

WELCOME TO ...



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Exploiting Intellectual Property Assets: Licensing, Franchising and Merchandising

**WIPO Training of Trainers Program on Intellectual Property
A.Kushner
and Small and Medium Sized Enterprises
Warsaw, Poland
November 22 to 25, 2010**

Larysa

Overview

- 1. Intellectual Property and Competitiveness**
- 2. Direct Use**
- 2. Selling and Licensing**
- 3. Franchising**
- 4. Merchandising**
- 5. Joint ventures and strategic alliances**



1. Intellectual Property and Competitiveness

New Economy

- New economic reality where competition is based on innovation:
 - Global market place
 - Demanding and fickle consumers
 - Shorter product cycles
 - Working through relationships, networks and outsourcing
 - Increased competition
 - Pressure to do more with less



Intellectual Property and Competitiveness

- The intangibles that add value and differentiate a product are protected by IP
 - Transformation of the intangibles that add value and differentiate a product into **the proprietary rights** = IP rights
- The IP system provides **exclusivity** over the exploitation of innovative products and services, creative designs and business identifiers
- Exclusivity means that an owner of IP has the right to prevent anyone else from using and exploiting the IP right



Exploiting IP Assets

- **Direct Use:** Core to the competitiveness of the product or service
- **Indirect Use:**
 - Sale, license, franchise or merchandise
 - Joint ventures and strategic alliance
- **Other possibilities:** Defensive patenting, publication
- **Finance**



2. Direct Use

Direct commercialization of the IP assets by yourself

Individual Exploitation to maintain the competitiveness of the product

- Make/produce copies of the products and sell them
- Reproduce the works on different types of products
- Exhibit the works in craft exhibitions, fairs, online catalogs, etc.
- Enforce your IPRs against infringers

Advantages: direct quality and exploitation control

Disadvantages: high costs and risks



Descorjet S.A.



Burqini by
Aheda Zanetti

Indirect Commercialization of IP Assets

- Mediate exploitation of IP Assets by third parties based on contractual agreements with the IP owner
- **Advantages:**
 - Low investment / Low risks
 - Potentially high return
- **Drawback:** Lack of control
 - Special attention to contracting



Indirect Exploitation by the third parties

Concerning:

- All (registered and not registered) IPRs: trade marks, patents, industrial designs, copyright, know-how
- Part of IPR (type of right)
- Combination of IPRs

Can be in a form of:

- Assignment of the IPRs to a third party
- vs
- License of the IPRs to a third party



3. Assignment and Licensing



Why should business consider

Licensing IP...	Selling (Assigning) IP ...
<p>Grant of a right to use the IPRs to a third party under contractually agreed conditions</p> <p>(// lease): possibility to limit</p> <p>Market; Geography; Time; Specific Application; Grant of Rights Usage</p> <p>Direct way to increase the value and benefits of your IPRs: Can generate lucrative fees and royalties</p> <p>New markets: Allows business to enter into new product categories or in new geographical areas in a relatively risk-free and cost-effective way</p> <p>Marketing tool: Increases the business' exposure and recognition</p>	<p>Transfer of the ownership of the IPRs (//sale)</p> <p>Loss of all future income-earning potential</p> <p>Buyer becomes a new owner of all assigned IPRs</p> <p>If no alternative</p> <p>If adequate price</p> <p>If no interest for further commercialisations</p>



Rolls-Royce




Licensing that might be of interest for your business might concern...

- Strategic, core technology or patents
- Non-core or “mature” technology and patents, products
- Struggling businesses or products (new or mature)
- Technology that can be applied to other markets
- Trade marks, designs, copyright, know-how, any combination of them
- Services



Why to license ...

For the Licensor	For the Licensee
<ul style="list-style-type: none">• Earn revenue• Strengthening relations with partners in the value chain• Capital saving• Expanding an existing business (extending your territory or the nature of business)• Access to markets• Turning infringer/competitor into a partner• Create standard	<ul style="list-style-type: none">• Lower costs• Starting a new business• Access to new technologies and know how• Possibility of creating innovative products• Settle infringement dispute• Manufacture standardized product 

Why NOT to license ...

For the Licensee

- Create competitor
- Bad choice of licensee could damage reputation
- Loose control of proprietary information



For the Licensee

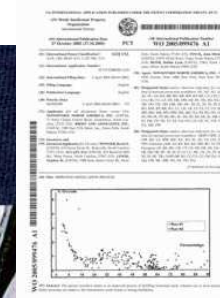
- Royalties add cost
- Secrecy requirements
- Administrative burdens - audits, reports etc
- May be obliged to grant back improvements

Cases: Non exclusive licensing-out strategy

Examples of licensing

Patents

- Patented technology for the treatment of “stone washed” denim jeans of **Novozymes**, a Danish, biotech company specializing in enzymes and microorganisms
- Novozymes’ technology for improving production methods and fabric finishing has been licensed worldwide

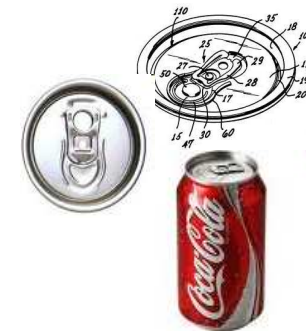


Treatment of cotton
without cellulase
Novozymes

with cellulase

The patented system of can opening was licensed by inventor 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



Trademarks

- Certification marks
- Franchising, merchandising

Using 95 – 100%
organic fibres:



certified by [certifier's ref.]
Licence no 1234

Using 70 – 94%
organic fibres:



Made with (x %) organic materials
certified by [certifier's ref.]
Licence no 4321

Cases: Non exclusive licensing-out strategy

Copyright

Embroidery Stock design:

- Library of designs for commercial embroidery companies to sew on garments for sale
- Download online
- License agreements to use design
- Allows embroiders to choose according to their preferences and project needs

Su Embroidery Studio

<http://www.suembroidery.com/>



Dakota Collectibles

Embroidery Design Center

<http://www.dakotacollectibles.com>



[Sm. Jumper](#)



[Jammin'](#)

[People](#)

Cases: Exclusive licensing-out strategy

Based on the materials of Julian Nolan

- Avionics system
 - mature product
 - commitment to support customers
 - high cost to change
 - still profitable, but none core
- Licensed to main customer
 - Deal structure
 - NPV increased, GNPV
 - Regain strategic focus
- Win-Win result



Cases: strategy might be different... Licensing-in

Sony Corporation

- In 1946 a small enterprise of some 20 staff members repairing phonographs
- In 1952 the founder of the enterprise came across patent information on an invention of the Bell Laboratories: the transistor
- Obtaining a patent license from the patent holder, Western Electric (WE) of the United States of America
- In 1955 production of the first transistor radio and marketing of the new product
- Enabling of the small enterprise to enter the global market of electronics
 - Renamed as Sony Corporation



Licensing

Consider licensing:

- You are an artist/designer/inventor and don't want to be involved in manufacturing
- You don't have capacity to produce more items
- You don't want to produce elsewhere (in Poland/abroad)
- You don't have capacity to distribute elsewhere
- You want to benefit from a better reputation of a partner



How to develop a proper licensing strategy ?

1. Protect your IP rights
2. Find right licensee
3. Assess foreign markets
4. Tailor scope of license to actual needs of licensee
5. Preserve control over the commercial use of your works
6. Negotiate fair compensation
7. Draft a solid license agreement
8. Management of licenses

Key elements of a licensing agreement

- Licensor: grant of the right to use specified IPRs by licensee
- Licensee: payment of *royalties* to the licensor
- **Scope of the license:**
 - Exclusivity
 - Scope of use (manufacture / distribution)
 - Territory
 - Right to sublicense
- **Representations and warranties**
 - Validity of the IPRs (best knowledge?)
 - Indemnification (limitation of)
 - Enforcement of the IPRs against third party infringers
 - Liability of the licensor ?
 - Standing to sue of the (exclusive) licensee ?



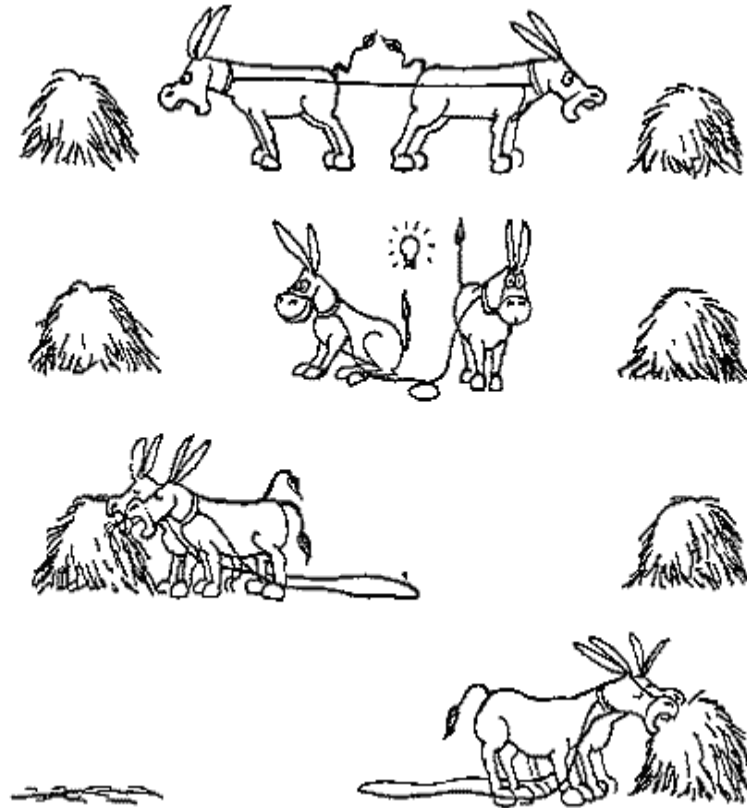
Key elements of a licensing agreement

- **Control** over licensee's **accounting methods** (for purpose of checking the amount of the royalties)
- **Control** over licensee's **use of the IPRs** with respect to:
 - Quality of the products sold under licensor's IPRs
 - Prohibition to misappropriate licensor's IPRs
- **Confidentiality**
- **Term of the agreement:**
 - early termination / termination for
 - breach of the agreement / post termination obligations
- **Governing law**
- **Jurisdiction / dispute settlement** (mediation – arbitration under the WIPO rules)



Licensing

You don't get the deal
you deserve, you get
the deal you negotiate



4. Franchising



Franchising

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

- All **franchisees are licensees** but not all licensees are franchisees



Franchising

- **Franchising vs licensing**
 - Licensing of IPRs is an element of franchising
 - Licensing of IPRs is the means to reach the end
- **Goals of franchising**
 - For the franchisor: geographically expand its business without taking financial risks
 - For the franchisee: benefit from the brand, experience and know-how of the franchisor

Why ...

Why enter into a Franchise?

- Lower risk of failure
- Recognizable image
- On going support
- Easier to obtain financing
- Benefit from franchisors R&D



Why not enter into a Franchise?

- All IPR owned by the Franchisor
- Payment of fees
- Obligated to follow the business model
- Depend on the success of the Franchisor

Key elements of franchise agreement

- **Franchisor:**
 - Making available its commercial concept (including IPRs)
 - Instruction / assistance to the franchisee (services)
 - Supply of products to the franchisee
 - Exclusivity
- **Franchisee:**
 - Payment of royalties
 - Following the guidelines of the franchisor
 - Promotion

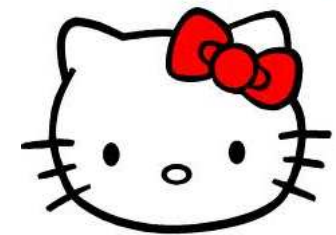
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Non-Disclosure Document: Confidentiality agreement contract between franchisor and franchisee to keep the information secret

5. Merchandising

Merchandising

- Commercial exploitation of a name, symbol or distinctive sign which has acquired a certain **brand recognition** in a specific field(s) for the purpose of selling goods or services in other fields
- Often distinctive signs or characters themselves derive from television, film, toys, books, comics, and computer games



Merchandising

- **Merchandising vs licensing**
 - Merchandising is based on licensing
- **Goals of merchandising**
 - For the merchandisor: expand its business to other lines of products / services without taking financial risks
 - For the merchandise: benefit from the brand recognition of the merchandisor's products / services

Merchandising

Examples:



Picasso



Collection of Licensed Products
embroidery design
Licensed by Warner Bros. Consumer
Products, Inc



**Taj Mahal,
India**

*360 Wrap-Around
Panoramic Photo*

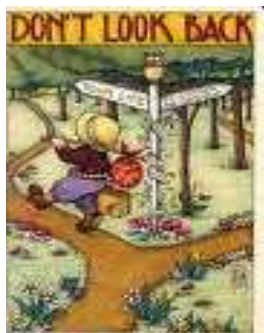


Elvis '68 Fabric by **Cranston Village**
Licensed by **Elvis Presley Enterprises**

Case Study: Mary Engelbreit

From WIPO SMEs Division Case Studies Collection

- Mary Engelbreit is known throughout the world for her colorful and intricate designs, and has become a pioneer for art licensing
- Beginning: "drawing to order" for free-lance clients
- Went to New York → illustrating greeting cards
- Several well-known card companies bought her designs, and sales were brisk into a million-dollar-a-year business.
- Decision to [license her cards](#) to Sunrise Publications to free up more time for her art and to grow her business in other areas



Case Study: Mary Engelbreit

- Other companies were anxious to **merchandise** Mary's distinctive artwork on a wide range of products including calendars, T-shirts, mugs, gift books, rubber stamps, ceramic figurines and more

www.maryengelbreit.com



Case Study: Mary Engelbreit



“A Day At The Beach” new collection of fabric designs

- Mary Engelbreit Studios now has **contracts with dozens of manufacturers** who have produced more than 6,500 products in all.
- Mary takes extreme care in choosing **only the best** companies to work with and goes to great lengths to make certain that her artwork is reproduced as **faithfully** to her original work as possible

6. Joint ventures and strategic alliances

Case Study: Gustavo De Negri & Za.Ma

- A small Italian company established in San Leucio in 1998 as a continuation of a long family tradition
- Specialization on a exclusiv tailor-made silk fabrics, produced for the business to business sector
- Constant self-renewal by creating new fabric designs



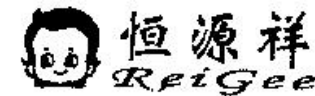
Strategic alliances

- with Milanese loom maker to incorporate the improvements in their new machines and with local university researchers to develop new techniques for finishing fabrics to gain technical innovation in the mill's mechanical, chemical and finishing processes
- with three other renowned silk textile makers from the district to market silk fabrics from San Leucio
 - Foundation of a consortium,
 - Registration and management of San Leucio Textile Silk Quality collective trademark

Case Study: Heng Yuan Xiang Group (HYX)

HYX was founded in 1927 till 1987 was a small wool store Shanghai

- Creation of an eye-catching trademark and development of a successful branding strategy
- Continuous R&D and promotion of the brand



Strategic Alliances

- with a textile factory that had the necessary assets for production – equipment, factories and capital
- By 2010 with over seventy factories that help to manufacture its products
- with thousands of franchisee (5,000 franchise stores) to sell its products in more than seventy categories via a comprehensive franchise system

Conclusions

- Protect your IP
- Choose the best protection
- All forms of IPRs can be used in combination for the best effect
- In light of the recourses and market opportunities choose the right strategy to benefit from the IP
- Even if you can't or don't want to use your IPRs yourself...Bear in mind that third parties may want to use them !

Thank you for your attention!



Any Question?

WIPO's website for SMEs :

www.wipo.int/sme

Contact address: larysa.kushner@ehu.it