

# Sharing and Leveraging Intellectual Property Assets: Fundamentals of Licensing

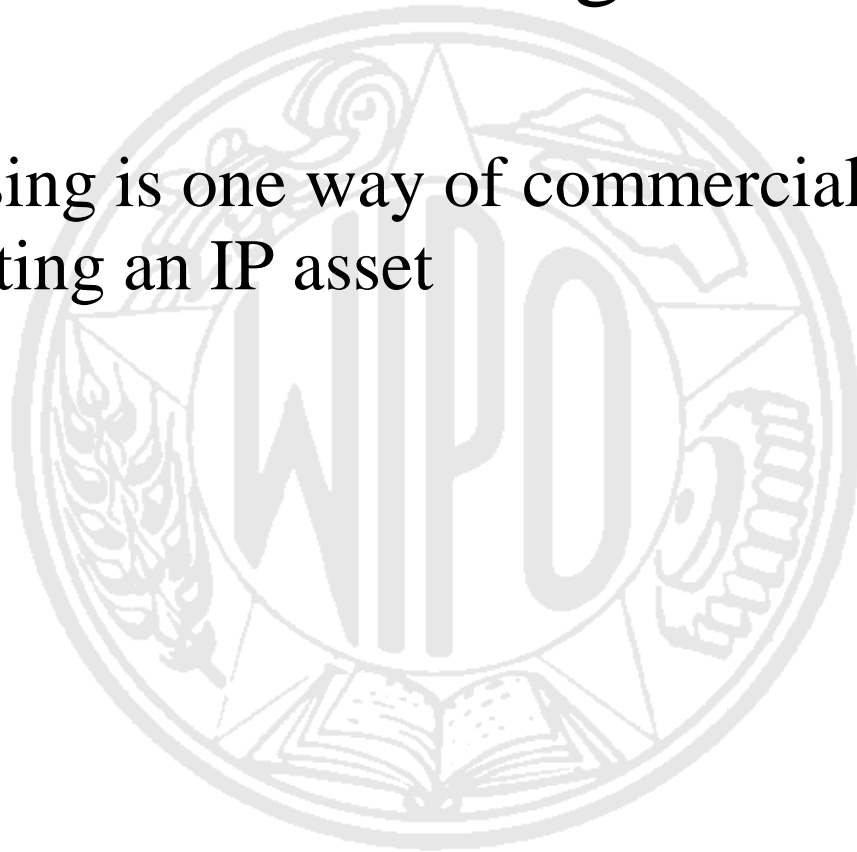
Tamara Nanayakkara

# Intellectual Property Rights

- The intellectual property system converts the creative output of the human mind; ideas, innovations and inventions into property and thus into valuable tradable assets.
- These assets can therefore be commercially exploited as with any other physical assets; sell, lease rent etc..

# Licensing

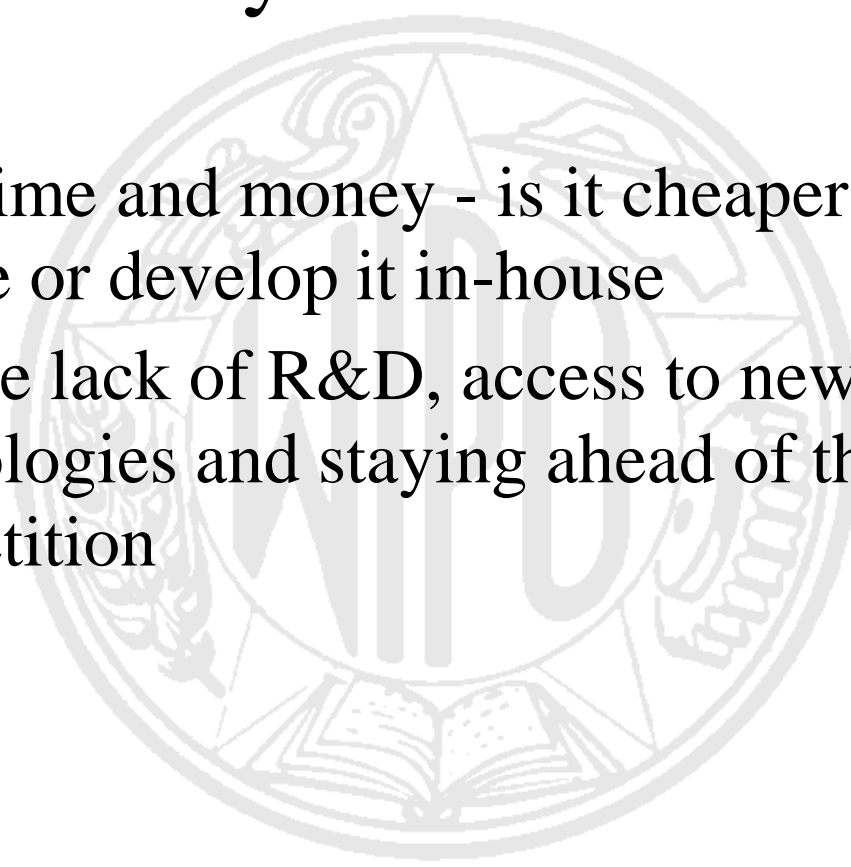
- Licensing is one way of commercially exploiting an IP asset



# Licensing of IPR

- If the technology (or other kind of expression of human creativity) is not protected by an IPR, 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 an intellectual property right.

## Why license - in

- Save time and money - is it cheaper to license or develop it in-house
  - Despite lack of R&D, access to new technologies and staying ahead of the competition
- 
- Possibilities of creating innovative products

## Why license -in

- manufacture standardized products
- Settle infringement dispute
- Benefit from anothers patent and thus all the benefits that accrue to a patent holder

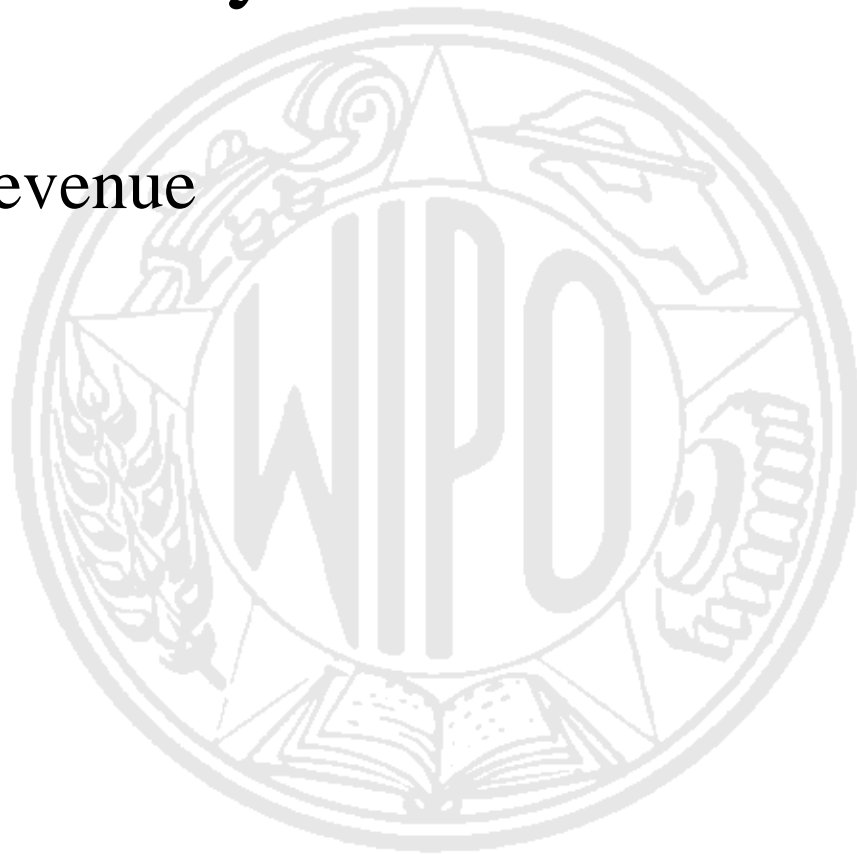
# Why NOT license-in

- It is costly - royalties add to the margin
- Secrecy requirements
- Administrative burdens - audits, reports etc
- Obligations to grant back improvements



# Why License-out

- Earn revenue



# Why license out

- Access to foreign markets

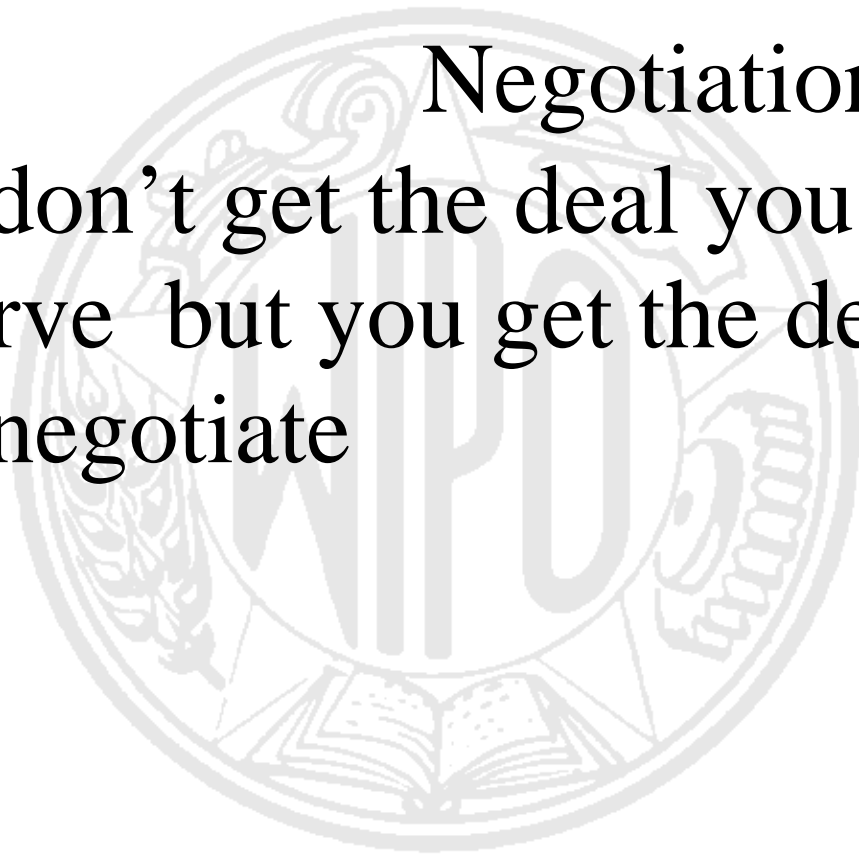


# Why NOT license-out

- Create competitor
- Lose control of proprietary information
- The risk of partnering with a "bad" licensee and thus risking revenue and worse the reputation of your product

## Negotiation

- you don't get the deal you deserve but you get the deal you negotiate



# Preparation - information gathering

- General information on the relevant market
- Companies active in that market and their products
- Existing technologies used by such companies
- On going R&D about relevant technologies
- Prevalent licensing practices in the relevant markets and products

# Preparation - 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 centers
- Patent information services

# Preparation - 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 information yet the least utilized

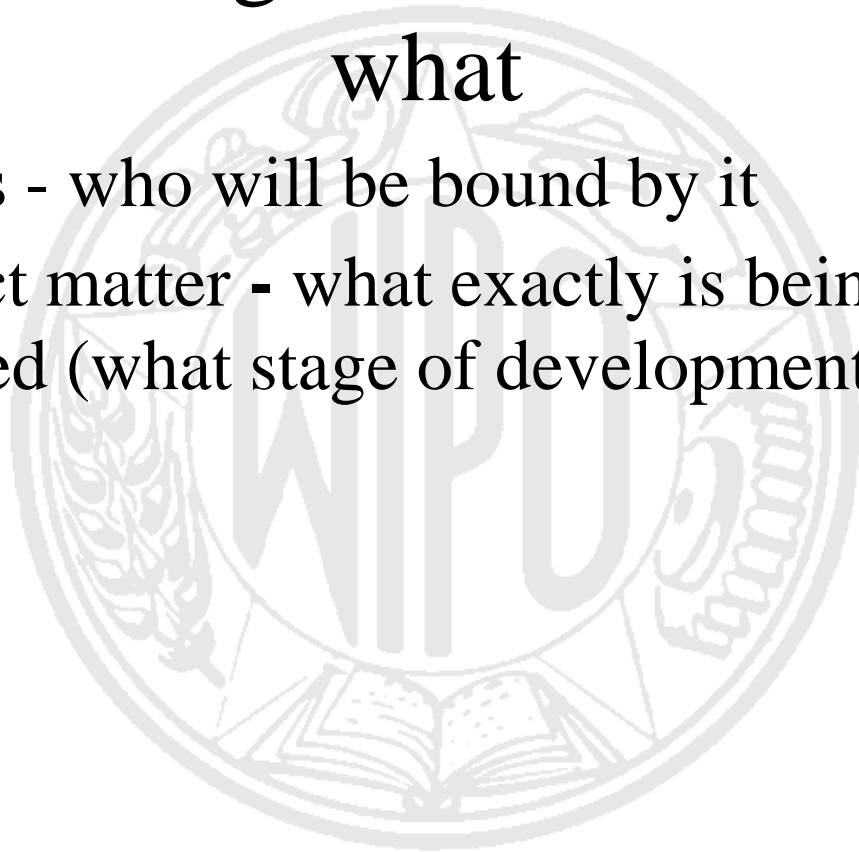
# Preparation

- Analyze your strengths and weaknesses
- Consider secrecy agreement
- Identify your team
- Prepare summary of key issues to be discussed (Heads of Agreement)



# Heads of Agreement - Who and what

- Parties - who will be bound by it
- Subject matter - what exactly is being licensed (what stage of development is it in)



# Heads of Agreement - Extent

- Exclusive, non exclusive or sole (licensor and licensee can operate in the territory)
- Sub licenses
- Field of use - to be used in an identified field, product
- Scope - make, use or sell, offer for sale, import
- Territory
- Improvements

# Heads of 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 percentage)
- Annual minimum royalty - usually where the license is exclusive and the licensor needs to ensure a regular income.

# Heads of Agreement-Other

- Best efforts



# Heads of Agreement

- Infringement



# Heads of Agreement

- Product liability insurance
- 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

# Heads of 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)

## Golden Rule

- Aim for win win outcome

