

The background features a gradient from red at the top to blue at the bottom, overlaid with faint, semi-transparent circular patterns and a scale. The scale is a large arc on the left side, with numerical markings from 140 to 260 in increments of 10. Several smaller circles and arcs are scattered across the frame, some with arrows indicating direction.

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INTELLECTUAL PROPERTY WEEK: REPUBLIC OF
KENYA

17/06/2019

MANAGEMENT AND EXPLOITATION OF IP ASSETS- LICENSING, FRANCHISING AND MERCHANDISING

- Like any other form of property, Intellectual Property needs to be managed well and the parameters for its exploitation need to be well defined in order to gain maximum benefit and returns from it. This must however be done within the confines of the law.
- The assets attaching to IP vary depending on the nature of the IP. For patents, it could be a product or a process. For copyrights, it is any work that is eligible for copyright protection such as songs, artistic works. For trademarks it is the brand name. For trade secrets it is the confidential information that gives the business a competitive edge.

What does a good IP Management System entail?

1. It promotes the continued creation and acquisition of IP assets (Protection of assets; Research and Development aspects of a business must be strengthened;) Records at KIPi indicate that the Jua Kali sector in Kenya is the leading source of locally created IPRs.
2. It leverages the most value from existing IP assets.
3. It promotes enforcement of the rights attaching to IP (seeking remedies for infringement; monitoring market and competitive behavior; Anti-Counterfeit Agency).

- Obtaining appropriate protection for IP assets is arguably the first step towards good management of IP and maximizing the value of an IP portfolio.
- It is crucial to carefully analyze and decide what the best mode of protection is. For example in the case of a new invention, whether it is better to patent it or copyright it or to employ it as a trade secret and so forth.
- Considerations to be made include an assessment of whether the invention meets the criteria for qualification, the period of time protections lasts for the various categories of protection, the costs to be incurred in registration.

- Having obtained protection, IPR holders can comfortably exploit their products while precluding any other person from exploiting them. It is the exploitation of these rights that determines how much benefit may be derived from the IP assets.
- Even though the owners are expected to preclude others from exploiting their rights, sometimes it may make economic sense to allow others to exploit the rights by way of license, franchise or trade.
- Perhaps there is a company X which owns a patent but lacks the capital needed in order to produce a desired end product. However, there is another company Y which does not own any patent but has enough capital and resources and is therefore able to produce the desired end product attached to the patent faster and in large scale. In this case, company X, being the owner of the patent may decide to license the same to company Y, thereby allowing company Y to exploit the invention and still be able to gain some amount of profits from the invention.
- This results in a win win situation for both companies. Normally, it is advisable to have good negotiators to negotiate the terms of the license well.

There are many ways in which IP assets may be exploited:-

- Licensing agreements

In a license agreement, permission is granted by an owner of IP rights to another to use the rights but ownership is retained. Parties negotiate on the terms of the agreement and/or contract. License fee is paid as per terms.

The licensor may have a strong say on the terms of the contract but does not have control over the business operations of the licensee.

- Franchising agreements

In a franchise agreement, permission is granted by an owner of a franchise to another to use the business model and brand name to operate what is effectively an independent branch of a company. Franchise fee is paid.

The franchiser maintains a considerable degree of control over the operations of the franchisee. Normally the franchiser offers support and training to the franchisee.

Benefits to franchiser is that it's a way to grow his brand quickly, no liability, saves time and money that would have been spent to open other branches.

Benefits to the franchisee is that it saves on money i.e capital and time in terms of logistics required to start a new business.

Examples of successful franchises include KBS, KFC, Mc Donalds, Burger King, Subway.

- Merchandise i.e selling IP assets to other entities (The brand “Nice & Lovely” was acquired by “L’Oreal” in a multi-billion shilling deal.)
- Assignment
- Creating joint ventures (shared ownership, shared return and shared risks.)
- Technology transfer.
- Using IP to get business finance for instance as a collateral.

National legislation provides for mechanisms by which IP rights (to exploit) may be transmitted from owner to others. Some of the key mechanisms are outlined in the following statutes.

Industrial Property Act

- Part X of the Act recognizes contractual licenses. In a contractual license, the licensee acquires the right to exploit and use the invention, utility model or industrial design.
- All license contracts must be in writing and must be signed by all the parties thereto.
- All license contracts including modifications thereof must be submitted for registration.
- Ordinarily when entering into contractual licenses the law allows parties to exercise the freedom to contract in that they willfully and voluntarily enter into the contracts and willfully agree on the contractual terms.
- However Section 72 and 73 of the Act makes provision for compulsory licensing in two instances. First, when a market for the invention is not being provided or in cases of interdependence of patents. Owner is however entitled to a cross-license.

Copyright Act

- Owner of a Copyright has certain exclusive rights that allow him to exploit the copyright for his sole benefit. Copyrights attracts two sets of rights being moral rights and economic rights. Section 33 of the Copyrights Act however allows for transmission of a copyright by way of assignment, license, testamentary disposition or by operation of the law.
- The rights in a copyright may be assigned or licensed either exclusively i.e wholly or in limited terms. For instance, a license may apply only to some of the acts for which the owner has exclusive rights over, or only to a part of the period of the copyright, or to a specified country or geographical area.
- For an exclusive assignment or license to have effect, it must be in writing and must be signed by or on behalf of both parties i.e the owner, being the one licensing and the licensee.
- A non-exclusive license on the other hand may be written or oral and may be inferred by conduct and may be revoked at any time. However a license granted on contract shall not be revoked except as the contract provides.

Trademarks Act

- Section 31 of the Trademarks Act provides that a person other than the proprietor of a trademark may be registered as a licensee thereof in respect of all or any of the goods in respect of which it is registered or in respect of the services with the provision of which he is connected in. The registration may be with or without conditions. A written application is made to the Registrar together with a statutory declaration made by the owner.
- Trademarks can also be used in brand strategy for example it can be sold off or licensed especially during take overs, mergers and acquisitions. For example, the brand “Nice & Lovely” was acquired by “L’Oreal” in a multi-billion shilling deal.
- Trademarks are used a lot in franchise business where the franchisor donates its brand to third parties. A trademark makes it easier to manage the franchise as you license the franchisee to use the mark. A good example is the KBS mark which has been franchised to different owners of buses.
- Trade Secrets, although not provided for in legislation must be protected. These can also be licensed or sold off. When sharing information with business associates, non-confidentiality agreements should be executed.