

Towards a frictionless IP market ?

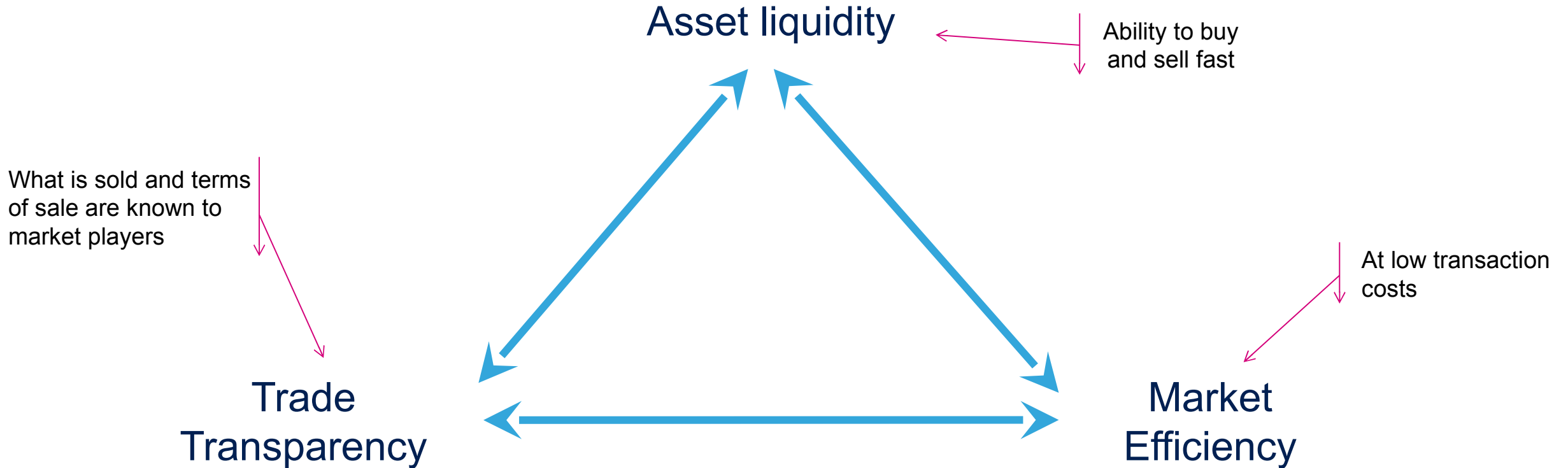
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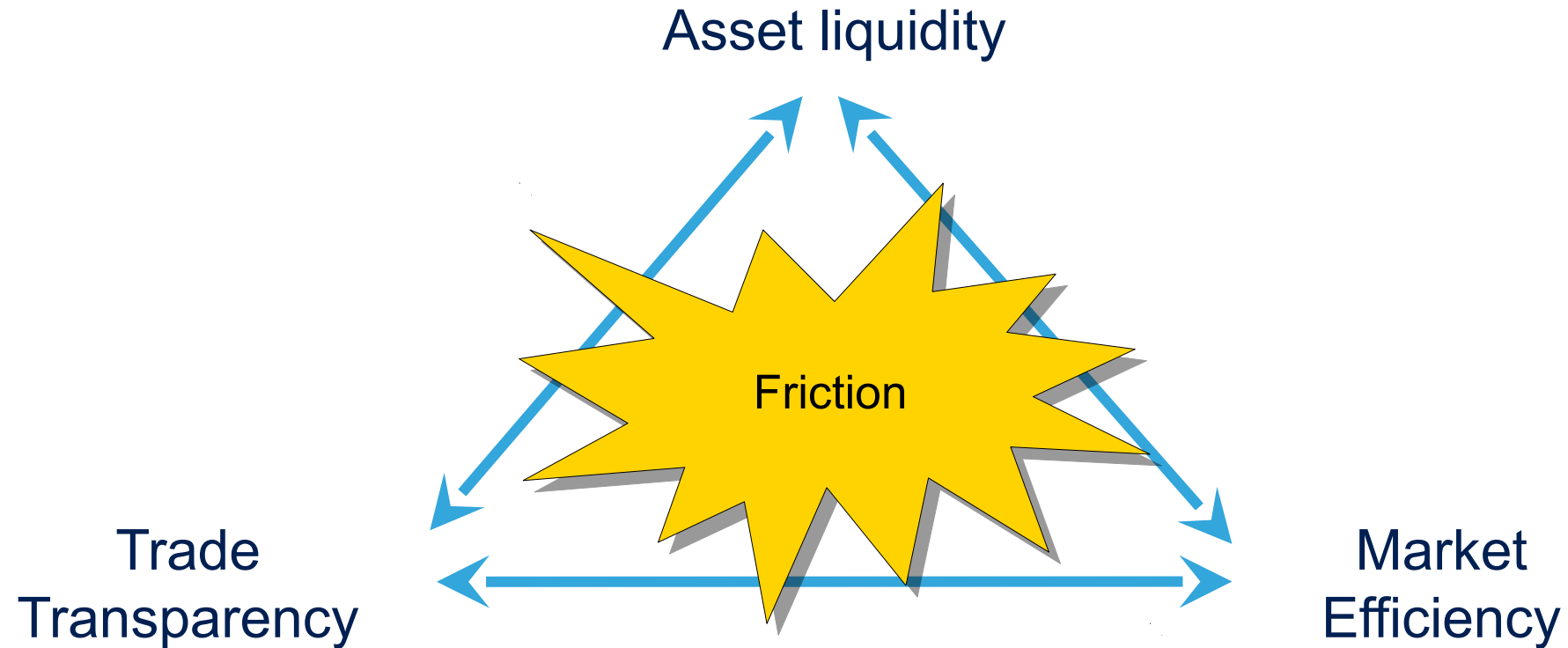
IP-SOC Conference, Grenoble, December 3rd, 2019



The ingredients of a well-functioning market



Real markets have friction



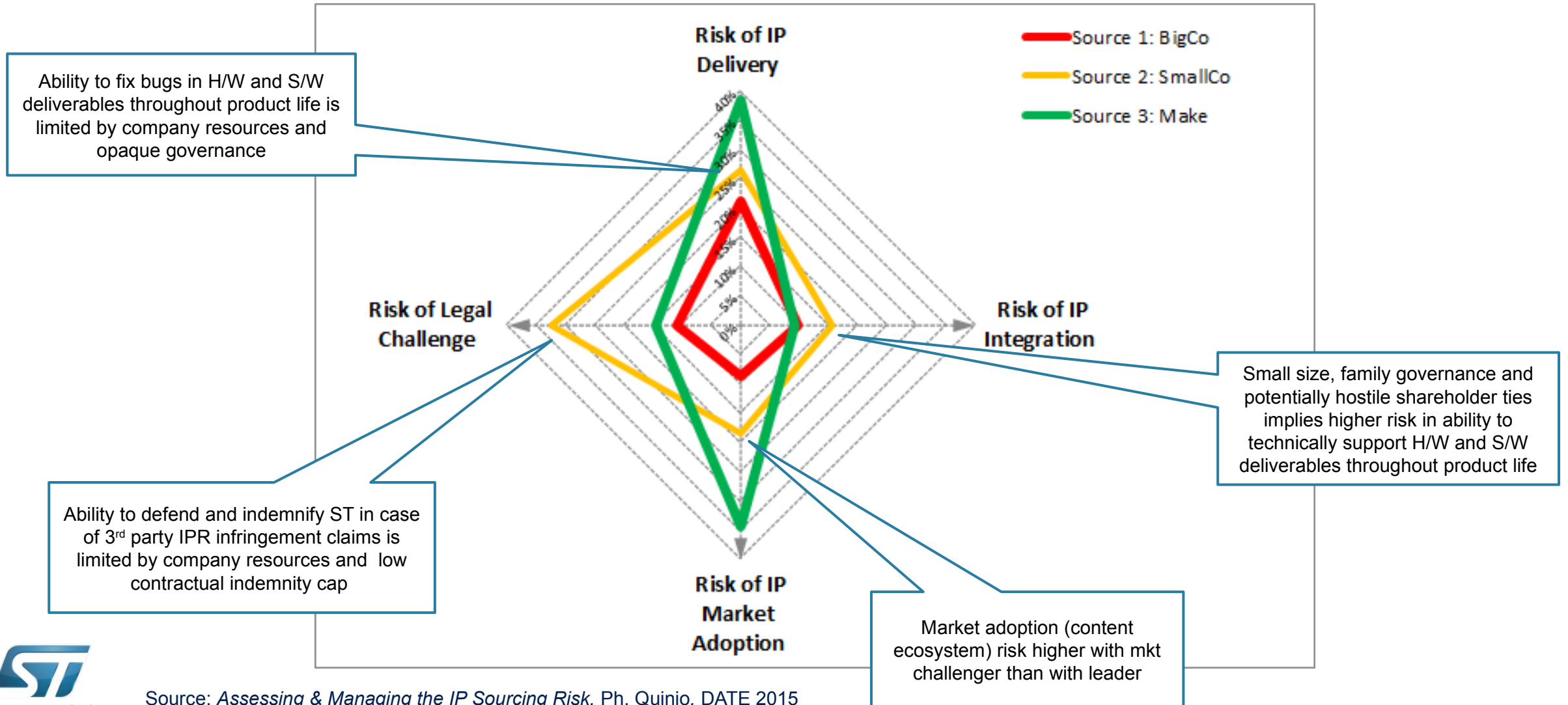
Sources of friction in real markets

- Imperfect information
- Asymmetric information
- Asset Specificity/Uniqueness
- Externalities combined with positive transaction costs
- Spillovers
- Uncertainty
- Indivisibilities (production economies of scale)
- Undefined and Poorly-Defined Property Rights

Sources of friction in the Design IP market

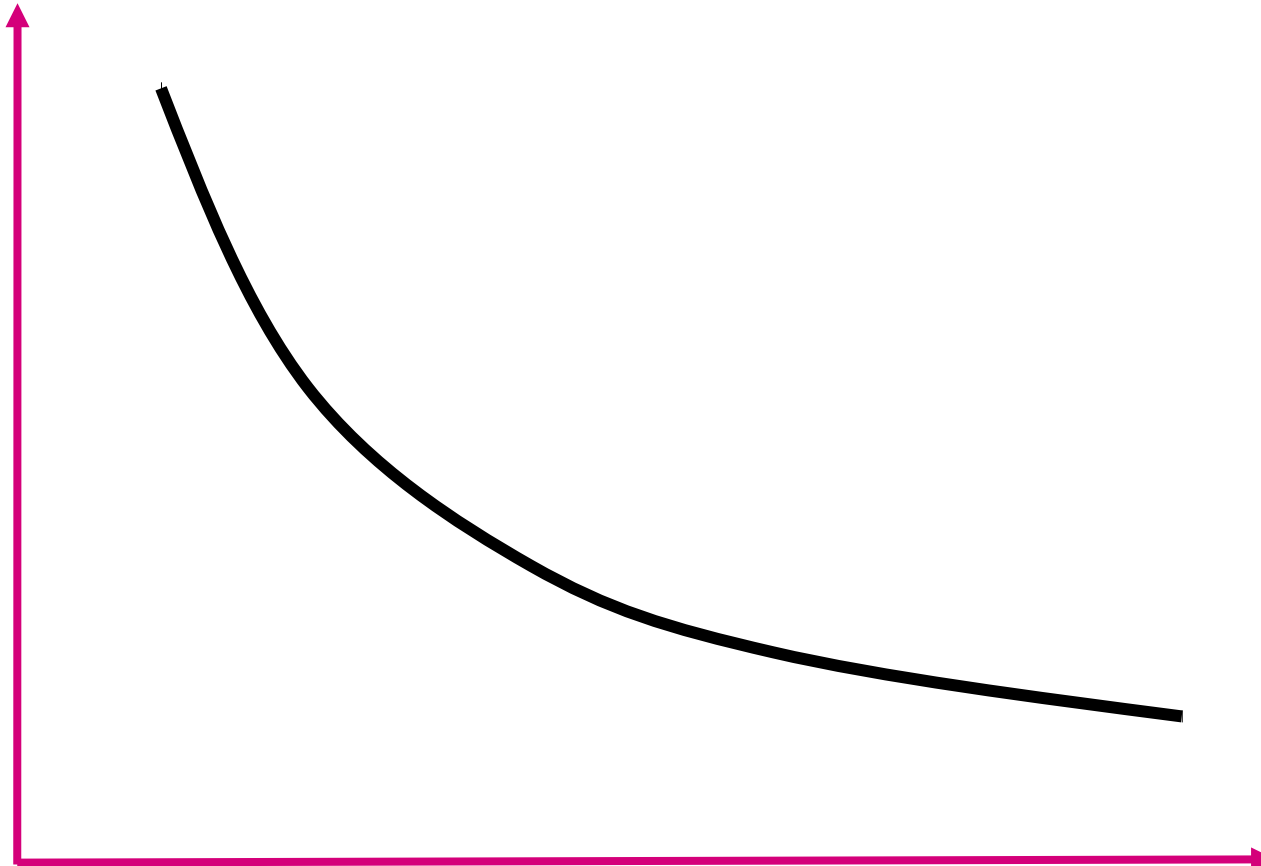
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 - Undefined and Poorly-Defined Property Rights
- IP buyers struggle to understand the real maturity and quality of IP designs
- IPs are often customized (eg Hard IPs) and become unique
- Concurrent engineering implies technical risks and uncertainty
- Large suppliers can leverage re-use of IP blocks, investment in validation method and quality systems, etc.
- Threat of infringement claims blurs IP ownership

IP Buyers aggregate market frictions into Sourcing Risks



IP Buyers end-up making a call between sourcing risk and costs

Aggregate sourcing risk



Aggregate sourcing cost

Consequences of market frictions for IP Sellers

- Small IP suppliers sometimes get disqualified by corporate IP sourcing teams due to perceived risks
- Unless they can provide compelling evidence of IP maturity and design robustness/quality, smaller suppliers must charge a lower price for their IPs
- Small IP suppliers should carry a strong-enough balance sheet to be able to honor indemnification commitments
- Small IP suppliers should keep sufficient engineering resources to address unexpected IP changes and support obligations
- Small IP suppliers must be generous with « evaluation » licenses so as to convince customers of IP's compliance to spec

Towards a frictionless IP market?

- Can a web-based IP exchange platform and standard address concerns and reduce IP market friction?
 - Widely accepted IP maturity system
 - Certification for IP quality and maturity
 - Simple IP delivery system
 - Lower transaction costs owing to mutualized services (eg. legal)
 - Mutualized insurance policy backing indemnification
 - More transparent specifications, prices and terms