



Stanford eCorner

How Much is the Technology Worth?

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March 02, 2005

Video URL: <http://ecorner.stanford.edu/videos/1301/How-Much-is-the-Technology-Worth>

As Ku says, pricing a technology is an art, not a science. She describes the process of determining the equity volume of the various technologies that her office sees.



Transcript

Pricing a technology is an art not a science. And because every technology is new and it fits within the company in a different way, its value is different. With that said, there are customary and kind of usual licensing royalties that happen in different industries. For instance, if I wanted to charge \$20 a chip, it's probably just not going to fly, you know, chips. There might be an expensive chip for a little while but at the end of the day those prices of the chips are going to come down. And so when there are 10 cents a chip, a \$20 royalty is not going to work, right? So there's that factor on the royalties. When it's a startup company so it's the same thing. With a startup company, is it founding technology? Is it a basis of the company? Is it the thing that's going to make the company happen? If so, we kind of have a thought within the office, very negotiable that it's about a 5% equity stake in the company only through a certain round of financing. We don't expect to have 5% of the company through IPO. That would be unrealistic because as you know, there is a staging of financing and at some point the value that we have will be diluted.

So maybe, we'll have in an ideal situation and there are very few ideal situations but wonderful patent protection, founding technology, really good situation we may take 5% through some round of financing which might be \$5 million let's say, depending again on the business plan. What the business model is? And then will be diluted as subsequent investors come in. At the end of the day, we hope that we'll have enough equity that it'll make a difference. But it's not always the case. We have taken equity in over a hundred companies and you saw the equity cash out thing. You know, some companies never go public. Some companies die. If you do go public some are acquired, some within this kind of purgatory area never really do a lot but don't I? So it's a real mixed bag as far as equity.