



Spotlight on Startups – Bay Ridge Partners

April 4, 2006

Business Description

Bay Ridge Partners invests in intellectual property, specifically consumer electronics patents. The company is structured as a “search fund” (also known as a “pledge fund”) to buy patents that have an expected return of 3x-to-10x within a 2-4 year investment period. The patent investment market is inefficient and opaque; i.e. valuable patents are often under-priced by sellers. We have a proven business model to buy patents, “turn-around” the patents, and sell the patents to Fortune 500 technology companies.

Product Offering

Our company has a unique value proposition to 2 separate constituencies: 1) patent sellers, and 2) patent buyers. To patent sellers, Bay Ridge Partners offers a low-risk, fast-tracked liquidity alternative for monetizing non-core patent assets. To patent buyers, Bay Ridge Partners offers a fully-developed strategic patent portfolio (i.e. buy vs. build).

Market Size

The patent licensing market grew from \$15B in 1990 to \$110 in 1999 (“Ideas to Assets” published by John Wiley & Sons 2002). Salomon Smith Barney equity analysts estimate IBM alone generates \$1B to \$2B in annual patent licensing revenue. Ocean Tomo’s upcoming April 2006 patent auction highlights the growing liquidity in the market.

Clients

The sourcing strategy to identify patent sellers includes generating proprietary industry research and established relationships with third party patent brokers. In addition, we are actively maintaining “interest lists” from patent buyers, including major technology companies.

Competitors

At least 3 major institutional investors have created patent investment funds: Intellectual Ventures (\$350M) (<http://www.intellectualventures.com/>), Ocean Tomo (\$200M) (<http://www.oceantomo.com/>), and Altitude Capital Partners (\$200M) (<http://www.altitudecapital.com/>)

Management

The founder has 5 years of unique transaction experience and track record in patent commercialization with two pioneering firms: IPVALUE Management and Walker Digital Corporation. In addition, he brings experiences from a technology-focused investment banking boutique and a “Big 4” technology consulting firm. Technology and legal diligence will be outsourced to a network of expert third party contractors.

Financial overview

Working capital of \$1M is divided between three key operational processes: 1) Sourcing, 2) Development, and 3) Sales. The working capital will finance 2-4 years of operation. In addition to working capital, the company will deploy investment capital of \$5M. Management equity participation will be contingent on exceeding “hurdle” rates of return for investors.

Capital Raise

The total search fund capitalization is targeted at \$6M, composed of working capital (\$1M) and investment capital (\$5M). The current seed round is targeted at \$500K, to finance the company’s operations for 1-2 years. The operational milestone for seed capital is completion of sourcing and performing diligence on an attractive investment opportunity.

Advisory Board

The Bay Ridge Partners Advisory Board is made up of 9 people from diverse backgrounds: 3 investment professionals, patent software entrepreneur, technology R&D veteran, Fortune 500 patent strategy professional, NYU finance professor, strategy consultant, and patent attorney.

Contact

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