

Intellectual Discovery notches US court win as it enters a new phase

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Last week, Pavo Solutions LLC won a \$7.5 million jury verdict against California-based Kingston Technology following a Central District of California patent infringement trial. It is an encouraging start to 2020 for Intellectual Discovery, the Korean patent fund which is an investor in Pavo and several other patent assertion vehicles.

In January, Intellectual Discovery named a new CEO: Jang She-ik. While not an IP specialist, Jang comes from a technology business background; he served as CFO to multiple KOSDAQ-listed tech companies and as co-CEO of Hancom Investments, the venture arm of a Korean software company.

Jang will have a very keen interest in ID's success because he is not just the firm's CEO but also its largest shareholder. Jang made the purchase in a personal capacity, not through his affiliation with Hancom Investments or any other institutional investor. While Jang does not control a majority of ID's shares, his holdings are bigger than those of other stakeholders, both corporate and government.

The South Korean government, along with key industry players, spurred ID's creation in 2010. It was the earliest of the patent aggregation vehicles set up with

state support and dubbed 'sovereign patent funds'. But the government's stake in ID is only around 10% now, a figure that could be further diluted as the patent fund continues to seek outside investment. That means ID has, for all intents and purposes, transitioned to the private sector.

Dongsuk Bae remains the head of ID's patent business. The Kingston verdict was "a wonderful result for us", he tells *IAM*, and underlines the team's ability to secure a healthy return on patent investments.

The Kingston case is somewhat unusual in that ID, through its investment in Pavo Solutions, bought the patent from its previous owner midway through the litigation. CATR Co, a Korean NPE, had initiated the case in 2014 with a single patent it obtained from Korean memory chip maker Hana Micron. Bae says that ID got involved when the IPR challenge filed by the defendant became too much of a cost burden on CATR, which is run by just two patent attorneys. Documents presented at trial showed that ID spent between \$500,000 - \$600,000 to buy the patent and associated rights.

Bae says that ID hopes to boost the size of its return by getting the award size trebled for willful damages, as well as recovering interest. He also notes that ID will share those returns with a financial investor in the litigation, KDB Infra IP Capital. That is an IP investment fund set up in 2016 by the Korea Development Bank and the Industrial Bank of Korea.

The existence of a smaller Korean NPE to take over from as well as a financial institution capable of financing the litigation are both testaments to how much the IP landscape in South Korea has changed during Intellectual Discovery's decade of existence.

ID's new test will be proving that it can be a competitive and profitable player in the South Korean IP ecosystem which it can take some credit for helping to create. The original mission of buying up assets and providing a license to Korean companies is no longer part of ID's playbook: "Those kinds of public services are not something we can provide in the future", Bae confirms.

But these changes have been in motion for some time and so won't require a sudden shift. "It is not a black and white change", Bae notes. "We have also been trying to make a profit over the past 5-6 years".

ID is involved in around 10 ongoing litigation campaigns, Bae confirms to *IAM*. It is also, of course, an active licensor through patent pools, and is one of the patent owners who left MPEG-LA for HEVC Advance at the end of last year. That move, which had to do with the higher rates available to licensors through HEVC Advance, underlines ID's increasing focus on growing revenues.

The coming year could be a difficult one for dealmakers as travel and in-person meetings are put on hold for quite some time due to the global Covid-19 pandemic. But ID has a decade worth of building contacts in the IP market under its belt and a

crystal-clear mandate. As Bae puts it: “Every activity we do from now on needs to make a profit.”



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