

How to implement Risk Mitigation Strategies: Future-proof your portfolio

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CIPHER

Agenda

Risk Survey findings

What is our process for Risk Management

- Threats
- Materiality of that risk
- What action can you take?
- How can you communicate this?

Patent risk is unavoidable for most patent owners, inevitable for many and generally not reported

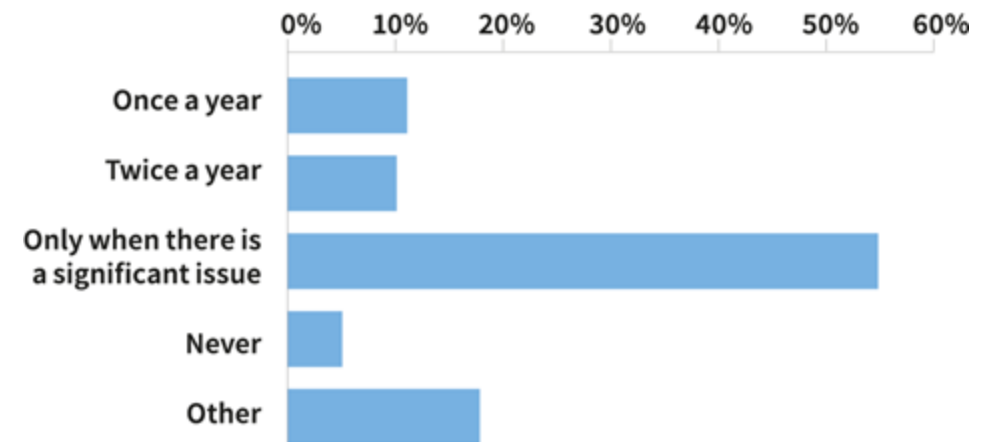
81%
of patent
owners

think that it is likely that they will have to deal with patent risk in the next two years

56%
of patent
owners

only report on risk when there is a significant issue

How often do you report on patent risk?



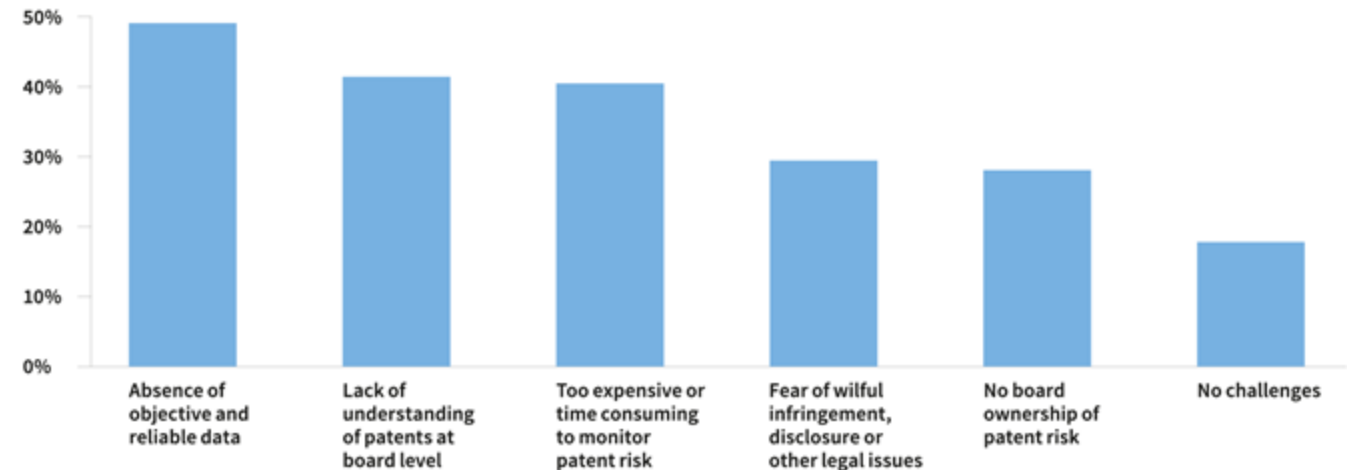
Source: Cipher Patent Risk Survey, 2021

The main challenges when communicating patent risk include the absence of objective and reliable data and the lack of understanding of patents at board level

50%
of survey
respondents

highlight the absence of reliable data as the main challenge when communicating patent risk

What are the challenges you face in communicating patent risk?



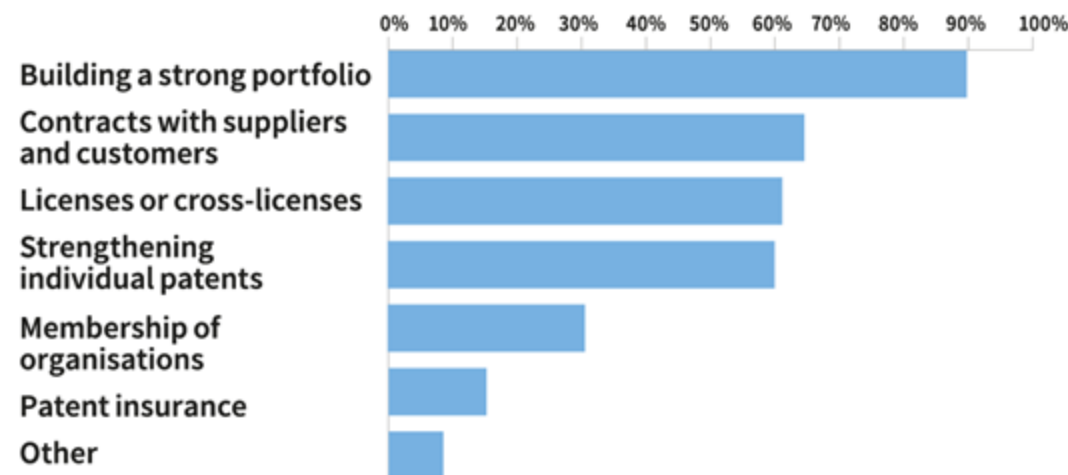
Source: CIPHER Patent Risk Survey, 2021

Building a strong patent portfolio is the primary approach to patent risk mitigation, but only as part of a holistic risk strategy

92%
of survey
respondents

identified the building of a strong portfolio as the best way to mitigate patent risk

How do you mitigate patent risk?



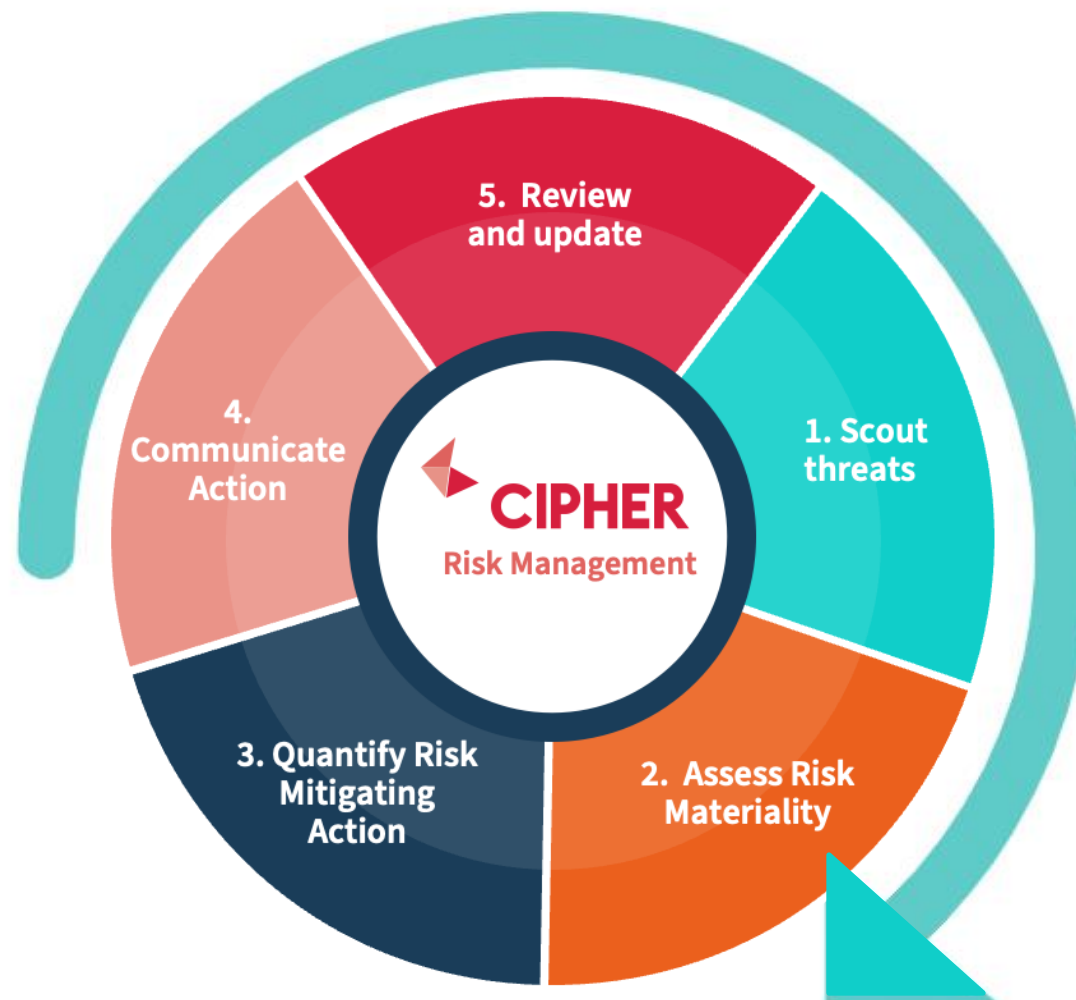
Source: CIPHER Patent Risk Survey, 2021



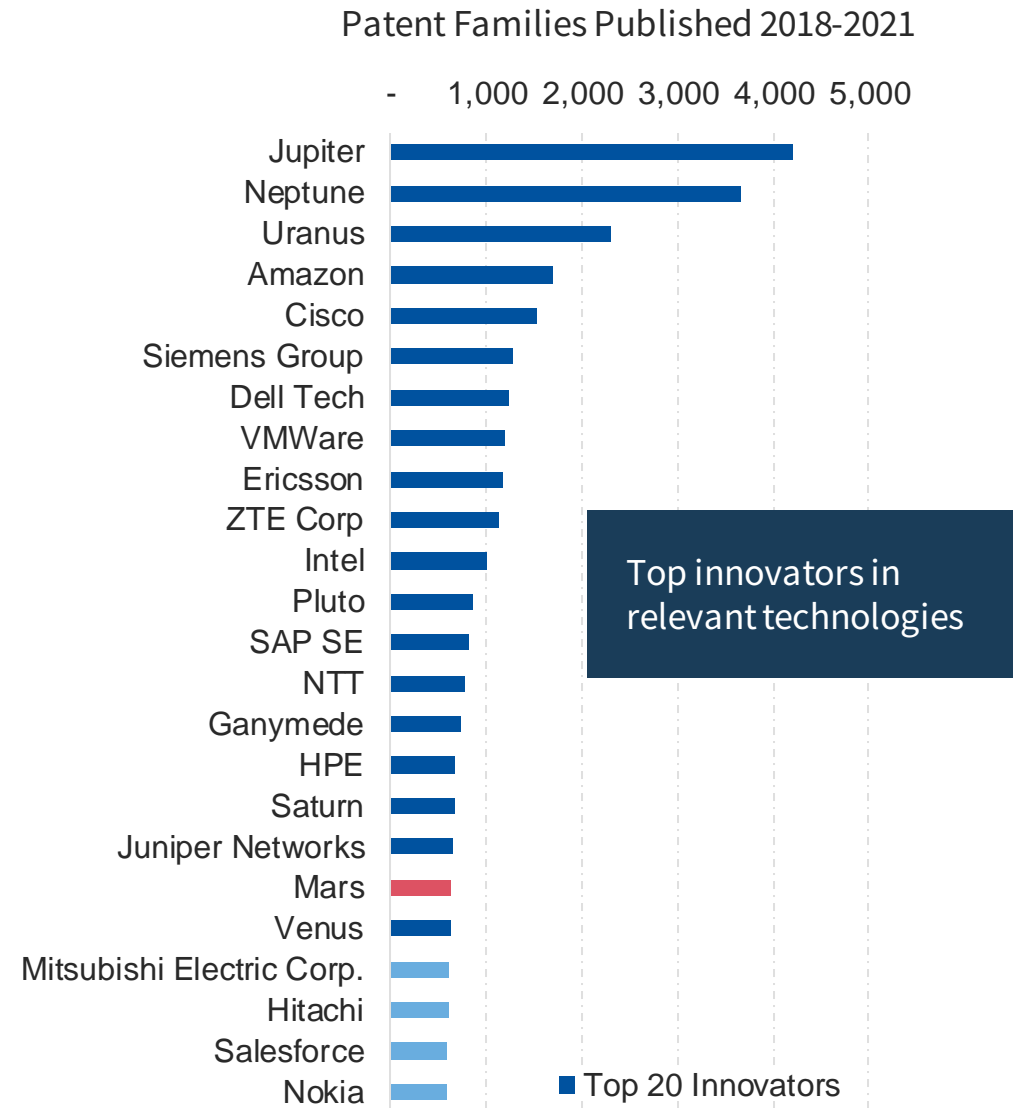
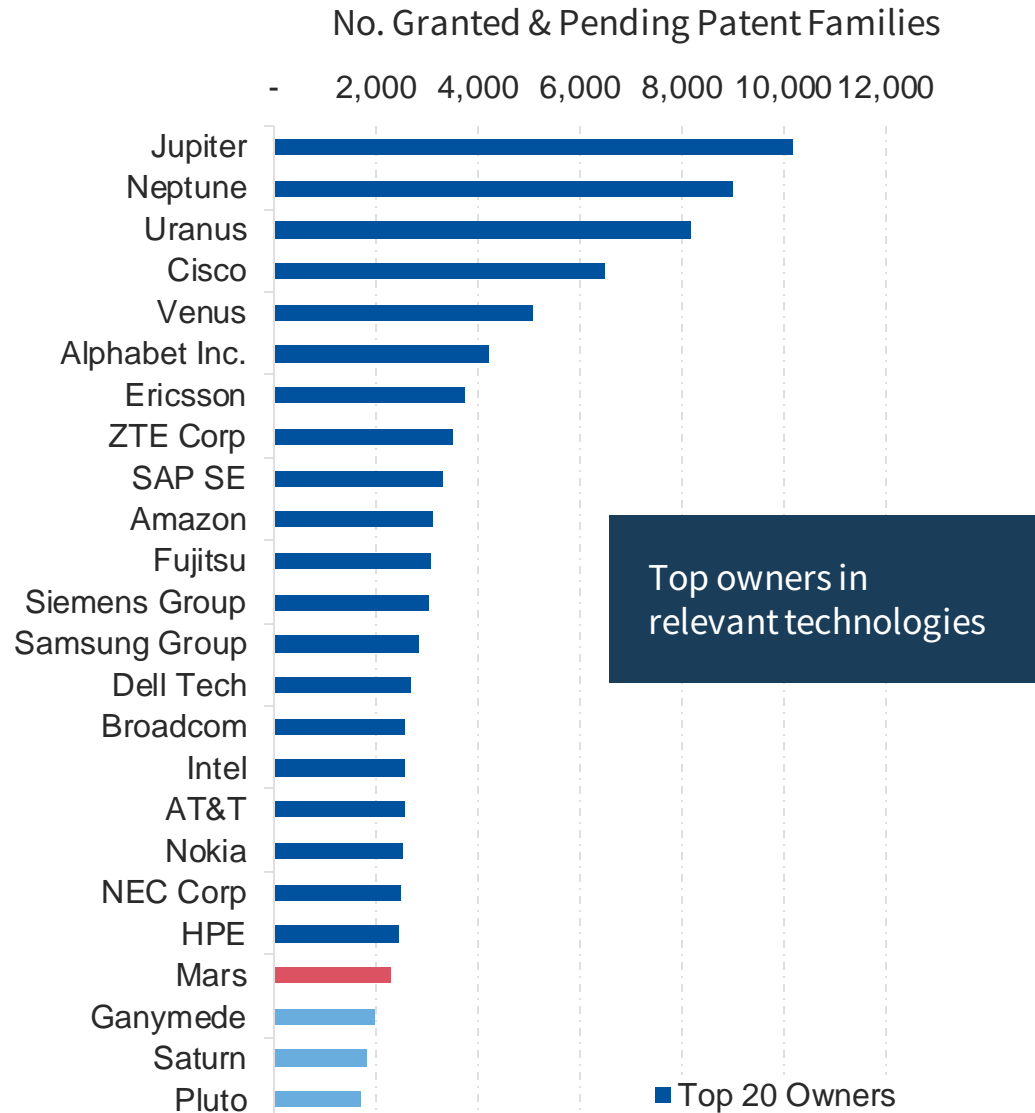
Patent risk is inevitable

**Quantification, mitigation and communication is a
choice**

Cipher Risk Management Process



Who should be on your threat list?



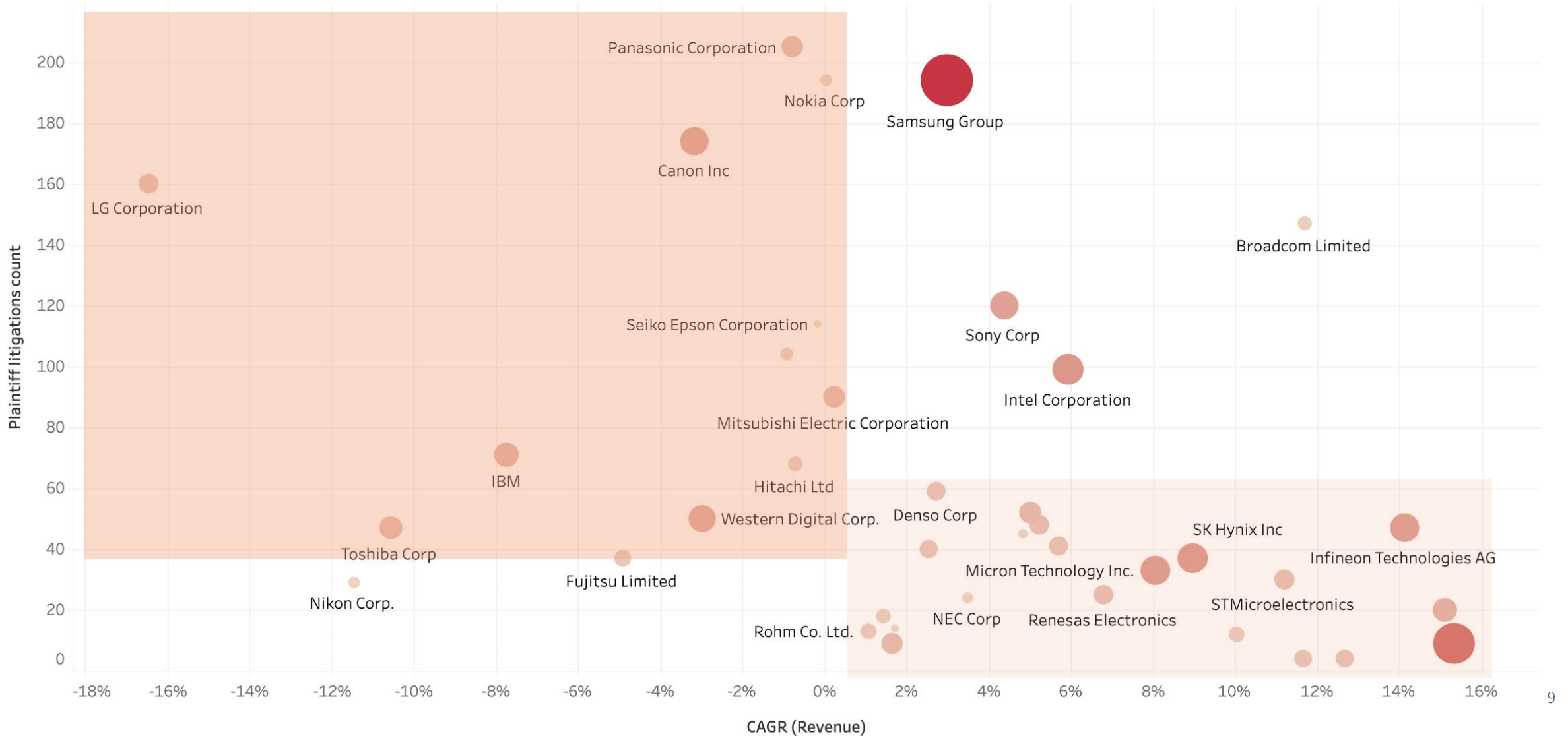
Quadrant Analysis

Propensity to litigate

Top 58 Owners; Min 28

x-axis: Revenue Growth: 2017 - 2021

y-axis: Plaintiff Litigations (total per org): All - All



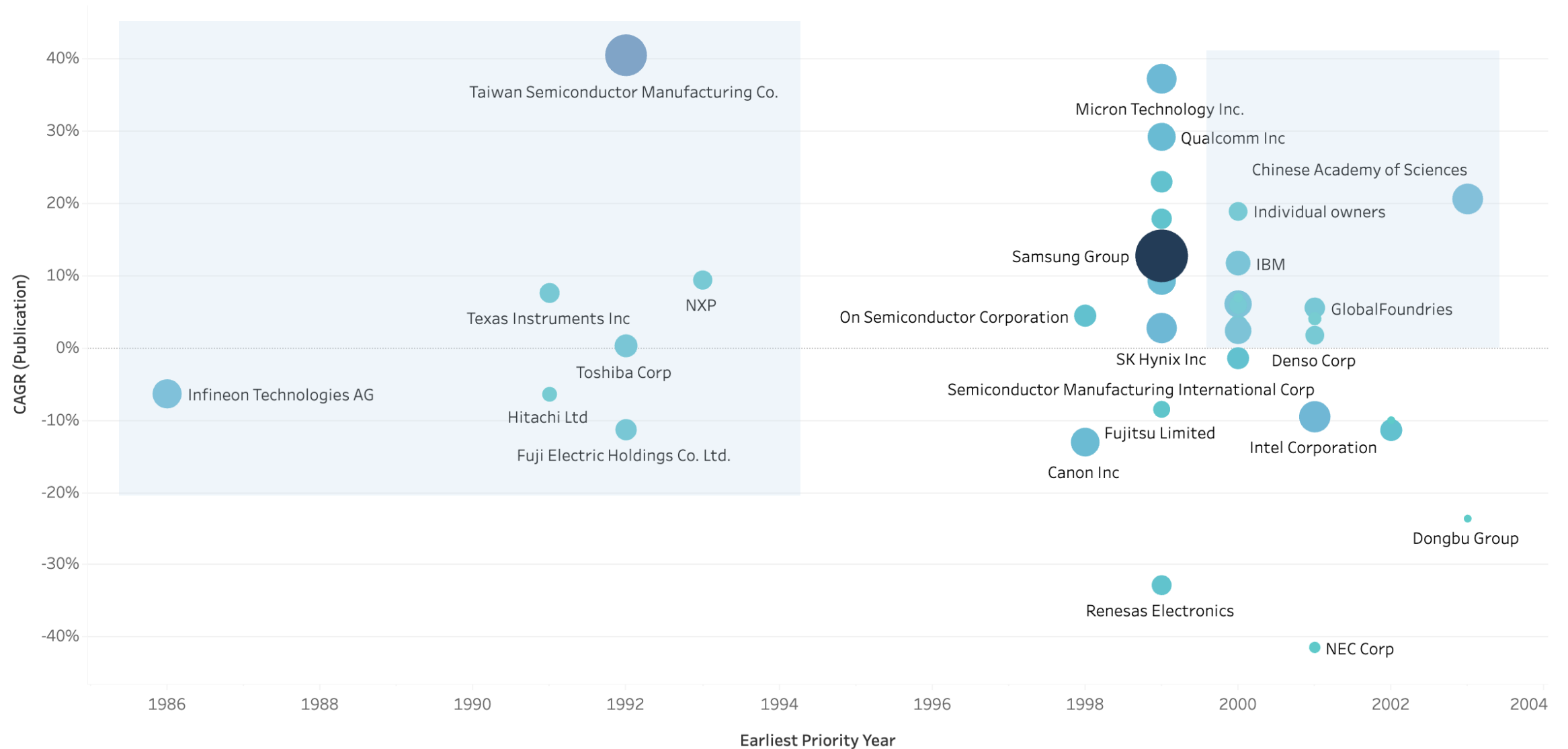
Quadrant Analysis

Fast Technology Risers

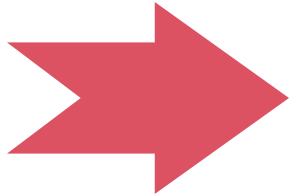
Top 37 Owners; Min 28 Active Families

x-axis: Earliest Priority Year

y-axis: Portfolio Growth (publication year): 2018 - 2021



Risk Materiality

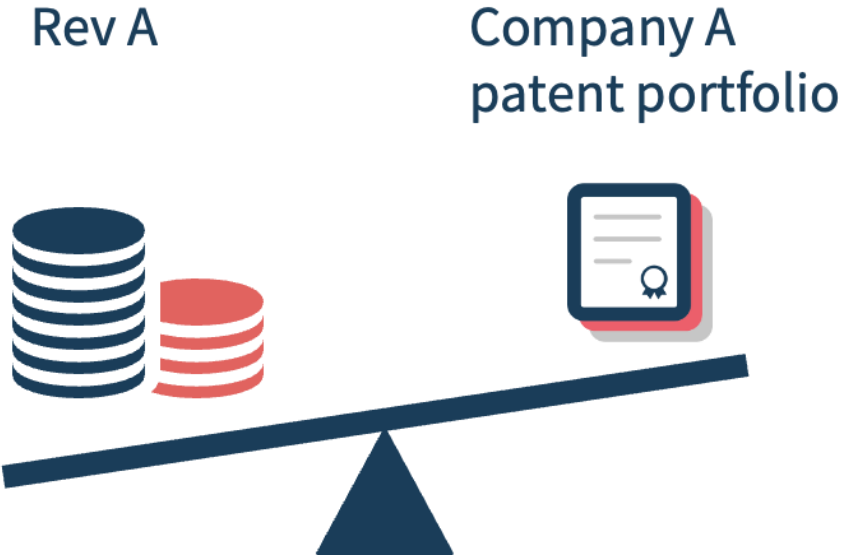
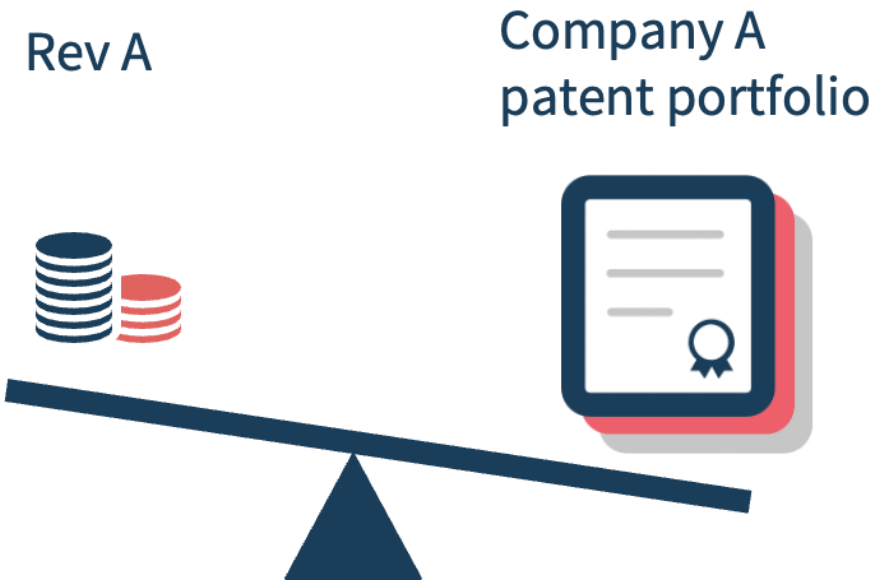


Revenue at risk

Size of Portfolio

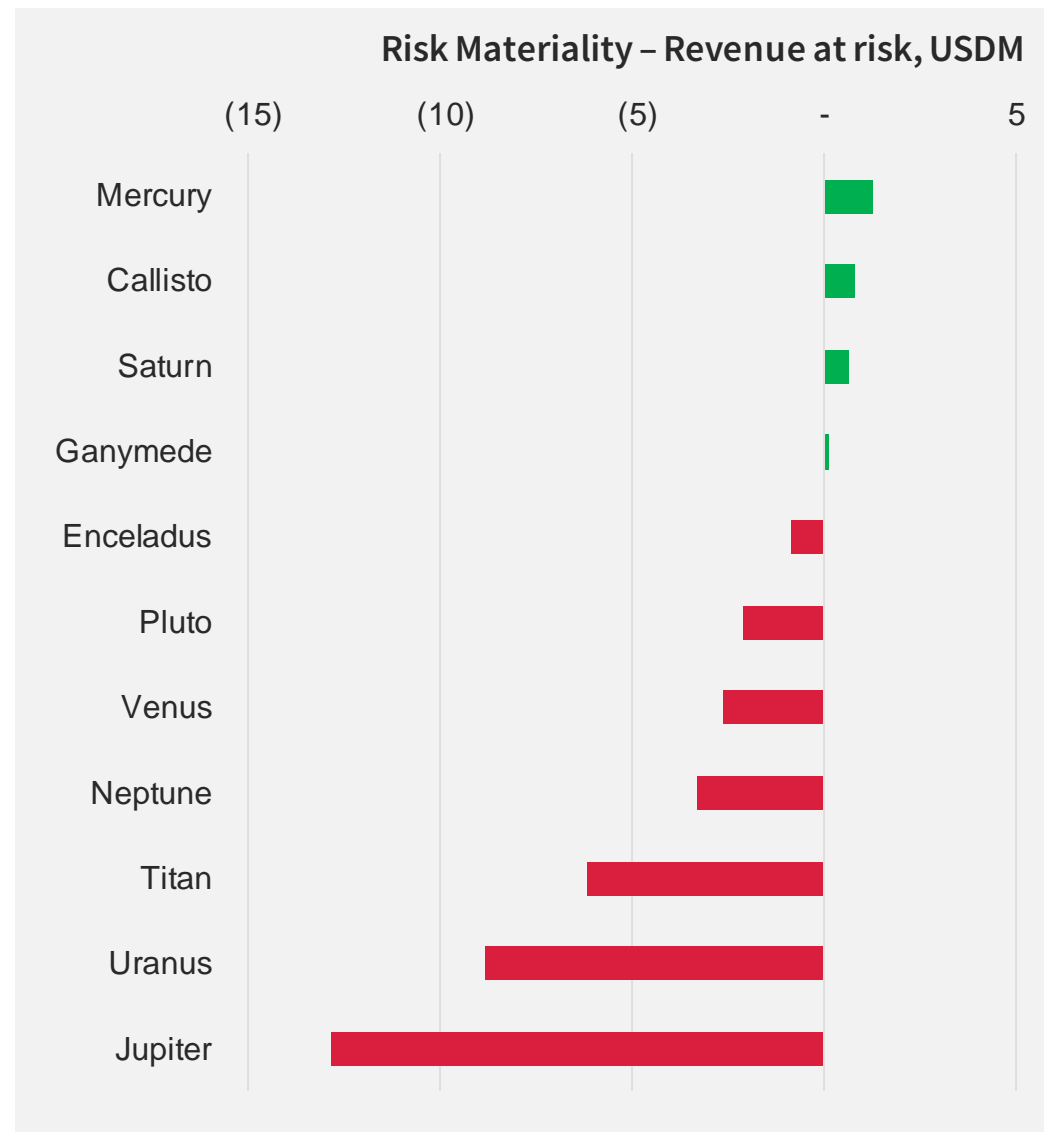
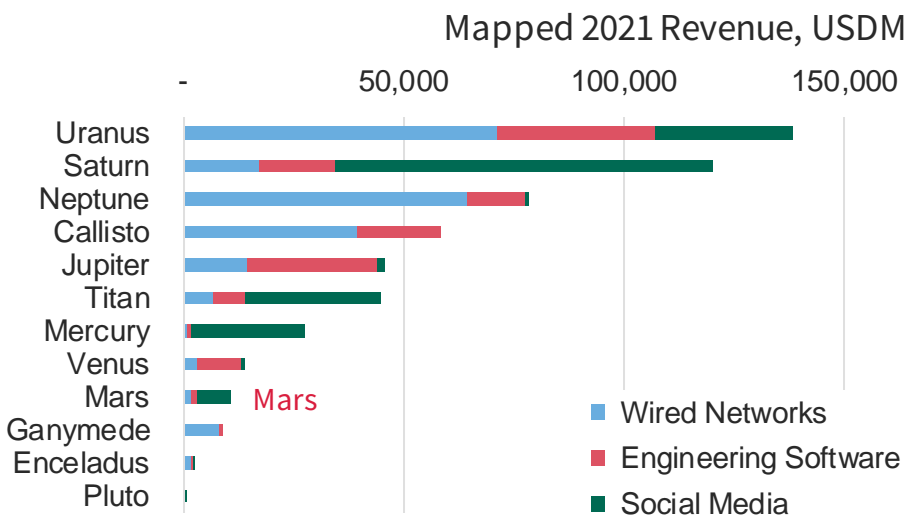
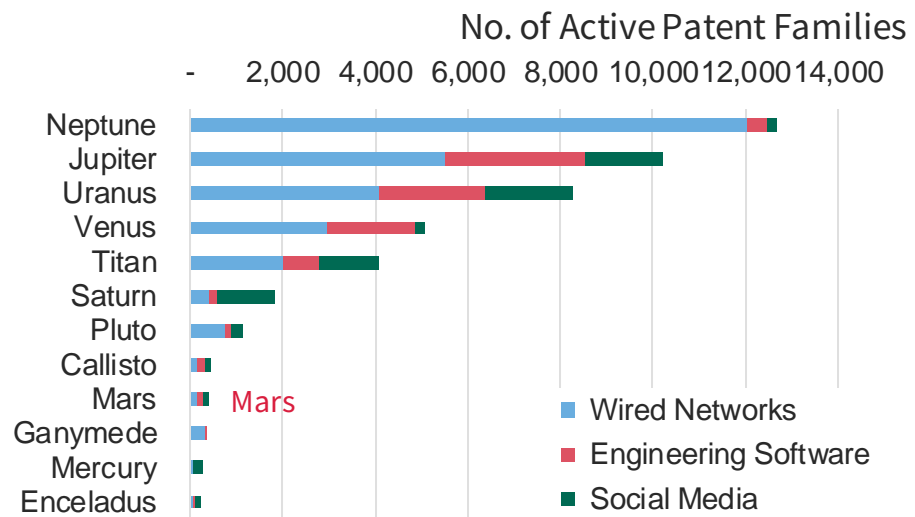
Materiality of Threat

Portfolio Balance Visualised



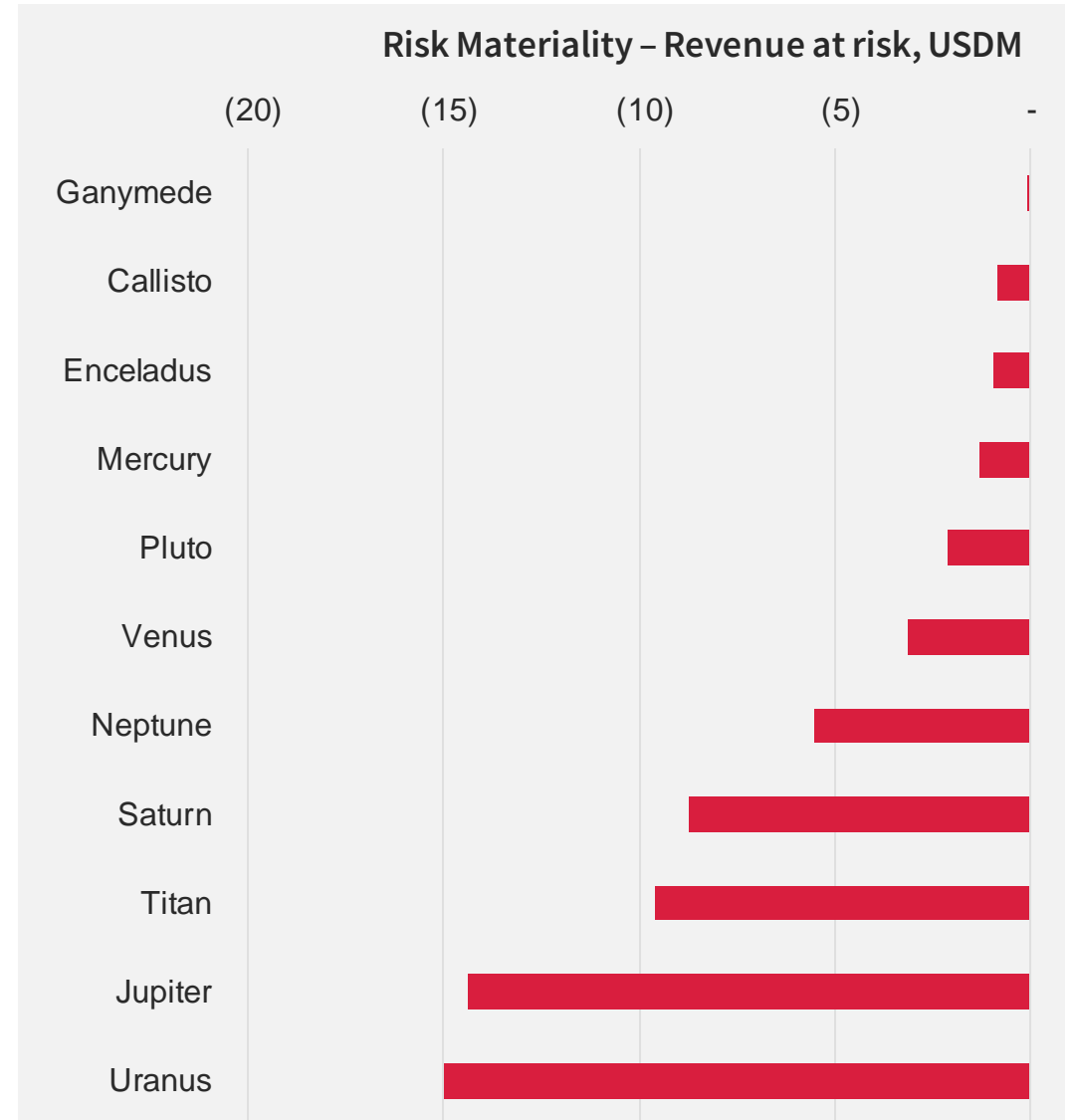
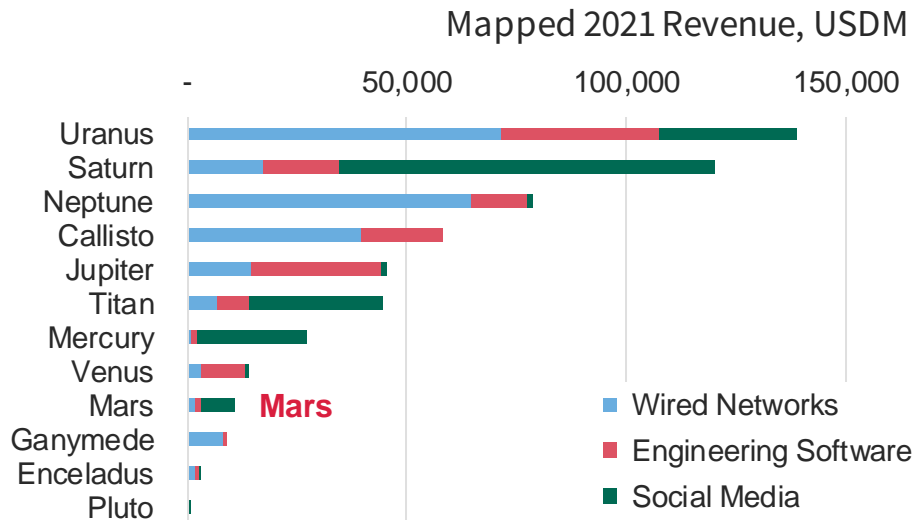
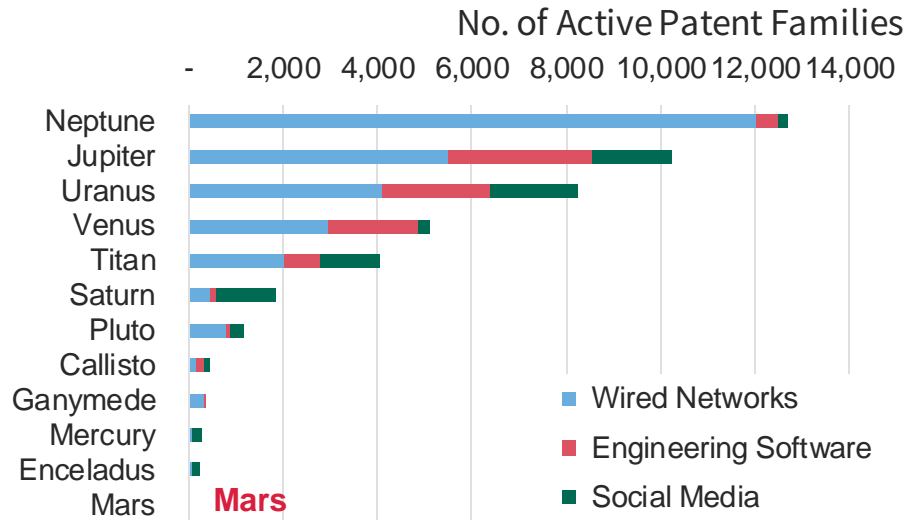
$$Risk\ Materiality = RoyRate \times \left[\frac{(N_{Company} \times Rev_b) - (N_b \times Rev_{Company})}{N_{Total}} \right]$$

Quantifying the risk



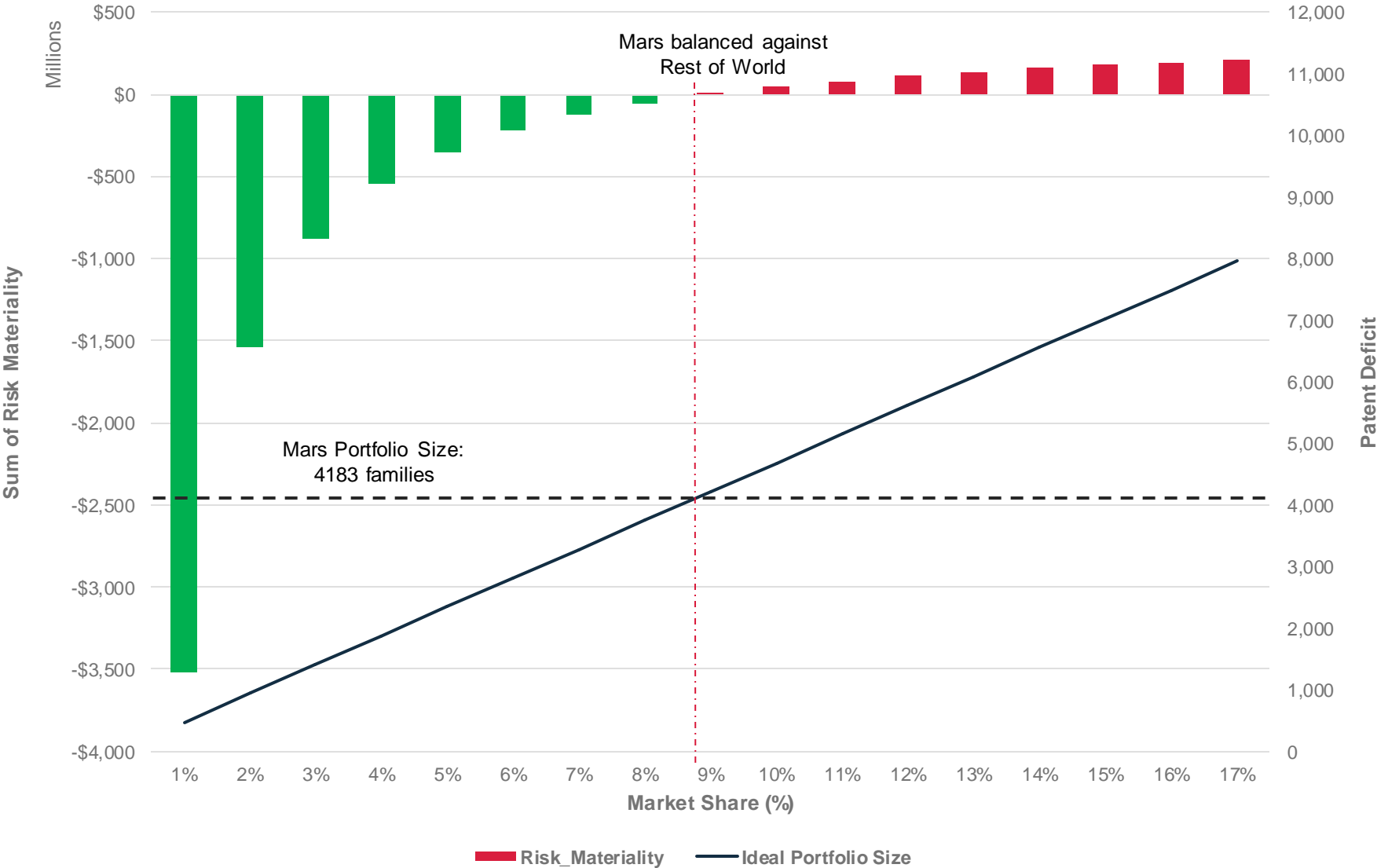
Sum of Revenue at Risk = 37 USDM

No patent portfolio - quantifying the risk



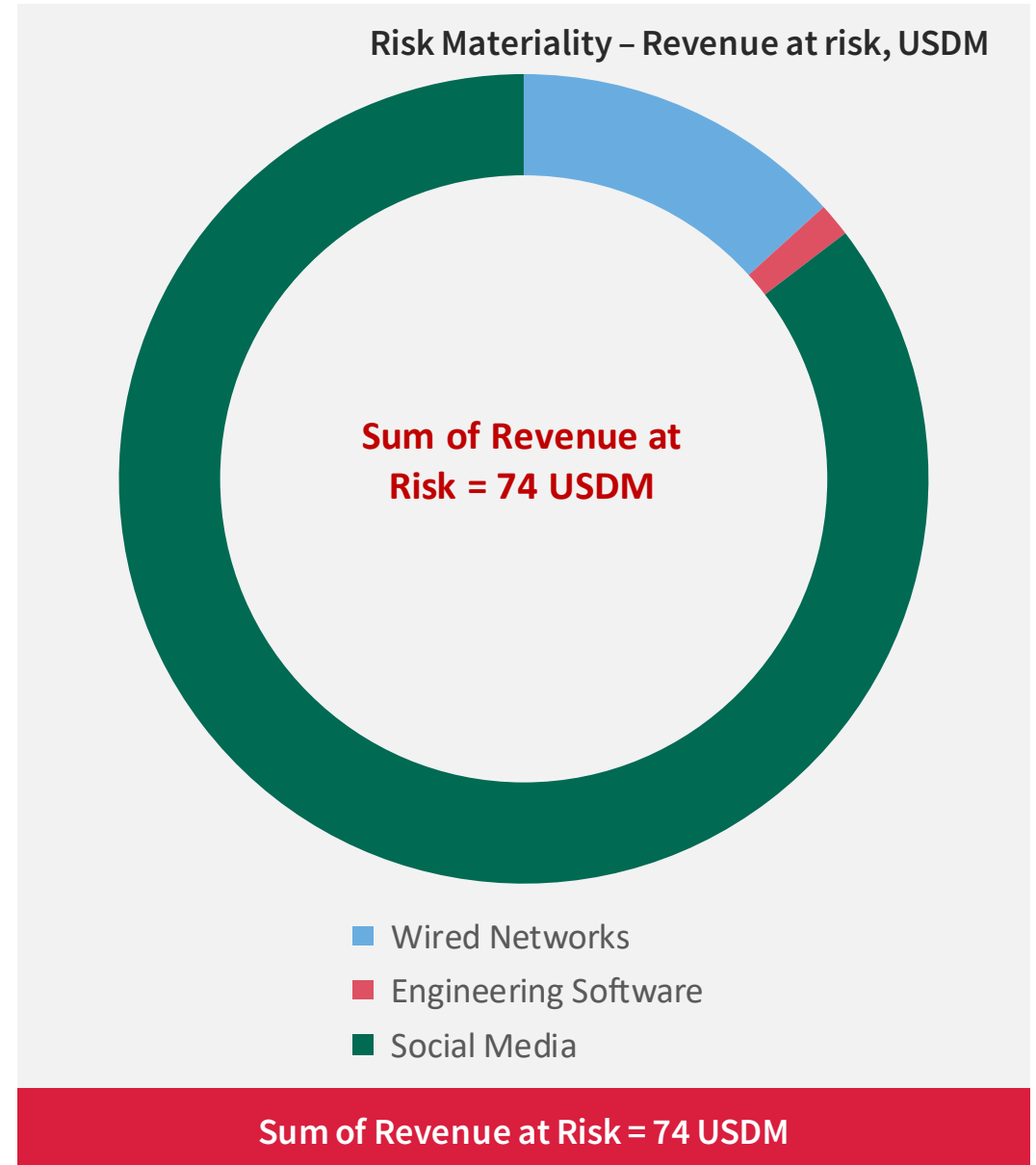
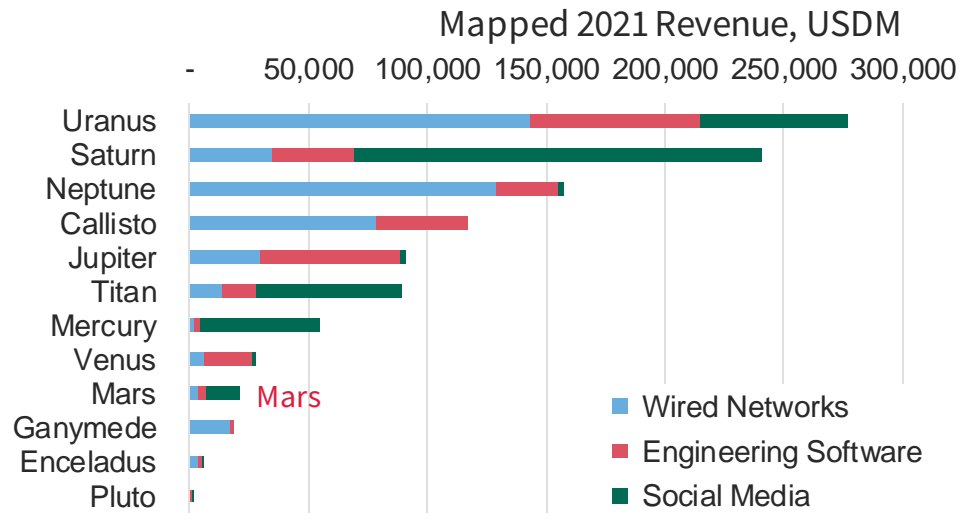
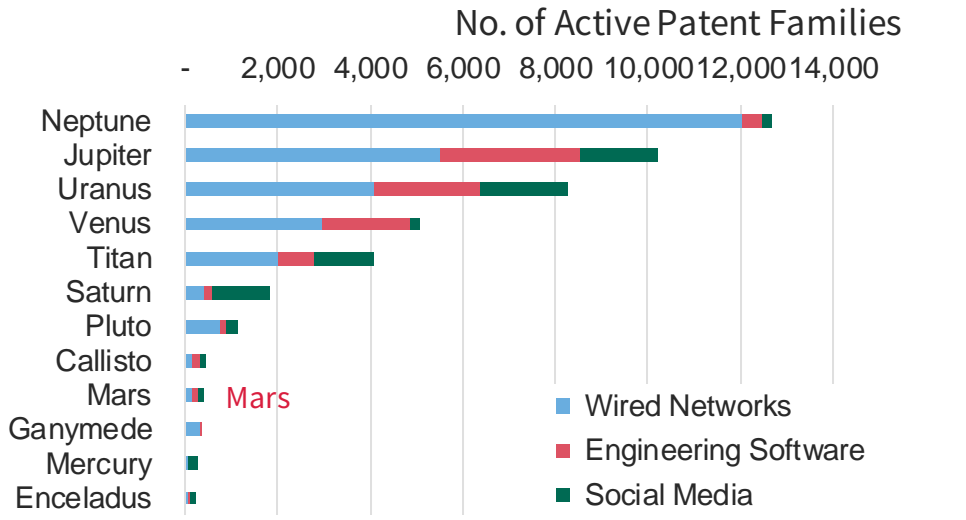
Sum of Revenue at Risk = 62 USDM

Estimating remaining risk exposure



Assumes: Mars Revenue = 11,100 USDMM; Mars Portfolio Size = 4183; Total Landscape = 46,800

Quantifying the risk for future revenue growth





Take action:

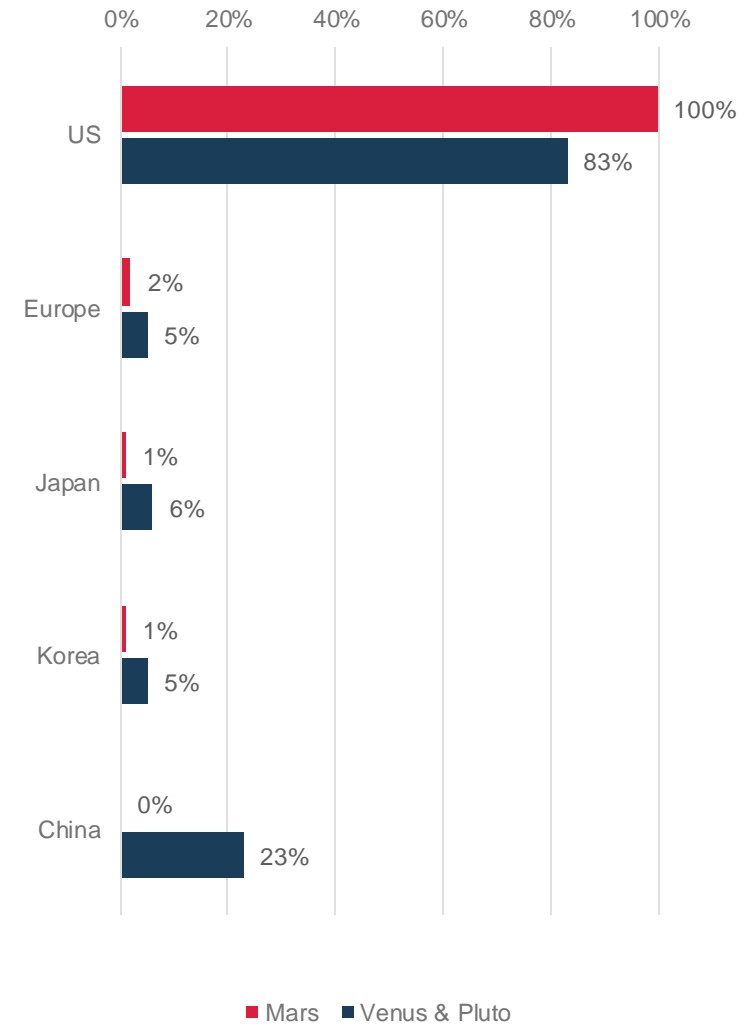
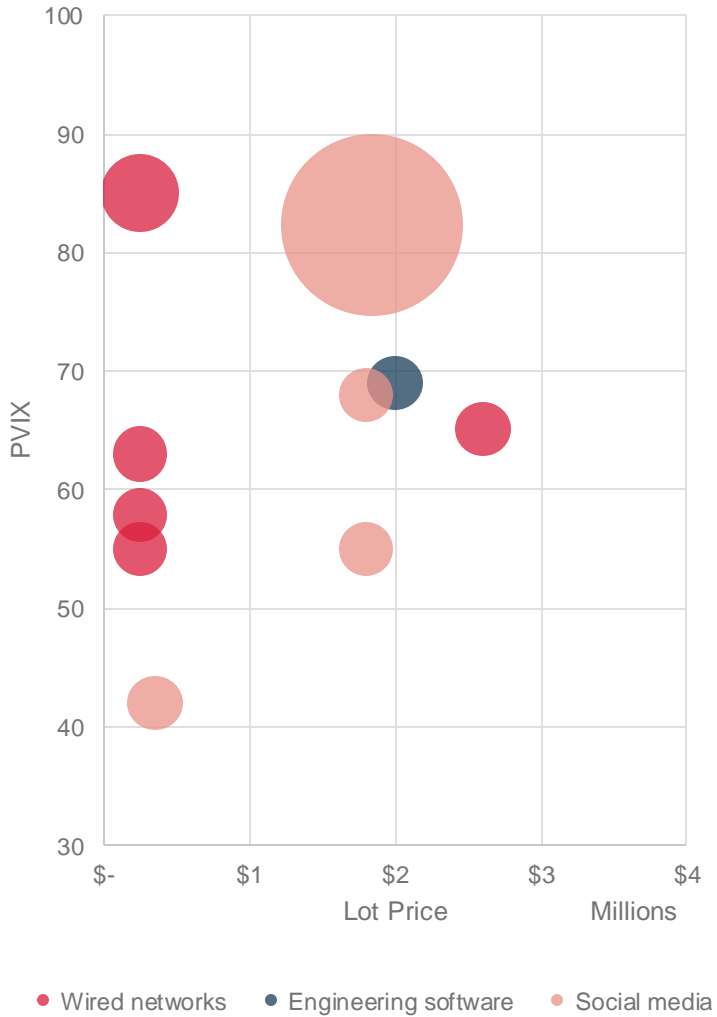
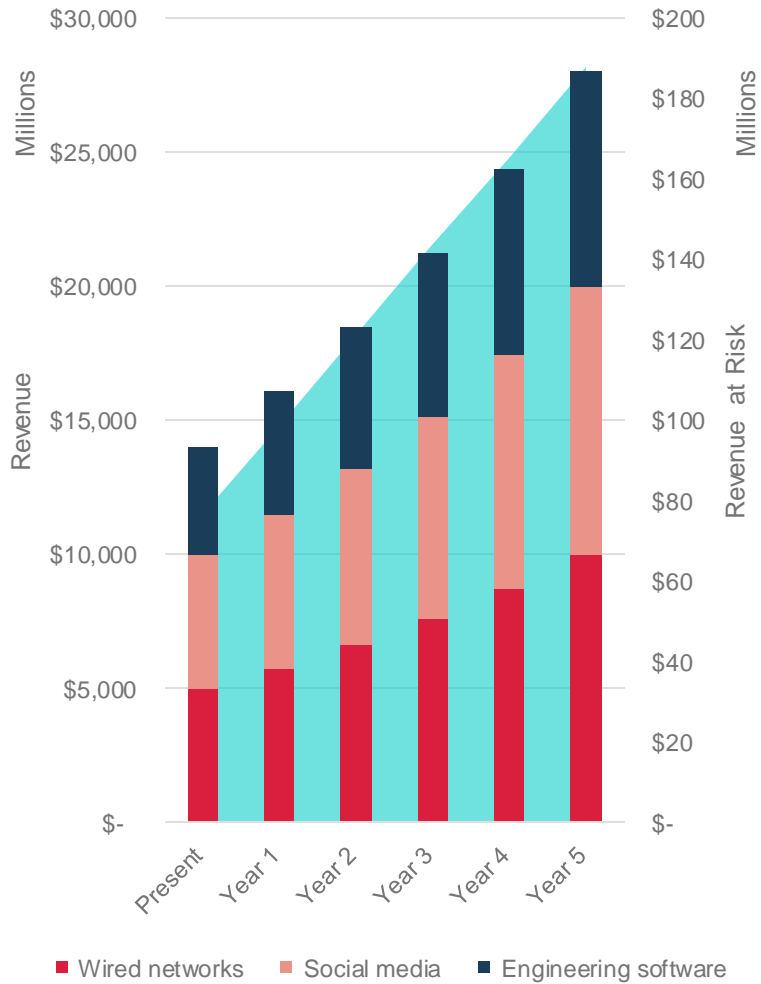
Model internal filing

Negotiate cross-license

Buy 3rd party assets



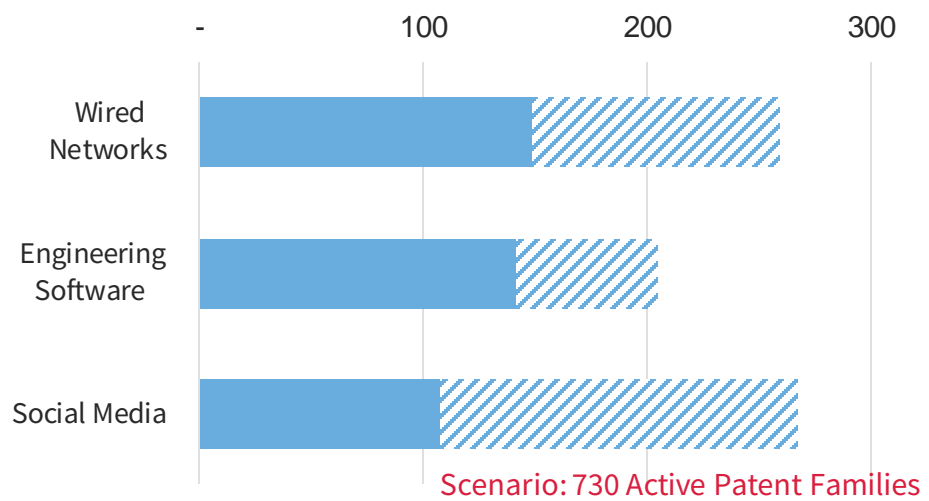
Organic growth, high-value assets and x-licenses



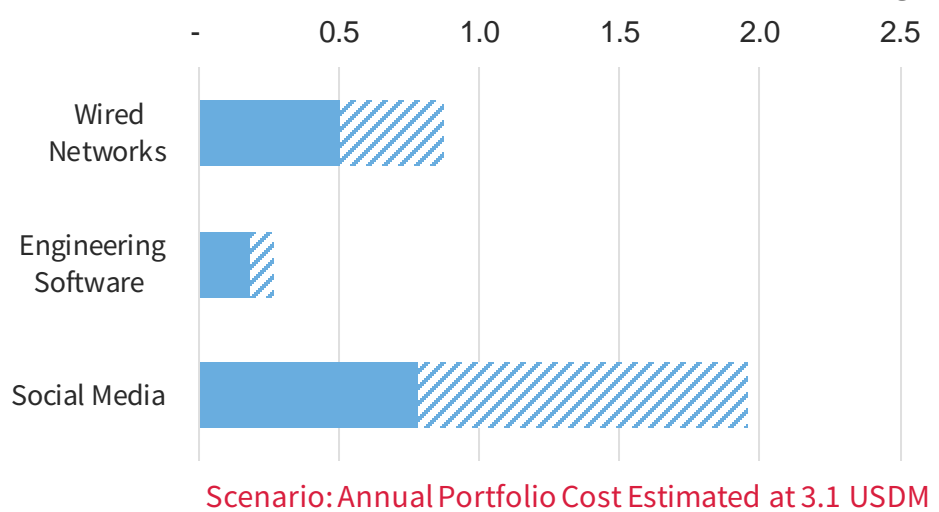
Mitigating patent risk



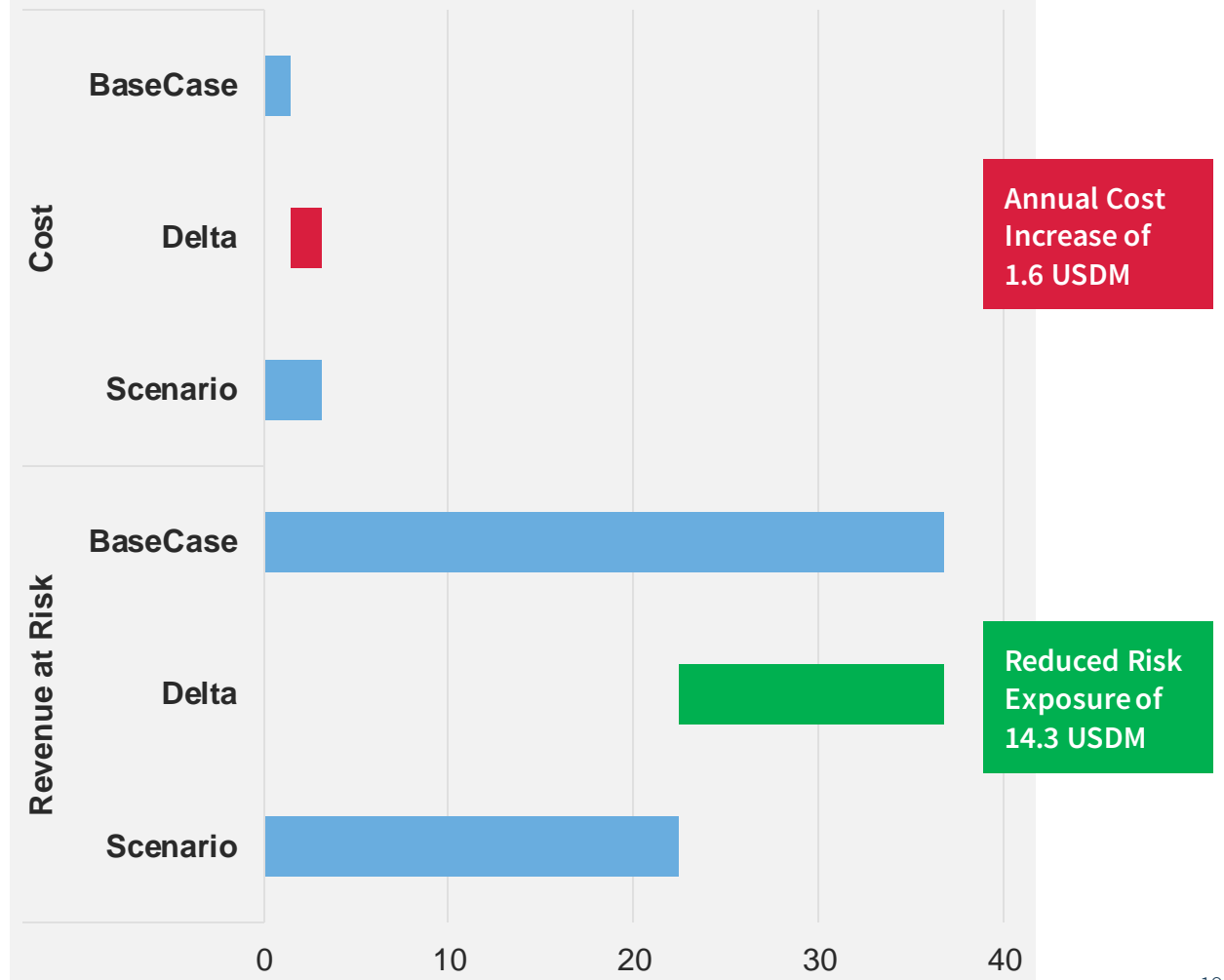
Mars Portfolio Size & Scenario Change



Mars Portfolio Cost USDM & Scenario Change

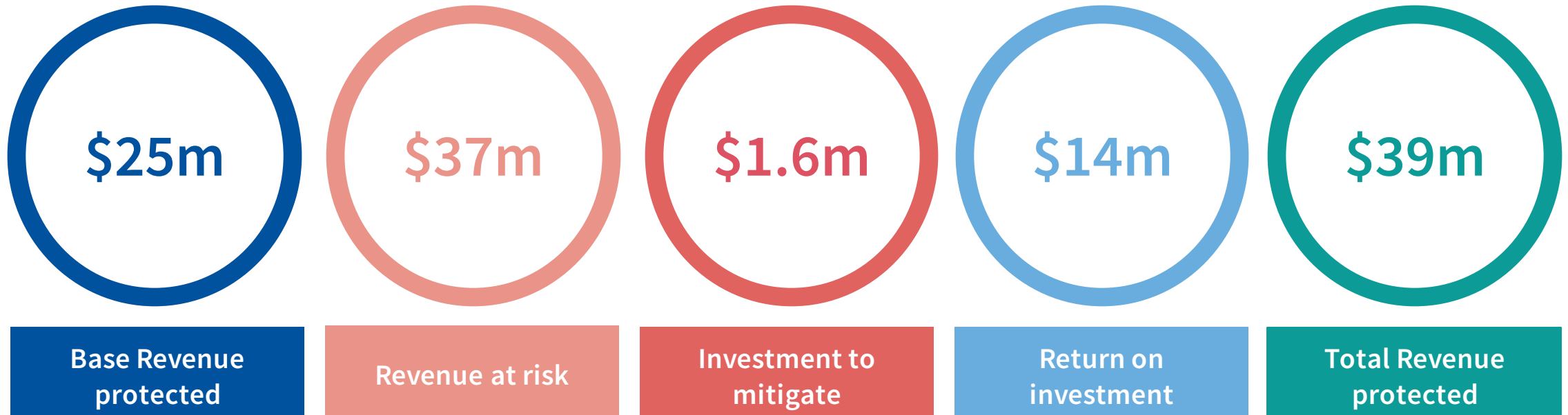


Scenario Analysis: Annual Patent Portfolio Cost vs Annual Revenue Risk Materiality, USDM

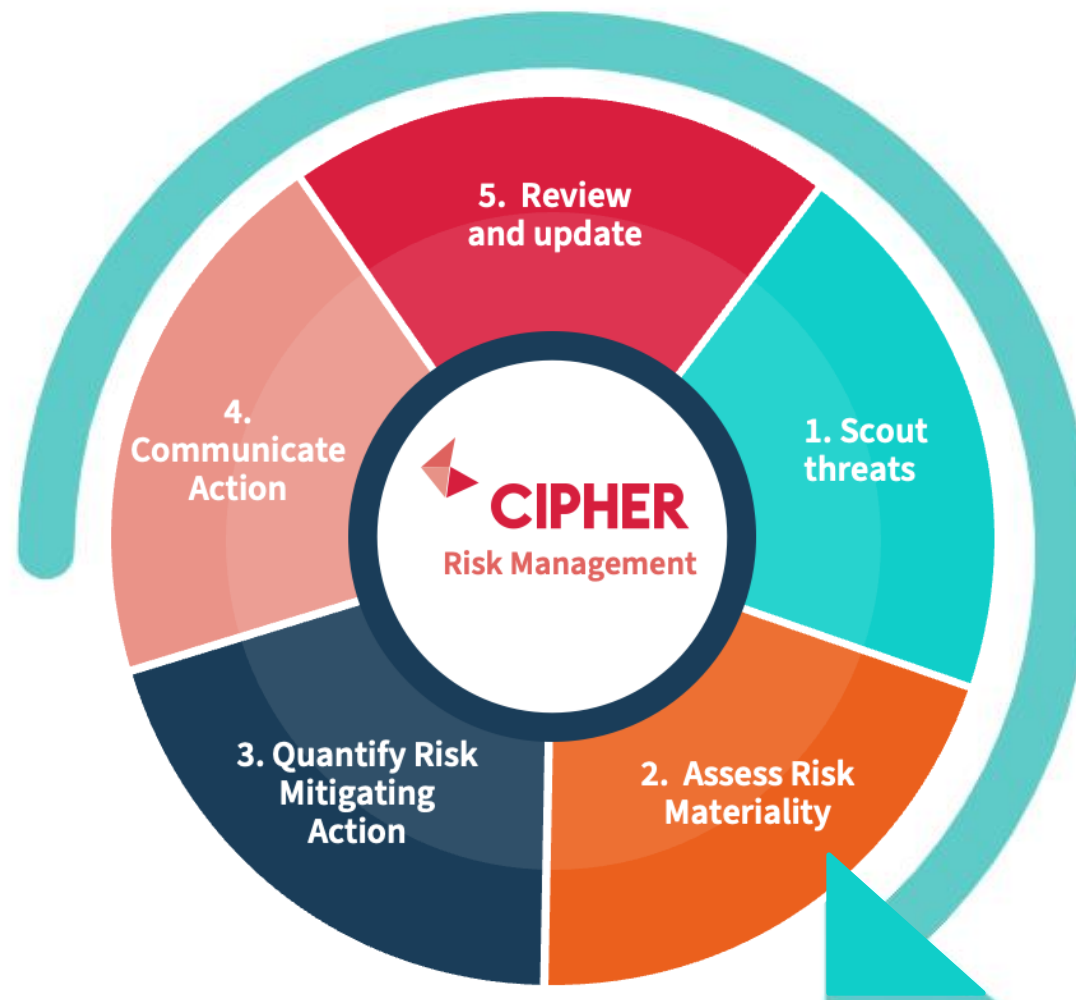


Revenue at risk numbers are not representative and do not reflect a true cross-licensing payment for any party shown

Storytelling with data



Cipher Risk Mitigation process





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