



THE LEGAL EFFECTS OF EDA AND IP TRENDS, BUSINESS MODELS AND ECONOMIC DRIVERS

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SUMMARY

INDUSTRY TRENDS – NEW LEGAL ISSUES

W&L BUSINESS MODEL SURVEY

4 KEY LICENSE ISSUES – EDA/IP PERSPECTIVES

ONE – INDUSTRY TRENDS:

1. MORE PLAYERS...SOLUTION SELLERS:

*** FABLESS SEMI-CONDUCTOR COMPANIES:**

- OWN DESIGNS, DIRECT RELATIONSHIP WITH PRODUCT MANUFACTURERS....ARE CHIP COMPANIES
- CUSTOMERS OF TOOLS AND IP
- YET, MAY SELL IP CORES LIKE IP VENDORS

BUSINESS DRIVERS

*** IP OWNERSHIP; CUSTOMER SUPPORT**

*** INTERNAL DEVELOPMENT**

***EDA CUSTOM DESIGN SERVICES:**

- EITHER AUXILIARY DESIGN TEAM FOR CUSTOMERS OR CUSTOMER TRAINING

BUSINESS DRIVERS

DEFINITION OF BUSINESS; EFFECT ON IP AND FABLESS BUYERS

REVENUE ENHANCEMENT; EFFECT ON SALES

ADDRESS TIME-TO-MKT AND ROI DIFFERENTIATION

***IP VENDORS**

LIKE TOOL VENDORS (OWN EDA TOOLS AND CUSTOMIZED SERVICES) CAUGHT IN MIDDLE?

BUSINESS DRIVERS

OWNERSHIP AND CUSTOMER/END-USER LIABILITY

IP PROTECTION; NON-COMPETITION

***CRITICAL LEGAL ISSUES**

INTERDEPENDENCE AND SHARED IP OWNERSHIP?

2. CANNIBALISM – COMPETITION
3. WHAT IS A BUSINESS OPPORTUNITY NOW?
4. EVENTUALLY – MONOPOLY CONTROL?

UNIVERSE OF USERS (EDA/IP SUBLICENSE RIGHTS)

2. CONSOLIDATION...AND CONTINUING FRAGMENTATION:

***CRITICAL LEGAL ISSUES – CONSOLIDATION**

CONTINUING TOOL AVAILABILITY (ACQR AND 'TARGET')

2. CONTINUING CUSTOMER SUPPORT (TARGET LIMIT NOW?)
3. IP OWNERSHIP .OTHER VENDORS – CUSTOMERS?
4. CONTROL OF ENGINEERING TALENT .CRITICAL

***CRITICAL LEGAL ISSUES – FRAGMENTATION**

EDA V. IP... WHICH IS THE BETTER BUSINESS?

SOURCE OF TALENT

- 3 DISTRIBUTION CHANNELS AND INDEPENDENCE (TILL MATURE)
4. SERVICES DRAIN WHAT'S THE MODEL?

3. PARTNERING (RESOURCE RESTRICTIONS; ROI AND TTM...)

- REPORTS . ON MARKET MAINLY .
- 2 RTS OF 1ST REFUSAL .ON DEVELOPMENT, TOOLS?
- 3 CLEAR IP DEFINITIONS – YOURS, MINE, OURS
4. DERIVITIVES?
5. ASSIGNMENT RESTRICTIONS LOCK CUSTOMERS IN
6. EVOLUTIONARY PATH OF PTNER...WHERE YOU FIT
 - * TO DEVELOP IN THE PATH OR NOT?

4. TIME BASED MODELS AND THE INTERNET

*HISTORY

- TREND FROM PERPETUAL TO USE AND TIME-BASED
- SHIFT FROM STD TIMING TO CUSTOMER TIMING
- NET AS A CHANNEL, ASP MODELS

*ISSUES

- BUNDLING OF SERVICES AND LICENSE...BETTER ECONOMICS FOR USER WITH SERVICES?
- 2 APPLES TO APPLES. HOW CAN CUSTOMERS MEASURE?
- 3 HOW TO MEASURE MOST FAVORED PRICING?
4. DEFINITIONS OF ACCESS AND TIME
5. IP CODE AS PART OF TOOLS WHO TAKES RISK?
6. REVENUE FORECASTING W/ MODEL EVOLUTION?
7. SEPARATE AGTS FOR TOOLS AND SERVICE (RECOGNITION)
8. SEPARATE AGTS FOR CODE AND SERVICE
9. WITH NET...HOW TO CONTROL USE

TWO – 2003 WHITE & LEE MODEL SURVEY

* MOVEMENT FROM PERPETUAL TO TIME-BASED LICENSES

- OLDER TOOLS = PERPETUAL
- NEWER TOOLS = CUSTOMER TIME PERIODS
- REFLECTS ECONOMIC USE....

* OTHER MODELS:

- ROYALTY ...NOT REALLY AN ALTERNATIVE
...BUT – SHARED RISK – TRADE FOR PRICE REDUCTION?

RESTRICTED ACCESS LICENSES....

- * SITE LICENSE
- * ENTERPRISE LICENSE
- * FLOATING LICENSE (DEFINED GROUP)
- * NAMED USER LICENSE

SKIN IN GAME

- * UNRESTRICTED
- * YEARLY FEE (REDUCED) AND TAPE-OUT FEE
- * SHARED RISK W/O ROYALTY UPSIDE...

- ALL YOU CAN EAT

- * ALL PRODUCTS IN SUITE
- * LARGE GROSS PRICE, LOW PER-UNIT PRICE
- * MAKE SENSE FOR LARGER VENDORS?

* EDA VENDORS DON'T DISTINGUISH BTWN SEMI-CONDUCTOR AND IP BUYERS

- * SAME MODEL DRIVERS FOR BOTH
- * MAYBE DIFFERENT SUPPORT RQRMNTS...
- * SHOULD BE SUB-LICENSE AND INDEMNITY DIFFERENCES

* OTHER TRENDS

- * EXTENDED TRIAL PERIODS....6 TO 12 MONTHS...
- * USERS WANT FEWER VENDORS – MORE SOLUTIONS
- NICHE VENDORS MUST PARTNER....IP ALSO?
- * PRICE DOESN'T MATTER...ROI, EASE OF USE, QUALITY KEY

* **CONCLUSIONS**

- NEED SUITE, OLDER TOOLS FOR STABILITY . NEWER FOR QUALITY

PARTNERSHIPS...DRIVEN BY

- * INTEROPERABILITY
- * SINGLE SOLUTION SOURCING
- * SERVICES REQUIREMENTS

* **FUTURE ISSUES FOR IP....**

REACTION TO SEMI-CONDUCTOR OUTSOURCE NEEDS

- * QUESTION...WILL THIS GO AWAY WITH MARKET CHANGE?

TENSION BTWEEN IP COMPLEXITY AND SIMPLICITY...

- * IF NOT COMPLEX, NOT CURRENT WITH IC RQRMTS
- * IF NOT SIMPLE, DONE IN-HOUSE

THREE – SOME EDA AND IP DIFFERENCES

* **LICENSE GRANTS**

EDA - INTERNAL USE
- NO SUBLICENSE RIGHTS
- GRANT BY USE....NOT MARKET SEGMENTATION
- NON-EXCLUSIVE

IP - SUBLICENSE RIGHT TO END-USER?
- SEGMENT BY MARKETS....RQRS CREATIVITY
- EXCLUSIVITY MAY BE REQUIRED

* **INFRINGEMENT**

INTEROPERABILITY IS DRIVER OF INFRINGEMENT

IP - UNIQUE CODE; NO INTEROPERABILITY CONCERN
- YET...GREATER DAMAGES IF INFRINGEMENT
(AS MORE END-USE PRODUCTS)

* **SUPPORT**

TANGENTIAL TO VALUE OF TOOLS?

IP - CRITICAL TO IP FIT IN SYSTEM ON A CHIP

* CUSTOMIZATION DESIGN SERVICES....

EDA - MORE LIKELY DONE BY CUSTOMER....NOT VENDOR

IP - EXPECTED FOR SALE
- MANY IP VENDORS STARTED AS DESIGN SHOPS
- CAN'T DO BOTH...CORE BUSINESS IS PRODUCTS
AND OWNERSHIP