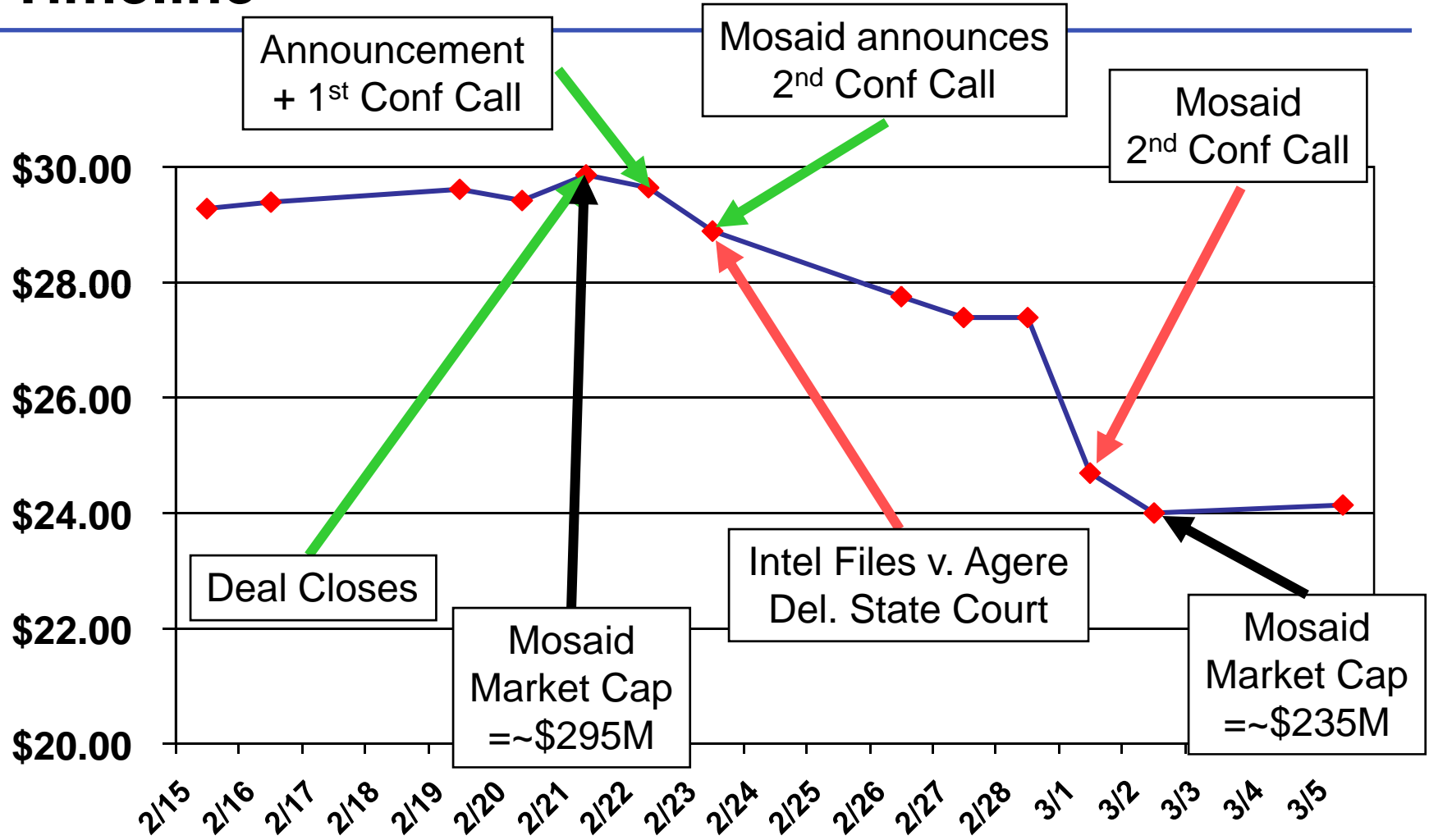
Mosaid Business Case

Market	Market Sizes 2006 - 2011	WiFi or WiMAX Enabled Percentage 2006 - 2011	WiFi and WiMAX Portion 2006 - 2011	Estimated Current Licensed Portion %	Estimated Unlicensed Portion %
Mobile Handsets	\$145B - \$200B	0.8% - 31%	\$1.2B - \$62B	11%	89%
Notebook Computers	\$86B - \$113B	89% - 100%	\$76.6B - \$112.5B	35% *	65%
Gaming Consoles	\$16B-\$14B	70%-80%	\$9B-\$10B	5%	100%
WiFi Equipment	\$1.4B-\$1.6B	100%	\$1.4B-\$1.6B	34%	66%
WiMAX Equipment	\$0.2B-\$6.3B	100%	\$0.2B-\$6.3B	0%	100%

See note: this Translated to 25% - 15% Reduction in Addressable Market

* There is a current dispute between Intel and Agere as to whether Intel and their customers are licensed. This assumes neither Intel nor their customers are licensed. If their customers are licensed, then the estimated current licensed portion of the notebook market would increase to 80%.

Timeline



Conclusions

- Make sure your Seller owns (title) and can convey to you (authority) and that you are getting the property you expect without security interests, easements (licenses) and covenants.
- If you are getting a great price or the deal is small, you can do less due diligence but as the price moves up, you need to focus more
 - Most issues can be ferreted from the public records (assignments in the USPTO, corporate records, UCC filings,), but licenses are especially tricky because they are typically not recorded.
- No patent buyer wants to buy a rep./warranty.
 - Bold move to rely solely on Reps./Warr. as to licenses. Sometimes done... but, a gamble.
- Grown-up companies that are sophisticated patent buyers cannot whine later about "misrepresentation."