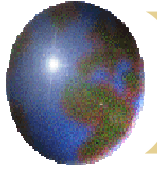




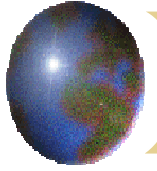
# **EXPLOITING INTELLECTUAL PROPERTY ASSETS**

## **LICENSING, FRANCHISING AND MERCHANDISING**

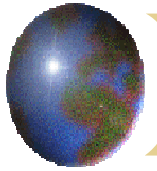
**BY P. KANDIAH**



**“THE EMPIRES OF THE FUTURE  
ARE THE EMPIRES OF THE MIND”**

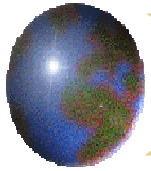


- ❑ In the globalized and integrated world more use is made of IP internationally.
- ❑ Global expansion in use of IP
  - ✓ Patents, Trade Marks, Industrial Designs filed in several countries.
  - ✓ Various ways devised to increase income.

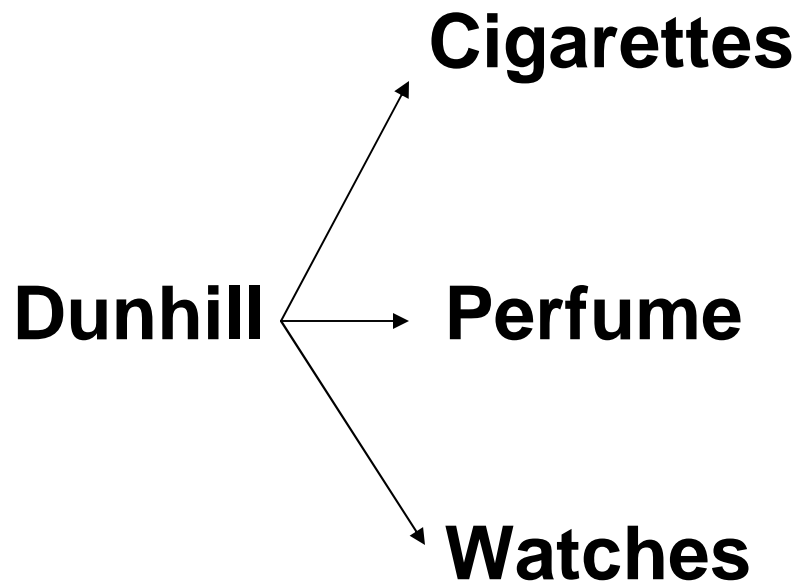


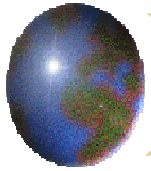
## ✓ Extension of market territories



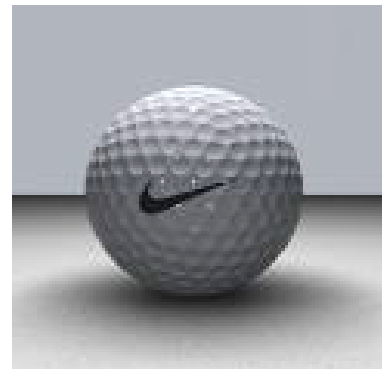
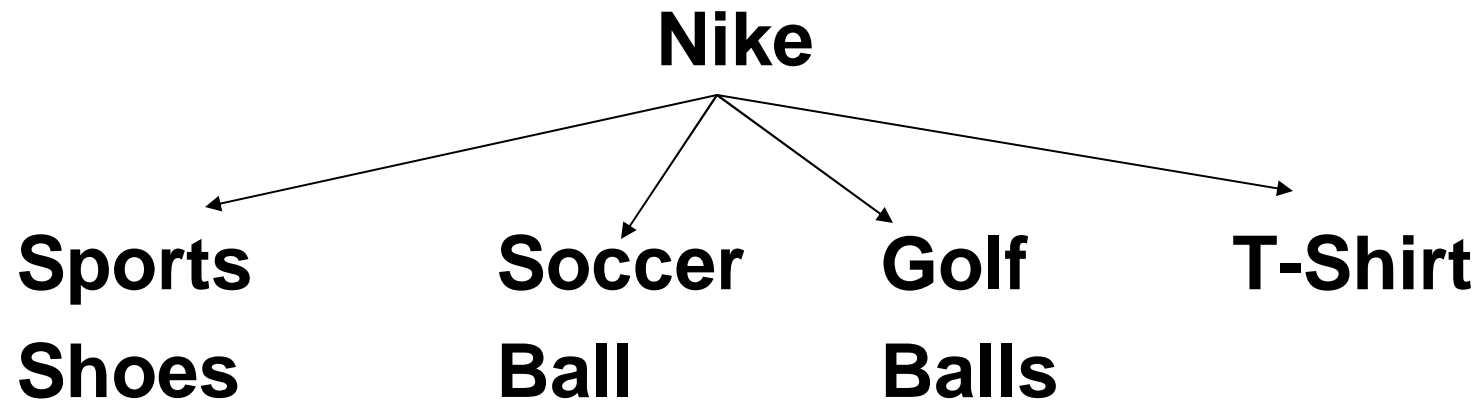


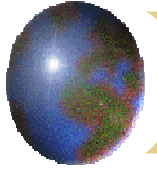
✓ Extension of product range.





✓ Extension of product range (Cont'd).





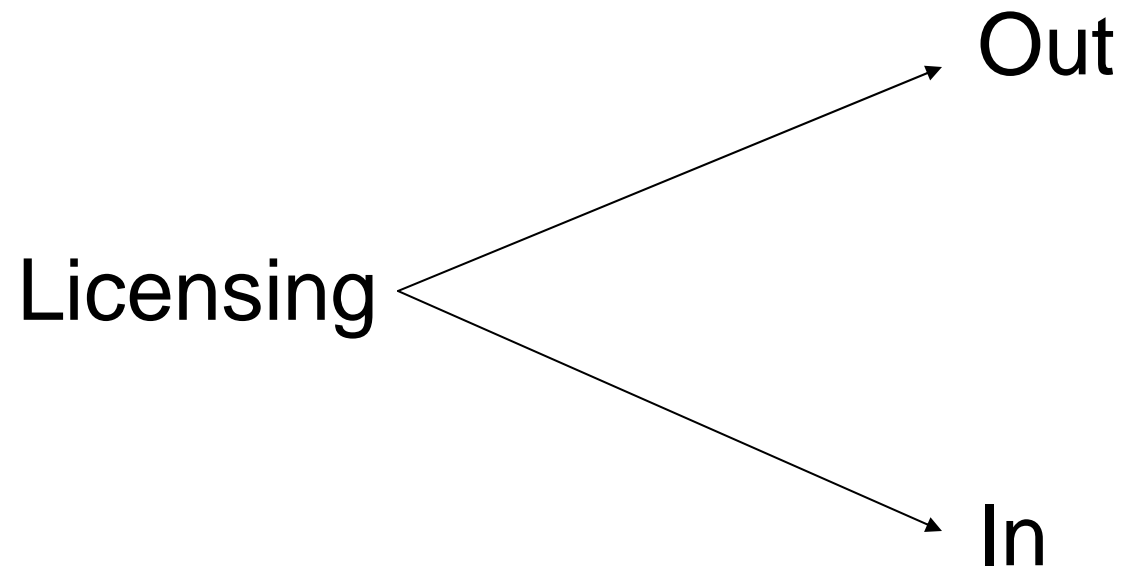
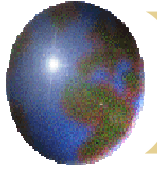
- ✓ Sub-division of product creation, manufacturing and marketing  
Eg. Nike shoes.

R&D and Design  
Manufacturing

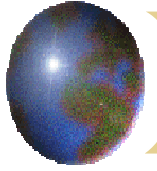
- USA (high value activity)
- Indonesia, Vietnam, Malaysia (low value activity)

Marketing

- Control from US – Sales – whole world (strategic control)

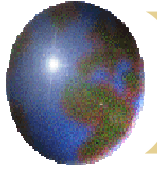






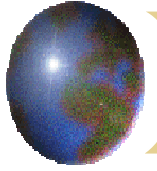
## Licensing Out

- ✓ Ownership and Control of IP
- ✓ Licence given to 3<sup>rd</sup> parties to use IP under specific terms
- ✓ Royalty income
- ✓ 3<sup>rd</sup> party can be a joint-venture
- ✓ Extension of Brand, Product range, market etc.



## Licensing Out (Cont)

- ✓ Ensure ownership of IP
- ✓ Ensure control of IP
  - Clear contracts / agreements
  - Right to check use of IP
    - Inspect premises
    - Inspect sales and account records
  - If joint-venture ensure proper shareholder agreements.

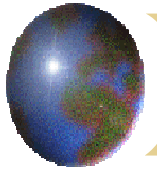


## Licensing In

- ✓ Use of third party IP Rights
- ✓ To extend business / new business

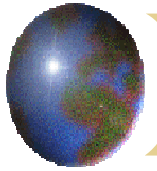
### Precaution to take

- ✓ Determine whether IP Licence required
- ✓ Conduct IP due diligence
- ✓ Differentiate between licensing agreement and distributorship agreement
- ✓ Is there risk taking by licensor?
- ✓ Who owns IP Rights in distributorship channels.
- ✓ Royalty rates / payment must be strategically structured.
- ✓ Government approval of royalty rates
- ✓ Tie – in clauses – valid?



## Franchising

- ✓ Establish business model in one place
- ✓ Attempt to replicate success in another location by third party by Agreement.
- ✓ Extension Use of IP Rights.
- ✓ Regulated by specific laws in many countries.



## Examples of successful franchises

1. McDonalds



2. KFC

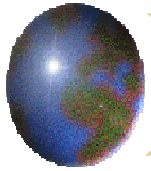


3. KPMG



4. PWC





## Examples of successful franchises (Cont'd)

5. Starbucks



6. Dunkin' Doughnuts

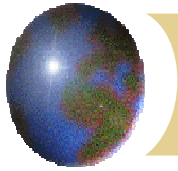


7. Saravanna Bhavan



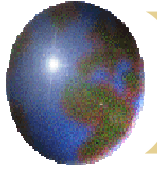
8. Anjappar





## Franchisor owns IP Rights in

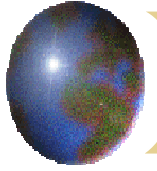
- ✓ Trademark / Brand.
- ✓ Operating procedures.
- ✓ Patents on equipment used in business.
- ✓ Owns Copyright / Patents in software systems.
- ✓ Marketing knowledge.



## Franchising includes

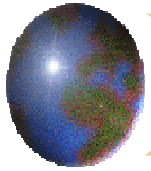
- ✓ payment of upfront fees (usually non-refundable).
- ✓ payment of royalty fees (based on total turnover).
- ✓ training of franchisee (staff)
- ✓ provision of operating manual.
- ✓ access to specialty equipment.





## Franchising

- ❑ In developing countries
  - quick way to learn established business models, management methods, quality control, etc.



## Case study in Malaysia

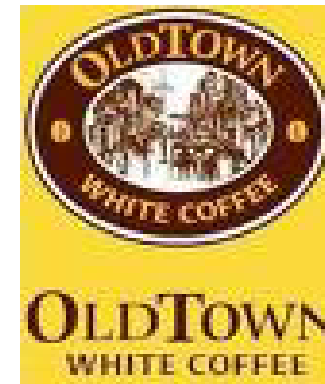
1. Secret Recipe

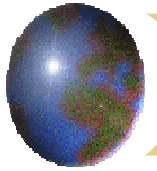


3. Mary Brown Chicken



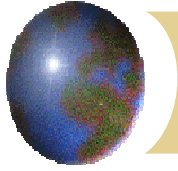
2. Old Town Coffee



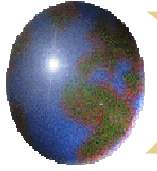


## Merchandising

- ✓ Extension of branding to non-core products.
- ✓ Build-up product recognition.
  - Distinctive trademark packaging
  - Method of sales / point of sales
- ✓ Ownership of all IP Rights.



- ❑ Distribution Agreement.
- ❑ Sales Agreement – one-off / long-term Agreement.
- ❑ Agency Agreements (principal / agency relationship).
- ❑ Consignment Agreements.
- ❑ Contract manufacturing for 3<sup>rd</sup> parties.



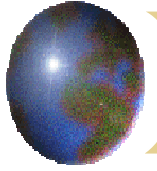
## **Conclusion**

Developing countries are net receivers of IP Rights.

Very little local IP Creation.

## Challenge

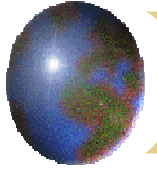
How to take advantage of patents, industrial designs, copyright, know-how that are in the public domain in Bhutan



## Taking expired 3<sup>rd</sup> party IP Rights

- Unprotected 3<sup>rd</sup> party IP Rights in Bhutan
  - Is not legally wrong.
  - Is it morally wrong?

Non-protection in Bhutan is an express indication that owner of IP Rights has “donated” his IP Rights to Bhutan!



# THANK YOU

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