



# Exploiting IP Assets

# IP Assets

- Exclusivity –
  - The IP system provides holders of IPR the right to exclude others from using these rights without authorization
    - Embedded in the product

# Core to the product or service

**Copyright** – ring tones, games, software

**Trademark** – Nokia connecting people, hands animation  
signature tune

**Patent** – over 10,000 patented inventions, caller name display and caller specific ring tone two nokia patents used by most phones, industry standard technologies. Nokia, Ericsson and Motorola account for more than 60% of the industry's R&D – significant entry barriers

**Design** – shape, look, keypad etc. The mobile phone has become a status icon, making the product design critical in the purchase decision

**Trade secret** – all of the know-how and confidential business practices that went into the manufacture of the device



## Nokia's trademarks and registered trademarks

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Nokia, Nokia Connecting People, Ascent, Ayxta, Bantumi, The Big Roll In Paradise, Booklet, Bounce, Bounce Boing Voyage, Car Stars, Club Nokia, Comes With Music, Cseries, Dance Fabulous, Defend Your Turf, Dirk Dagger, E50-E99, Eseries, Friendstalk, Hooked on, Human Technology, Intrigue, Life Goes Mobile, Luna, Maemo, Magic Draw, Mail For Exchange, Make a Connection, Mega Monsters, Meta-Hop, Mile High Pinball, Mobile Deck, Mobira, Mobyedu, Monsn, Mupe, Mural, N70-N99, Navi, N-Gage, N-Gage Anyone Anywhere logo, N-Gage logo, Nokia Connecting People logo, Nokia Gol, the Nokia Hands animation, Nokia Mashups, Nokia Mediamaster, Nokia Messaging, Nokia Money, Nokia OK logo, Nokia Original Accessories logo, Nokia Original Enhancements logo, Nokia Remade, Nokia Traffic Service, the Nokia Trends animation, Nokia Trends logo, Nokia Tune sound mark, Nokia XpressMusic, Nitrospin Racer, Nseries, ONE logo, Ovi, Ovi Prime Place, OZ, Point & Find, Pop-Port, Preminet, Privacy by Design, QT, QT logo, Reset Generation, Ringo, Rotation, S60, S60 and logo, See new. Hear new. Feel new, Series 60, Sirocco, Smartcover, Smart Messaging, Snakes logo, Space Impact, Surge, System Rush, Tippit, Triple Pop, Trip Line, Twist, The V Collection, Vertu, Vertu Constellation, Virtually Board, WE: logo, WiFi Network logo, Works With Nokia fig, XpressMusic, Xpress-on, XpressRadio, XpressRadio fig, Xseries, Yamake, أغاني بلا حدود, 乐随享, Вместе с музыкой, 诺基亚, 热舞青春, 生活通 ...

...are trademarks or registered trademarks of Nokia Corporation.

# Beyond Exclusivity

- From the right to exclude necessarily follows (as with physical assets) the right to grant others the right to use, converting these rights to assets which could be exploited by
  - Selling
  - Licensing (including franchising and merchandising)
  - Raising finance
  - Strategic partnerships

# Particular nature of intangibles

- “If nature has made any one thing less susceptible than all others of exclusive property, it is the action of the thinking power called an idea, which an individual may exclusively possess as long as he keeps it to himself; but the moment it is divulged, it forces itself into the possession of everyone, and the receiver cannot dispossess himself of it. Its peculiar character, too, is that no one possesses the less, because every other possesses the whole of it. He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me” – Thomas Jefferson

# What is Licensing

- Licensing is when an owner of an IP right transfers to another the right to exploit that right while retaining ownership to it.
  - As opposed to an assignment when the ownership is also transferred.
- This is done through a legal agreement usually called a license agreement.
- A company could “license – out” IP, “license – in” IP or enter into cross licensing agreements where each company licenses in and out IP.

# Territorial nature of IPR

- If the technology (or other kind of expression of human creativity) is not protected by an IPR in that particular country, it is then not property owned by someone and as such the issue of licensing does not arise.
- Licensing is only relevant where there is a protected intellectual property right.



# Why License

- For the Licensor
  - Simultaneous use by many
  - Freedom to operate
  - Expand manufacturing
  - Earn revenue
  - Expand into geographic markets
  - Expand into product markets
  - Stick licensing
  - Create standard
- For the Licensee
  - Freedom to operate
  - Ahead of competition
  - Despite lack of R&D, access to new technologies and know how
  - Possibility of creating innovative products
  - Settle infringement dispute
  - Manufacture standardized product

# Why Not License

- For the licensor
  - Create competitor
  - Bad choice of licensee could damage reputation
  - Lose control of proprietary information
- For the Licensee
  - Royalties add cost
  - Secrecy requirements
  - Administrative burdens - audits, reports etc
  - May be obliged to grant back improvements

# Benchmarking IPR Support Services for SMEs in Switzerland

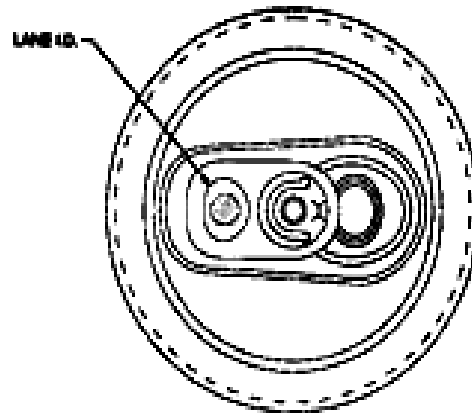
**Table 9**      **The 10 most important motives for firms to out-license technology, ranked by descending order of significance**

Rank No.	Motive to out-license
1	Secure freedom to operate
2	Gain access to knowledge
3	Realise market entry
4	Sell additional products
5	Ensure technological leadership
6	Generate revenue
7	Set standards
8	Enhance reputation
9	Strengthen networks
10	Realise learning effects

Source : Lichtenthaler, 2007; own representation.

# Licensing

**The inventor licensed the system to Coca-Cola at 1/10 of a penny per can. During the period of validity of the patent the inventor obtained 148,000 UK pounds a day on royalties**



# The Agreement – who, what

- Parties - who will be bound by it
- Subject matter - what exactly is being licensed

# The Agreement - Extent

- Exclusive, non exclusive or sole (licensor and licensee can operate in the territory)
- Field of use - a defined field of permissible operation by the licensee. For example manufacture patented engines only for incorporation into trucks
- Territory

# The Agreement - Sub licenses

- To whom can sub licenses be granted
- What rights will they have
- What sort of control would the licensor have
- Is prior written approval necessary
- What happens when the agreement ends

# The Agreement – Best efforts

- Usually with an exclusive license. An ambiguous obligation. Better to specify particular actions, such as an obligation by the licensee to spend agreed amounts on research or marketing or other activities tailored to increase the likelihood of success.



# The Agreement - Infringement

- A third party may be using the technology with no license. Essentially harms the competitiveness of the legitimate licensee. A non exclusive licensee would expect the licensor to take action and an exclusive licensee may bring suit on its own and join the licensor. If the licensor fails to bring suit licensee could suspend paying royalties.
- A third party may claim that the licensee is infringing his IP. If that third party's patent is valid, the licensee might require the licensor to obtain a license from the third party and a consequent adjustment to the financial arrangements between the licensor and the licensee.

# The Agreement - Financial

- Lump sum - payable on the happening of a particular event
- Royalties - recurring payments tied to the use of the technology, commonly based on sales. Could go down as production goes up. (fixed price per unit or % of sales)
- Annual minimum royalty - usually where the license is exclusive and the licensor needs to ensure a regular income.

# The Agreement

- Product liability insurance –if injury is caused by the licensed product, identify the source of the defect and assign responsibility
- Dispute settlement - Increasingly parties opt for alternative dispute resolution procedures, such as arbitration and mediation, or mediation followed by arbitration.
- Termination - either on the happening of an event such as the expiry of the patent or on termination by one of the parties

# The Agreement – Most favoured licensee

- Where the license is non exclusive the licensor grants to another licensee terms that are more favorable than he granted to other licensees. The latter would have the right under such a clause for terms equal to that licensee.

# The Agreement

- Clauses to pay attention to - grant back provisions (obliging licensee to give improvements to licensor), post termination use of know how, price and volume fixation by the licensor, tie in clauses (obliging licensee to take other technology that he does not need)

# Government Regulations

- Some countries require such agreements to be approved by a government authorities and others may require such agreements to be registered with the relevant authority.

# Preparation and negotiation

- You don't get the deal you deserve you get the deal you negotiate.
- Due Diligence – prepare, prepare, prepare
- Aim for a win-win agreement

# Due Diligence

- The performance of an investigation of a business or person – “homework”.
- To be done by anyone entering into any kind of business transaction and certainly of great importance to a licensing relationship which is a long term relationship.
- Must be done by both the licensor and licensee
- The purpose is to assess risks and benefits and develop strategies to deal with them.



# Due Diligence

- Ownership of patents or other IP
- Validity
- The markets where protection has been obtained
- Third party claims
- Will it do what it says it will do
- Third party rights, freedom to operate
- General information on the relevant market, companies active in that market and their products, alternative technologies in the market
- On going R&D about relevant technologies
- Prevalent licensing practices in the relevant markets and products

# Due Diligence - sources of information

- Publicly available information of publicly traded companies.
- Online and subscription database services for the relevant market or products
- Trade publications, trade and technology exhibitions, fairs and shows
- Technology licensing offices of research based universities
- Relevant government departments
- Professional and business magazines, journals and publications concerning the relevant products and markets
- Professional and business associations
- Technology exchanges,
- Innovation centres
- Patent information services

# Due Diligence - Patent Information

- Patent information is the collection of patent documents consisting of patent applications and grants worldwide.
- For technologies that are patented it is the most useful yet the least utilized
  - it is the most recent, gives the legal status, information on technological activity (possible alternatives) and those involved in such technological activity

# Preparation

- Analyze your strengths and weaknesses
- Identify your team
  - leader supported by financial, legal and technical people
- Prepare summary of key issues
  - (Heads of Agreement)

# Managing the Relationship

- Important to remember that a licensing agreement is an on going relationship and it has to be managed for the benefit of both the licensor and the licensee
- Technical assistance
  - Plant visits and training
  - Direct assistance
  - Consultation
- Tangible items – items provided to the licensee and any payments with respect to them
- Reporting – usually with each royalty payment
- Auditing

# Specific considerations

- Trademark Licensing
- Franchising
- Merchandising

# Trademark licensing

- TM are indications of source. Licensing meant that the product is no longer emanating from source.
- Quality control was essential to retain consumer expectations that the source was respected.
- Many products that we rely on and are loyal too are manufactured by others under license. The application of the trademark assures us of source and quality.
  - Importance of the trademark; acquisition of RR by VW but the trademark by BMW.

# Franchise

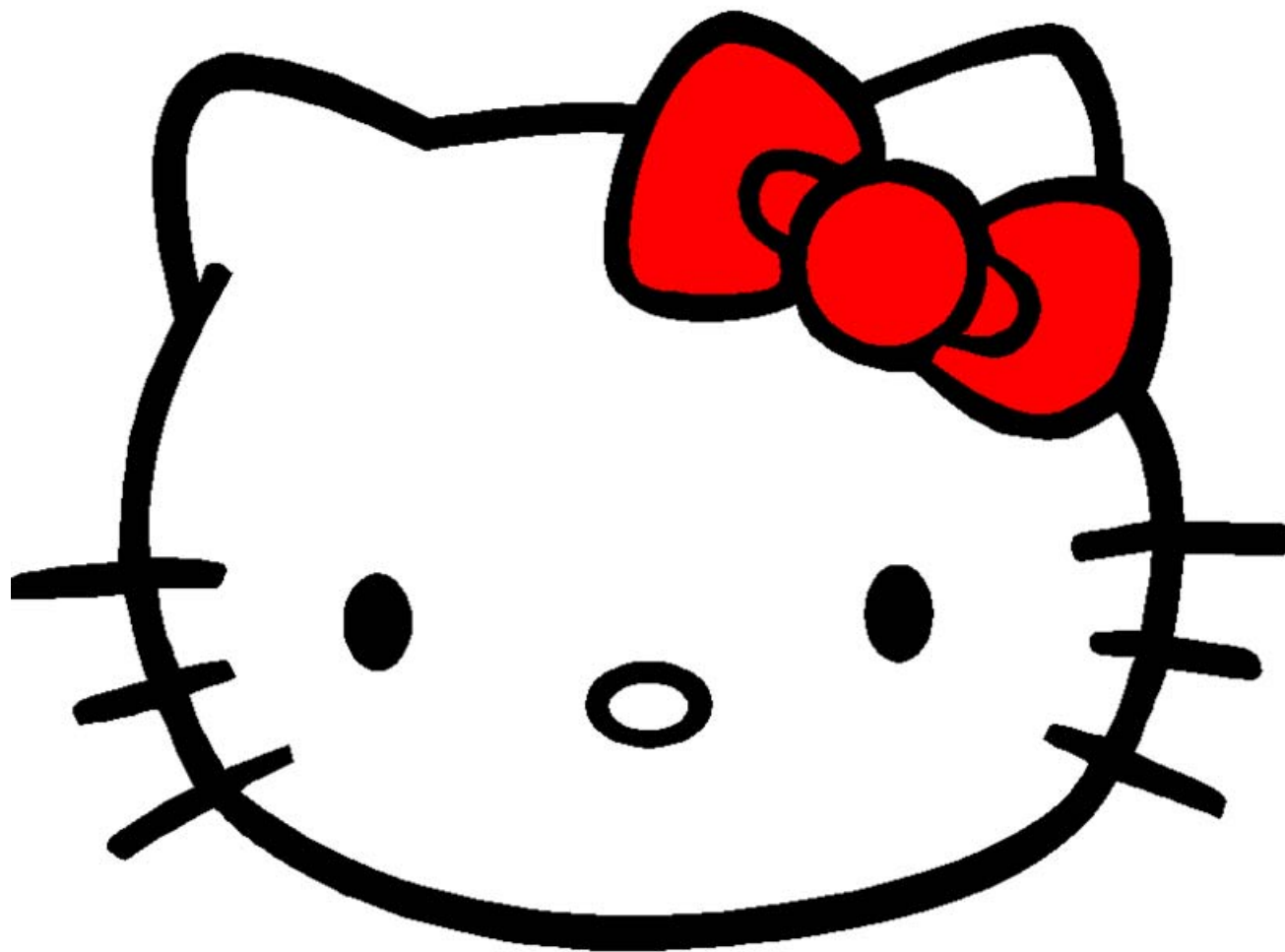


- A specialized license where the franchisee is allowed by the franchisor in return for a fee to use a particular business model and is licensed a bundle of IP rights (TM, service marks, patents, trade secrets, copyrighted works...) and supported by training, technical support and mentoring
- Quality control and consistency crucial for maintaining brand image, the brand being the backbone of the franchise
- All the different IP rights underpin the brand and nourish the brand



# Merchandising

- The licensing of trademarks, designs, artworks as well as fictional characters (protected by these rights) and real personalities are broadly referred to as merchandising



Sanrio is a world-wide designer and distributor of character-branded stationery, school supplies, gifts, and accessories best known for Hello Kitty®. Others include Pochacco®, an athletic young pup, and the slightly naughty Badtz-Maru®. Sanrio was founded in 1960 by Mr. Shintaro Tsuji who created a line of character merchandise designed around gift-giving occasions. Forty years later, Mr. Tsuji is the Chairman of Sanrio Company, Ltd., based in Tokyo and with distribution throughout Japan and Southeast Asia, the Americas and Europe



Hello Kitty Sunglasses: Metal Frame -  
Adult  
\$22.00  
NEW



Hello Kitty iPhone 3G / 3GS Case:  
Denim  
\$29.95  
NEW



Hello Kitty Patent Handbag: Red  
\$60.00  
NEW



Hello Kitty Patent Laptop Case: White  
\$65.00  
NEW



Hello Kitty Room Slippers: Sundae -  
Kids Medium  
\$22.00  
NEW



Hello Kitty Terry Bolster Cushion:  
Sundae  
\$22.00  
NEW

# Why merchandise?

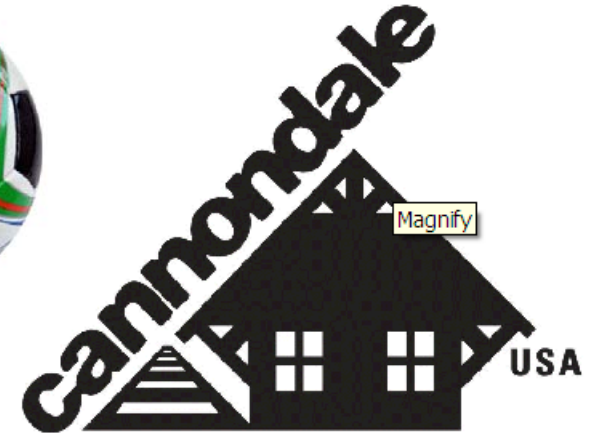
- For the licensor
  - Extend into new products
  - Increases exposure, strengthens image (could also damage)
  - Revenue
  - Relatively risk free
- For the licensee
  - Increase appeal of its products
  - Relatively low cost way of gaining market share

# Finance

- As assets they could be pledged as a collateral for a bank loan
- Angel investors and Venture Capitalists are inclined to invest in companies that have a good IP portfolio



# Exploiting trademarks in the sports arena



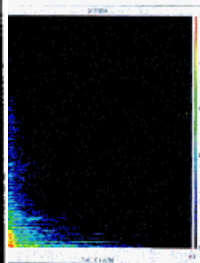
- Any distinctive words, letters, numerals, pictures, shapes, colours,
- In some countries: sounds, smells, dimensional marks
- Slogans – “just do it“ (Nike) “ooh aah Cantona”(Cantona)



Damon Hill



☑ Hörmarke (Tennisball)



<b>Trade mark No:</b>	002919967	<b>Type of mark:</b>	Sound
<b>Filing date:</b>	05/11/2002	<b>Date of registration:</b>	
<b>Nice Classification:</b>	28	<b>Status:</b>	
<b>Name of the owner:</b>	Head Sport Aktiengesellschaft		
<b>Applicant's reference:</b>	G8372WZ-EU GH/JC/SEG		
<b>Trade mark basis:</b>	CTM		

# Exploiting Trademarks

By players, athletes, clubs and sports events

- Sale

- Players are bought and sold not only because they are a good product (their skills in the relevant sport) but because of their “brand” - their star power, their fan base.

- Licensing

- Merchandising, brand extension

- Financing

- Sponsorship, Debt



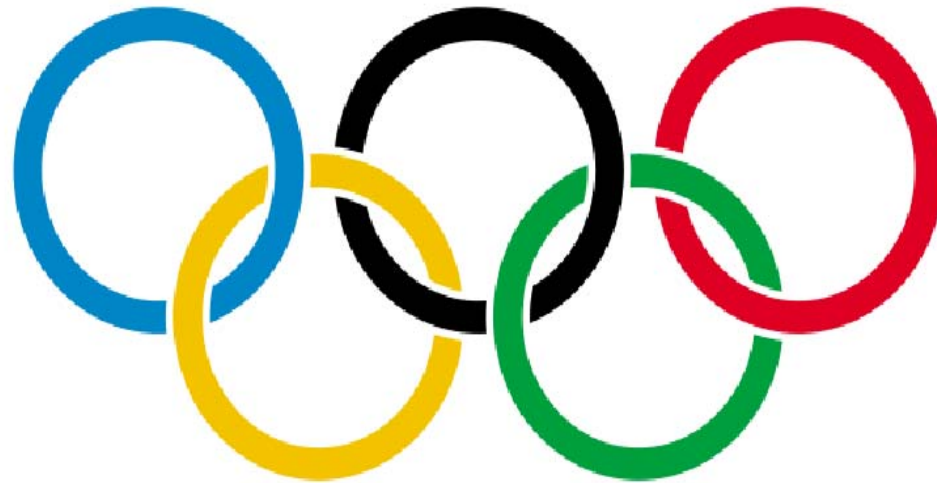
# Brands

- Trademarks are the bedrock of brands
- “.....its the brand that people buy, not the products. Products.....are generic, copyable, discountable, vulnerable, but brands are unique magic”

“Branded”, by Peter York, the Times, 10 February 2001

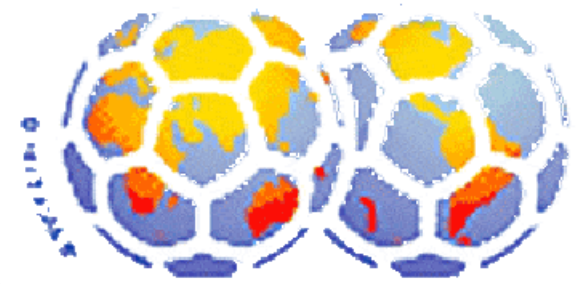
# Top Sports Brands - Events

Calculated on the basis of revenue per event day



176 m

336 m



103m



# Top Sports Brands - Teams

Not considered to be the best football team in the world or even Europe, but the biggest global football brand

351m



255m



288m

# Top Sports Brands - Athletes

Brand value based on the amount by which their endorsement income exceeded the average of their peers. Better reflection of image than salary or winnings

Bekham is not considered the best football player in the world but the biggest global brand in football.

**64 million**



Forbes listing of 2007

**18 million**



Community trade mark registration

**13 million**



# Top Sports Brands - Companies



7.5b

Valued based on the amount by which their market value exceeds the book value

2.4b



5.6 b



# Most Valuable European Football Club Brands

(All figures are in £millions)

2004	2005	BRAND	BRAND VALUE 2005 (£m)	TOTAL REVENUE (£m)	2005 COMMERCIAL REVENUE (%)	2005 BROADCASTING REVENUE (%)	2005 MATCHDAY REVENUE (%)	BRAND&BETA® RATING
2	1	Real Madrid	218	186	45%	32%	23%	AA
1	2	Manchester United	197	166	29%	29%	42%	AA
6	3	Juventus	175	155	36%	54%	10%	AA-
5	4	Barcelona	169	140	30%	38%	32%	AA
3	5	AC Milan	157	158	25%	59%	16%	AA-
9	6	Liverpool	156	122	31%	42%	27%	AA
4	7	Bayern Munich	146	128	62%	23%	15%	A+
7	8	Chelsea	137	149	25%	37%	38%	BBB+
8	9	Arsenal	115	116	26%	42%	32%	A
10	10	Inter Milan	85	120	22%	58%	20%	BBB
14	11	Tottenham	52	71	34%	36%	30%	BB
11	12	Newcastle United	51	87	27%	32%	41%	B+
13	13	Schalke 04	46	66	59%	17%	24%	BB-
12	14	AS Roma	46	89	21%	58%	21%	BB-
18	15	Manchester City	35	61	32%	43%	25%	B+
19	16	Celtic	34	63	23%	27%	50%	BB+
-	17	Everton	32	60	20%	49%	31%	B+
-	18	Valencia	32	57	19%	52%	28%	BB
-	19	Olympique Lyonnais	30	63	29%	49%	22%	BB-
16	20	Lazio	29	56	29%	53%	17%	B+

Data Sources: Brand Finance, the February 2006, Deloitte Football Money League Report, Bloomberg data, annual reports and press releases.



# Merchandising

Sports clubs, tournaments, competitions and sports stars as owners of trademarks can license others the right to use them for the manufacture and sale of a variety of goods referred to as merchandising – a ready source of revenue.



# Brand Extension

- Or extension licensing – extending a trademark beyond the product that it had been originally applied to and matured in



## The **Manchester United** Credit Card

[← back](#)

**0% p.a.** on balance transfers for 12 months  
3% handling fee applies

**0% p.a.** on card purchases for 3 months

**15.9% APR** typical rate (variable)



[▶ Apply Now](#)



# Financing

- Sponsorship
  - A trademark owner provides a benefit (fee or products) to a third party in exchange for which the latter promotes the trademark
  - Provides exposure, connection and the opportunity to build a message through linking themselves to the a certain sport, an athlete or an event – the event or star being the vehicle to carry the companies message
- Brand as collateral

# Stadium Naming Rights

Stadium Name	Sponsor	Home Teams	Avg. \$/Year	Expires
Air Canada Centre	Air Canada	Toronto Maple Leafs, Raptors	\$1.5 million	2019
Alltel Stadium	Alltel Corp.	Jacksonville Jaguars	\$620,000	2007
American Airlines Arena	American Airlines	Miami Heat	\$2.1 million	2019
American Airlines Center	American Airlines	Dallas Mavericks, Stars	\$6.5 million	2031
America West Arena	America West	Phoenix Suns, Coyotes, Mercury	\$866,667	2019
Amerquest Field	Amerquest Capital Corp.	Texas Rangers	\$2.5 million	2034
Arco Arena	Atlantic Richfield	Sacramento Kings, Monarchs	\$750,000	2007
Bank of America Stadium	Bank of America	Carolina Panthers	\$7 million	2024
Bank One Ballpark	Bank One	Arizona Diamondbacks	\$2.2 million	2028
Bell Centre	Bell Canada	Montreal Canadiens	N/A	N/A
Cinergy Field	Cinergy	Cincinnati Reds	\$1 million	2002
Citizens Bank Park	Citizens Bank	Philadelphia Phillies	\$2.3 million	2028
Comerica Park	Comerica	Detroit Tigers	\$2.2 million	2030
Compaq Center	Compaq Computer	Houston Rockets, Comets,	\$900,000	2003
Conseco Fieldhouse	Conseco	Indiana Pacers, Fever	\$2 million	2019
Continental Airlines Arena	Continental Airlines	New Jersey Nets, Devils	\$1.4 million	2011

# Naming Rights



© Michael Hieman/Getty Images

## No. 1

**Team:** Houston Texans

**Stadium:** Reliant Stadium










**Naming Rights Fee**

**(Total/contract period):** \$300 million/32 years

Reliant executives not only sponsored the world's first retractable roof stadium, but also four other facilities within a massive new recreation complex.

# Sponsorship

## OFFICIAL SPONSORS of Manchester United

	<p><b>AIG</b> American International Group, Inc. (AIG) is the Principal Sponsor of Manchester United...</p>		<p><b>NIKE</b> Nike's mission has always been to provide a competitive edge...</p>
	<p><b>KUMHO</b> Kumho is the Official Partner of Manchester United.</p>		<p><b>BUDWEISER</b> Budweiser is the Official Beer of Manchester United</p>
	<p><b>BETFRED</b> Bet Fred is the Official Betting Partner of Manchester United.</p>		<p><b>STC</b> Official Mobile Communications Partner</p>
	<p><b>HUBLLOT</b> Official Timekeeper of Manchester United</p>		<p><b>HI SEOUL</b> Official Destination Partner of Manchester United</p>
	<p><b>VIAGOGO</b> Secondary Ticketing Partner of Manchester United</p>		

# Rent Shirt Space

- A sports team sells space on its team-members' shirts to a brand-owner who wishes to secure wider coverage and brand-familiarity among consumers



Two of Tiger's  
sponsors; Nike  
and Gatorade

ManUtd  
sponsored by  
Nike and AIG



# Ambush Marketing – The unwelcome guest at the party

- A company that is not the official sponsor and has not paid the fees for those rights manages to steal some of the show
  - 1994 Winter Olympics in Lillehammer, Norway: Official-sponsor Visa. American Express creates an ad campaign claiming (correctly) that Americans do not need “visas” to travel to Norway.
  - 2000 Sydney Olympics: Qantas Airlines’ slogan “The Spirit of Australia” sounds strikingly similar to the games’ slogan “Share the Spirit.” Ansett was the official sponsor and Qantas claims it’s just a coincidence

# Conclusion

- Sports is an industry and an extremely profitable one worth more than 3% of world trade, has created 2 m jobs in the EU and in the UK £12b a year in consumer spending.
- As with any industry it needs to compete for consumers (spectators, fans, sponsors) and find ways of increasing revenue
- The trademark system is the linchpin behind branding and is a critical tool for achieving competitiveness and attracting revenue