

Patent Licenses to Be Sold Like Stocks on New Exchange

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Intellectual Property Exchange International Inc. recently launched a novel marketplace for patent licenses (IPXI). The exchange would operate much like a public equity offering, which IPXI asserts will lead to transparency, liquidity, and predictability.

As explained by the [IPXI](#), the exchange is based around Unit License Right (ULR) contracts. A ULR contract is an exchange-traded, [non-exclusive license](#) right product, offered on a nondiscriminatory basis at a market-based price and with standardized terms. A ULR contract is priced and sold on a technology-unit basis, where each unit-base is uniquely determined by IPXI according to the underlying technology. Each unit of a product that practices patents in a ULR requires the acquisition of one ULR in order for it to be a licensed product under IPXI's system.

"I think it's the perfect timing for IPXI," said company director Ian McClure, referencing the Obama Administration's recent patent proposals, "because it's a market-based solution to some of the issues that have been identified recently, rather than simply resorting to things like litigating."

Information about each offering will be disseminated in an Offering Memorandum made publicly available on the IPXI Electronic Trading Platform. The document will include a variety of information, including a description of the technology and fields of use, the extent of the license grant, the material terms governing price and volume for ULRs on the primary market, the prior licensing history of the patents, and the extent of any amnesty that will be given to prior infringers of the underlying patents.

The company will then conduct a marketing "roadshow" where potential purchasers can place indications of interest directly on the Trading Platform, or communicate those indications to IPXI, which will enter the indications of interest in an order book. Once the order book contains sufficient indications

of interest to price the initial offering (“Tranche A”), Tranche A will close. Purchasers can then either use or resell their ULR contracts on the Trading Platform.

The Department of Justice (DOJ) has already conducted a preliminary investigation of the patent exchange pursuant to IPXI’s business review request. However, the DOJ declined to take any formal position on enforcement, citing “we simply do not know enough to conclude that IPXI’s activities, once operational, will not raise competitive concerns.” While the success of the new platform remains to be seen, it is certainly an innovative idea worth watching.

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