

IP CONTRACTS

IP TRANSACTIONS

IP LICENSING



S MAJUMDAR

PATENT ATTORNEY AND ADVOCATE

[cal@patentindia.com](mailto:cal@patentindia.com)

# TRANSMISSION OF IP RIGHTS

- IP CONTRACTS
- IP TRANSACTIONS
- IP LICENCES

**IP TRASMISSIONS ARE BASICALLY  
KNOWLEDGE AND/OR GOODWILL  
BASED PARTNERSHIPS IN  
DIFFERENT AREAS OF BUSINESS AND  
TECHNOLOGY**



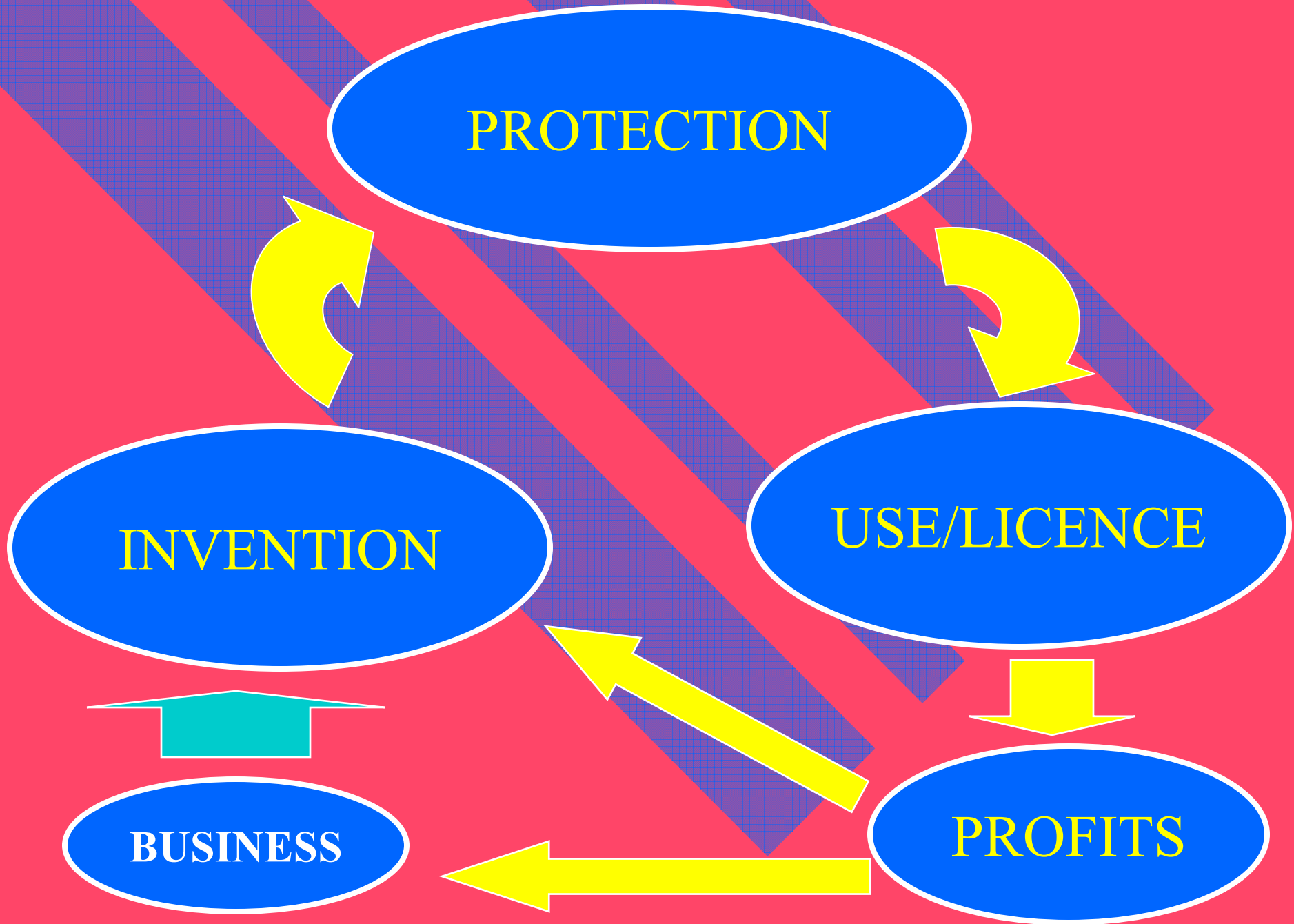
# IP ASSETS

"TRADITIONAL" IP COMMUNITY (E.G., ATTORNEYS, R&D EXECUTIVES, LICENSING PROFESSIONALS) HAS ALWAYS RECOGNIZED THE PROMINENT ROLE OF IP ASSETS AS ENABLING ENGINES FOR BUSINESS STRATEGY

IT IS ONLY IN RECENT YEARS IN INDIA THAT SENIOR CORPORATE MANAGEMENT, BOARDS OF DIRECTORS AND THE INVESTMENT COMMUNITY AT LARGE HAVE COME TO THIS REALIZATION.



# A VIABLE PROPOSITION



**PROTECTION**

**INVENTION**

**USE/LICENCE**

**BUSINESS**

**PROFITS**

# THE NEED

- OF THE KNOWLEDGE/GOODWILL PROVIDER
- OF THE KNOWLEDGE/GOODWILL RECIPIENT

# WHY DOES THE IPR OWNER NEED OTHERS TO USE ITS IPR?

- **YOU HAVE A PREMIUM PROPERTY AND YOU SELL IT AND GENERATE RESOURCES TO FINANCING IN OTHER AREAS OF PRIORITY**
- **YOU NEED TO SHARE THE BENEFITS OF PROPERTIES OF ANOTHER PARTY TO MAKE YOUR PROPERTY/PRODUCT MORE USEFUL**
- **YOU HAVE CREATED THE PROPERTY TO FULFIL THE NEEDS OF OTHERS AND CREATE OPPORTUNITIES**

# WHY DO OTHERS NEED TO USE THE IPR OF THE IPR OWNER ?

- **TO GET A HEAD START AND USE THE IPR FOR MAKING ITS PRODUCTS AND SERVICES MORE COMPETITIVE**
- **TO AVOID DELAYS IN NEW RESEARCH AND TO QUICKLY ENTER THE MARKET.**
- **TO GROW QUICKLY AND MAINTAIN ITS MARKET SHARE WITH SHARING SOME BENEFITS WITH THE IPR OWNER**

# CASE STUDY

**OPPOSITION TO EUROPEAN PATENT NO.0728048**

**( A CASE HANDLED BY S MAJUMDAR & CO ON  
BEHALF OF THE GOVT. OF INDIA )**

**GEOHESS OF UK HAD PATENTED  
UNDER EUROPEAN PATENT  
NO.0728048 THE USE OF HESSIAN  
CLOTH/SHEET TO COVER  
WASTE/DUMPING GROUNDS AS AN  
'INVENTION' THEREBY HOLDING  
EXCLUSIVE RIGHTS IN ALMOST  
ALL EUROPEAN COUNTRIES  
INCLUDING UK, GERMANY,  
SWEDEN, FRANCE AMONGST  
OTHERS ON SUCH USE OF  
HESSIAN..**

## THE HESSIAN WASTE COVER CLAIMED UNDER GEO-HESS PATENT

USUALLY, WASTE OR DUMP SITES ARE WELL KNOWN TO BE COVERED BY SHEET MATERIAL SUCH AS PLASTICS TO AVOID FLYING OF DIRT AND GERMS. HOWEVER, DUE TO THE GLOBAL CONSCIOUSNESS IN RECENT YEARS ON ENVIRONMENTAL PROBLEMS REGARDING BIODEGRADABILITY OF PLASTICS, THE MUNICIPAL AND STATE ADMINISTRATIONS THROUGH OUT THE WORLD PREFERRED BIODEGRADABLE COVERS. GEOHESS TAKING ADVANTAGE OF SUCH GLOBAL CONCERNS AND ANTICIPATING THE HUGE MARKET DEMANDS OF BIODEGRADABLE COVERS, SOMETIME IN 1994 FILED AN APPLICATION FOR SAID EUROPEAN PATENT CLAIMING NOVELTY AND INVENTIVE MERITS IN USE OF HESSIAN (A VARIETY OF JUTE CLOTH) SHEET AS A BIODEGRADABLE COVER FOR WASTE.



INDIAN JUTE INDUSTRY HAD A REASONABLY HIGH CAPACITY TO CONSISTENTLY SUPPLY A LARGE AMOUNT OF HESSAIN. BUT COULD NOT SUPPLY DUE TO THE EUROPEAN PATENT. PATENT OWNER OFFERED POOR PRICES

## *IMPLICATIONS OF THE APPLICATION AND GEO-HESS PATENT*

**GEOHESS EXCLUSIVELY SOLD ABOUT 4.5 MILLION SQM. OF HESSIAN FOR SUCH USE SINCE THEY MARKETED THE CLAIMED INVENTION IN 1996. ADDITIONALLY, ABOUT 1.1 MILLION SQM WAS SOLD BY GRANT OF LICENSE BY GEO-HESS BASED ON THE CLAIMED INVENTION.**

## IMPLICATIONS OF THE APPLICATION AND GEO- HESS PATENT

SOME COMPANIES AND MUNICIPAL AUTHORITIES WHO USED THE CLAIMED INVENTION OF GEOHESS INCLUDED GLASGOW CITY COUNCIL, LANCASHIRE WASTE SERVICES, MIDLAND RECLAMATION LTD., U.K. WASTE MANAGEMENT LTD.

BASED ON THE APPLICATION/PATENT ON THE INVENTION GEO-HESS HAVE BEEN CHARGING **ROYALTY OF 65% ON THE COST OF HESSIAN** ON THE HUGE COMMERCIAL USE OF HESSIAN FOR COVERING DUMPS/WASTE FILLS IN EUROPE. THE PATENT WAS GRANTED IN FAVOUR OF GEOHESS BY THE EUROPEAN PATENT OFFICE ON 30.06.1999.

## **JMDC OPPOSES THE GEO-HESS PATENT AS A NATIONAL CAUSE**

**JMDC, KEEPING IN VIEW THE INTEREST OF THE JUTE INDUSTRY IN INDIA AND EXPORT BUSINESS IN EUROPE OF INDIAN JUTE AND THE NATIONAL INTERESTS AT LARGE TOOK INITIATIVE TO CONTEST THE GRANT AND OPPOSED THE GRANT BEFORE THE OPPOSITION DIVISION, EUROPEAN PATENT OFFICE (27 MARCH, 2000). THE EPO, OPPOSITION DIVISION, WHILE PASSING THE PRELIMINARY OPINION ON 18.04.2001, WAS OF THE VIEW THAT THE PATENT WOULD HAVE TO BE REVOKED, BOTH THE PARTIES, HOWEVER, BEING ALLOWED OPTION FOR ORAL PROCEEDINGS.**

## **GROUNDS OF OPPOSITION AND LEGAL ISSUES**

**LACK OF NOVELTY AND LACK OF INVENTIVE MERIT.**

## **FINDINGS OF EPO**

**THE EPO OPPOSITION DIVISION PASSED ITS FINAL ORDERS REVOKING THE PATENT ON GROUND OF LACK OF SUBJECT. LACK OF NOVELTY GROUND DISMISSED.**

**THE REVOCATION OF THE EUROPEAN PATENT HAS THE EFFECT OF NULLIFYING THE PATENT RIGHTS OF GEO-HESS IN ALL THE DESIGNATED EUROPEAN COUNTRIES.**

APPEAL BY GEOHASS RELYING  
UPON FRESH EVIDENCE BY WAY  
OF TECHNICAL AFFIDAVIT  
OF EXPERT TO SHOW THAT  
HESSAIN CANNOT BE TREATED  
AS EQUIVALENT OF JUTE.

JMDC- PURPOSIVE CONSTRUCTION

APPEAL DISMISSED AFTER  
FURTHER HEARING

IT IS NOW FREE FOR ANYONE  
TO SUPPLY HESSAIN FREELY  
IN EUROPE COMPETITIVELY

EFFECT – ALL LICENCES STAND VOID

# HOW SOLID IS YOUR IPR

- OBTAINING A PATENT IS NOT THE LAST WORD
- PERIODICAL REVIEW OF VALIDITY
- REVIEW PUBLISHED PRIOR UPTO THE PRIORITY DATE OF THE PATENT
- SAME APPLIES TO INDUSTRIAL DESIGNS
- SAME APPLIES TO UNDISCLOSED INFORMATION
- NOT CRITICAL FOR COPYRIGHT. NOT AN EXCLUSIVE RIGHT



**ALL IP STATUTES FOR EXAMPLE,  
PATENTS, TRADEMARKS, DESIGNS AND  
COPYRIGHTS PROVIDE FOR  
ASSIGNMENT AND TRANSMISSION OF IP  
RIGHTS.**

# SALIENT FEATURES OF ASSIGNMENT AND TRANSMISSION IN CASE OF PATENTS ETC.,

ASSIGNMENT – TRANSFER OF ENTIRE  
OR PART RIGHT, TITLE AND INTEREST  
IN A IPR FOR A CONSIDERATION.  
MULTIPLE ASSIGNMENT FOR  
MULTIPLE TERRITORIES NOT  
PERMISSIBLE UNDER LAW FOR  
PATENTS AND DESIGNS BUT  
PERMISSIBLE FOR TRADEMARKS.

CREATE MULTIPLE IP<sub>s</sub>  
WHERE POSSIBLE TO  
CREATE SCOPE FOR  
MULTIPLE LICENSING

IT IS ADVISABLE TO  
REGISTER DESIGNS SEPARATELY  
IN RESPECT OF SPECIFIC  
EMBODIMENTS OF PATENTS  
UNDER THE DESIGNS ACT

# FIGURES OF US742892 OF 03/11/1903

Fig. 1.

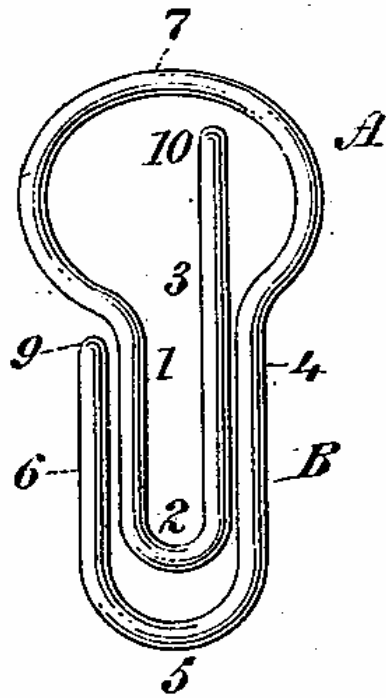


Fig. 2.

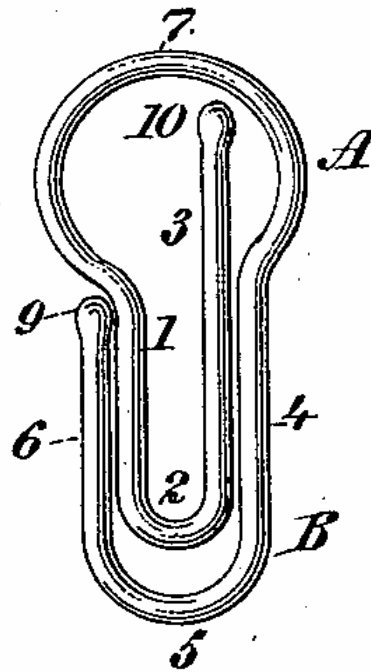
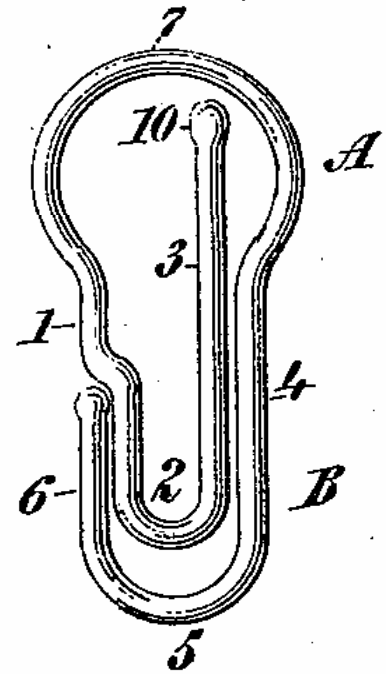


Fig. 3.



# FIGURES OF US742892 OF 03/11/1903

Fig. 6.

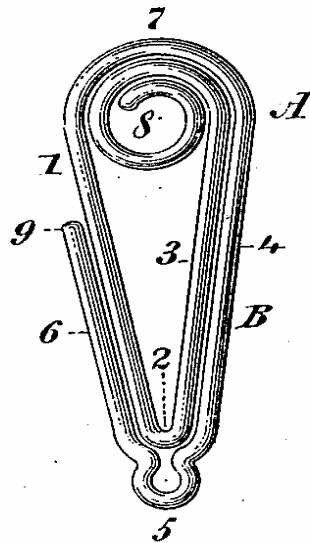


Fig. 6.

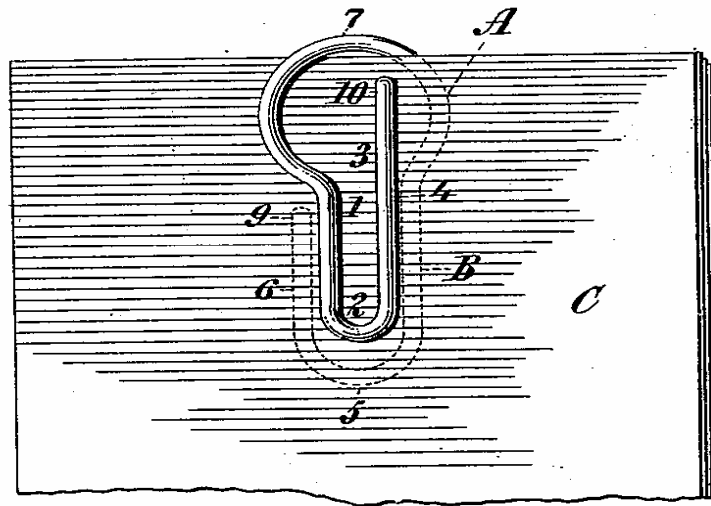


Fig. 7.

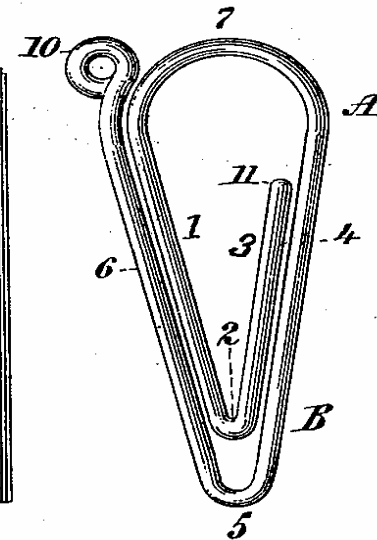
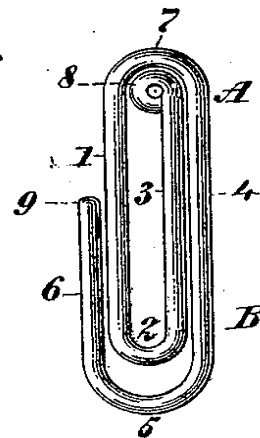


Fig. 5.



WITNESSES:

*Gustave Dietrich*

*Edwin A. Dietrich*

INVENTOR

*George D. McGill*

# SALIENT FEATURES OF ASSIGNMENT AND TRANSMISSION IN CASE OF PATENTS ETC.,

LICENSE, LEASE ETC., MADE BETWEEN PARTIES ARE GOVERNED UNDER THE LAW OF CONTRACTS AND THE SPECIFIC LAW IN QUESTION.

BREACH OF SUCH CONTRACTS ARE ENFORCEABLE UNDER THE LAW OF SPECIFIC PERFORMANCE

# SALIENT FEATURES OF ASSIGNMENT AND TRANSMISSION IN CASE OF PATENTS ETC.,

- CRITICAL TO ADDRESS ALL ISSUES IN AGREEMENTS WITH PRECISION AND CLARITY. AMBIGUITY SHOULD BE AVOIDED.
- THE STATUTORY PROVISIONS SHOULD BE CONSIDERED
- ENSURE THAT THE AGREEMENT SHOULD BE MADE OR AT LEAST VETTED BY EXPERTS IN THE RESPECTIVE AREAS.



## SALIENT FEATURES OF ASSIGNMENT AND TRANSMISSION IN CASE OF PATENTS ETC.,

- ASSIGNMENT AND TRANSMISSION OF RIGHTS MUST BE RECORDED IN WRITING.
- ORAL TRANSACTIONS NOT VALID.
- UNLESS RECORDED COURTS MAY REFUSE TO RECOGNIZE LICENCEE

# GOOD PRACTICES

IT IS NOT UNCOMMON FOR NON EXPERTS TO ADOPT OLD DRAFTS FOR MAKING NEW AGREEMENTS BUT SUCH PRACTICE SHOULD BE AVOIDED BECAUSE THERE MAY BE CHANGES IN LAWS AND ALSO COURTS TIME TO TIME GIVE NEW INTERPRETATIONS TO EXISTING PROVISIONS.

ALSO THE SPECIFIC SUBJECT MATTER NEEDS TO BE CONSIDERED AND THIS MAY REQUIRE INCORPORATION OF SPECIAL COVENANTS

**FOR EXAMPLE, IN COPYRIGHT LAW THE PROVISIONS RELATING TO ASSIGNMENT ARE QUITE DIFFERENT FROM THE OTHER IP LAWS. IN THE CASE OF COPYRIGHT ONE CAN ASSIGN**

- **AN EXISTING OR A FUTURE WORK - WHOLLY OR PARTIALLY-GENERALLY OR SUBJECT TO LIMITATIONS.**
- **TERRITORIAL EXTENT OF ASSIGNMENT. FAILURE TO MENTION TERRITORY WOULD RESTRICT THE ASSIGNMENT TO INDIA ONLY.**

•IN CASE OF PATENTS AND  
DESIGNS TERRITORIAL  
DIVISION NOT PERMISSIBLE

•POSSIBLE IN THE CASE OF  
TRADEMARKS

# COPYRIGHT ASSIGNMENT

- **ASSIGNMENT DEEMED VOID IF RIGHTS NOT EXERCISED WITHIN ONE YEAR FROM DATE OF ASSIGNMENT. THEREFORE, IT IS ESSENTIAL THAT A SUITABLE CLAUSE SHOULD BE PROVIDED IN THE AGREEMENT TO SAFEGUARD AGAINST THE CEASURE OF THE RIGHTS.**
- **STATE PERIOD OF ASSIGNMENT. IN ABSENCE OF ANY SPECIFIC PERIOD THE ASSIGNMENT WILL BE REVERSED AFTER FIVE YEARS.**
- **DISPUTE WITH RESPECT TO ASSIGNMENT OF COPYRIGHT CAN BE REDRESSED BY THE COPYRIGHT BOARD.**

# ROYALTY

**TECHNOLOGY/  
GOODWILL  
TRANSFER**

IP LICENSING

LICENSING OF KNOW-HOW

# REALIZING BETTER RETURNS

- **TURNOVER FORMULA**
- **VALUATION FORMULA**

# **TURNOVER FORMULA**

**4 TO 20% OF EX-FACTORY IN  
CASE OF PATENT LICENCE**

**KNOW-HOW FEES BASED ON  
SERVICES/ VALUATION OF IP**



## **"FAIR MARKET VALUE"**

**A GENERALLY ACCEPTED DEFINITION IN TAX REGULATIONS AND VALUATION THEORY, NAMELY:**

**THE AMOUNT AT WHICH AN ASSET WOULD CHANGE HANDS BETWEEN A WILLING BUYER AND A WILLING SELLER --WITHIN A COMMERCIALY REASONABLE PERIOD OF TIME, --EACH HAVING REASONABLE KNOWLEDGE OF THE RELEVANT FACTS,-- NEITHER BEING UNDER ANY COMPULSION TO ACT, -- AND WITH EQUITY TO BOTH.**

# TRADEMARK LICENCE

USUALLY COMES AS PACKAGE  
INTEGRATED WITH KNOW HOW AND  
QUALITY COMPLIANCE CONSIDERATIONS

TURNOVER FORMULA USUALLY  
ADOPTED

# TRADITIONALLY

BRAND LICENSING WITH TECHNOLOGY AND KNOWHOW OF PRODUCT

FOR EXAMPLE PFIZER, US HAS LICENSED ITS BRANDS AND TECHNOLOGIES TO ITS INDIAN SUBSIDIARY TO PRODUCE PRODUCTS ACCORDING TO ITS TECHNOLOGY AND BRAND THEM. LICENSOR EXERCISES CONTROL.

TRADITIONAL MODEL - REGISTERED USER AGREEMENT UNDER TRADEMARK LAW.

TRADITIONALLY

LICENSING HAS BEEN USED AS STRATEGY TO GENERATE REVENUE FROM ESTABLISHED BRANDS.

EMPHASIS ON ROYALTY REVENUE OVER MARKETING VALUE

STILL, ROYALTY REVENUE REMAINS THE PRIMARY MOTIVATION FOR MANY LICENSORS.

# YESTERDAY

**BUSINESSES REALIZED THAT**

- ROYALTIES CAN REPRESENT ONLY A FRACTION OF THE VALUE THAT IS CREATED BY A THOUGHTFUL, CAREFULLY EXECUTED LICENSING PROGRAM.**
- THEY DO NOT HAVE A FORMAL METHODOLOGY TO MEASURE THE BRAND BENEFITS THAT ARE GENERATED BY LICENSED PRODUCTS.**

# YESTERDAY

## BUSINESSES REALIZED

LICENSING OFFER NO MORE THAN JUST ROYALTY REVENUE FOR LICENSORS

THEY ASKED THEMSELVES

- WHAT DO COCA-COLA, GE, AND MCDONALDS REALLY GAIN BY LICENSING THEIR VALUABLE TRADEMARKS INTO PRODUCTS SUCH AS GLASSWARE, TOASTERS AND BEACH TOWELS?
- IS IT TRUE THAT ROYALTY REVENUE IS OFTEN A PRIMARY FOCUS, BUT IT'S NOT ALWAYS THE MOST IMPORTANT OBJECTIVE OF THE LICENSOR.

# 2006 TOP 20 BRANDS- RANK AND TURNOVER \$MIL

1	<u>Coca-Cola</u>	67,000
2	<u>Microsoft</u>	56,926
3	<u>IBM</u>	56,201
4	<u>GE</u>	48,907
5	<u>Intel</u>	32,319
6	<u>Nokia</u>	30,131
7	<u>Toyota</u>	27,941
8	<u>Disney</u>	27,848
9	<u>McDonald's</u>	27,501
10	<u>Mercedes-Benz</u>	21,795

# 2006 TOP 20 BRANDS- RANK AND TURNOVER \$MIL

11	<u>Citi</u>	21,458
12	<u>Marlboro</u>	21,350
13	<u>Hewlett-Packard</u>	20,458
14	<u>American Express</u>	19,641
15	<u>BMW</u>	19,617
16	<u>Gillette</u>	19,579
17	<u>Louis Vuitton</u>	17,606
18	<u>Cisco.</u>	17,532
19	<u>Honda</u>	17,049
20	<u>Samsung</u>	16,169



**•LICENSING IS AN AREA THAT DOES NOT APPEAR TO RECEIVE THE ATTENTION IT DESERVES**

**•LICENSING A BRAND NAME IS MUCH MORE THAN MAKING MONEY ON ROYALTIES**

**•LICENSING A BRAND CAN ADD TO THE BRAND'S IMAGE AND MAKE MARKETING COMMUNICATIONS MORE EFFECTIVE.**

# COKE LICENSING STRATEGIES

factoring \$70 million in royalty revenues as a percentage of \$67 billion, that's the Coca-Cola brand value (according to The Global Brand Scorecard 2006 by Interbrand). It's clear that royalty revenue alone doesn't provide a very good ROI for Coca-Cola.

Perhaps there really is more to licensing than royalty revenue. Let's review a few of the other reasons why Coca-Cola and other leading brand owners might be licensing.

# **COKE LICENSING STRATEGIES**

**COCA-COLA HAS ONE OF THE LARGEST TRADEMARK LICENSING PROGRAMS IN THE WORLD. IT HAS OVER 300 LICENSEES WHO SELL OVER \$1 BILLION OF LICENSED PRODUCTS EACH YEAR.**

**TAKING A CONSERVATIVE ROYALTY RATE OF 7%, COKE RECEIVES ABOUT \$70 MILLION IN ROYALTIES, EQUIVALENT TO 0.3 % OF NET OPERATING REVENUES.**

# ADVERTISING AND PROMOTION

A LICENSEE BENEFITS BY THE ADVERTISING OF THE BRAND BY THE LICENSOR.

THERE IS A RECIPROCAL BENEFIT THAT THE LICENSOR RECEIVES FROM THE ADVERTISING AND PROMOTIONAL SUPPORT BY THE LICENSEE.

MANY PRACTITIONERS CONTEND THAT THE PROMOTION BY THE LICENSEE CAN INVIGORATE THE BRAND AND MAY BE OF GREATER IMPORTANCE THAN THAT OF THE LICENSOR.

# IMAGE ENHANCEMENT

IT IS PROVED THAT EXTENSION INTO NEW PRODUCTS CAN BE AN EXCELLENT STRATEGY TO ENHANCE AND REINFORCE BRAND EQUITY.

THIS IS ACCOMPLISHED BY CAREFUL PRODUCT CATEGORY SELECTION AND FREQUENT EXPOSURE OVER AN EXTENDED TIME PERIOD. MANY LICENSORS REALIZE STRONG BENEFITS FROM EXTENSION INTO PRODUCT CATEGORIES SUCH AS APPAREL, COLLECTIBLES, HOME FURNISHINGS, HOUSEWARES AND TOYS.

# INCREASED EXPOSURE

IT'S AXIOMATIC IN MARKETING THAT INCREASED EXPOSURE CAN HELP IMPROVE TOP-OF-MIND AWARENESS, A CORNERSTONE DEVELOPING CONSUMER PREFERENCE AND A STRONG BRAND..

# A MORDERN APPROACH

SPECIALTY RETAILING AGREEMENTS

(SIMILAR TO BRAND STORES CONCEPT)

RETAILERS HAVE BECOME LICENSEES

# REVIEWING SPECIALTY RETAILING AGREEMENTS

GUARANTEED AND STEADY SALES  
DOES NOT MOTIVATE THE REAILER-  
LICENSEE TO INVEST TO UPGRADE  
OUTLETS.

SUITABLE CLAUSES SHOULD BE BUILT  
UP IN THE MAIN AGREEMENT AND  
LATER TERMS MAY BE REVIEWED AND  
MODIFIED





**CHILDREN'S PLACE RESOLVES LICENSE RELATED DISPUTE WITH WALT DISNEY; TO REMODEL EXISTING DISNEY STORES**

6/8/2007 10:49:49 AM FRIDAY  
MORNING,  
CHILDREN'S PLACE RETAIL STORES,  
INC. (PLCE), A SPECIALTY RETAILER OF  
CHILDREN'S MERCHANDISE, REVEALED  
THE EXECUTION OF A LETTER  
AGREEMENT WITH A WALT DISNEY CO.  
(DIS) SUBSIDIARY TO  
SETTLE CERTAIN DISPUTES REGARDING  
THE MATERIAL BREACH OF ITS LONG-  
TERM LICENSE AGREEMENT TO  
OPERATE DISNEY STORE RETAIL CHAIN  
IN NORTH AMERICA.

## MODIFIED TERMS INCLUDES

- REMODELING OF 234 EXISTING DISNEY STORES INTO A NEW STORE PROTOTYPE BEING DEVELOPED BY THE COMPANY, BY THE END OF FISCAL 2011.
- THE FIRST NINE REMODELS WILL BE COMPLETED DURING THE SECOND HALF OF FISCAL 2007. OF THEM, TWO STORES WILL BEAR THE "MICKEY" FORMAT.

## MODIFIED TERMS INCLUDES

- BY THE END OF FISCAL 2008, CHILDREN'S PLACE HAS TO REMODEL AT LEAST 67 ADDITIONAL DISNEY STORES, OF WHICH 33 WILL BE "MICKEY" STORES.
- TO RESHAPE ADDITIONAL 53, 70 AND 35 DISNEY STORES DURING FISCAL 2009, 2010 AND 2011, RESPECTIVELY.
- FURTHER, BY THE END OF FISCAL 2008, CHILDREN'S PLACE WILL OPEN AT LEAST 18 NEW DISNEY STORES IN THE NEW STORE PROTOTYPE.

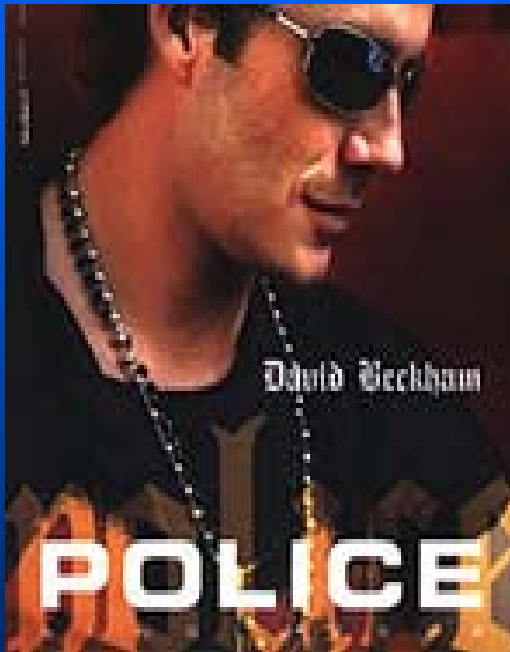
UNDER THE NEW DEAL, DISNEY  
CAN DEMAND A PAYMENT OF \$18  
MILLION, IF CHILDREN'S PLACE  
BREACHES ANY OF THE  
PROVISIONS OF THE LETTER  
AGREEMENT FOR THREE OR MORE  
OCCASIONS.

The background features a dark blue gradient with several overlapping, semi-transparent blue geometric shapes, primarily triangles and parallelograms, pointing downwards and to the right. A fine, light blue grid pattern is visible within these shapes.

**NEW PLAYERS**

**CELEBRITIES HAVE BECOME LICENSORS**

# DAVID BECKHAM



# KATE MOSS- LOVE HER, OR HATE HER, SHE IS ONE OF BRITAIN'S MOST FAMOUS CELEBRITIES





# FRANCHISING

- IS THE TRANSFER OF THE RIGHT TO SELL A TRADEMARKED PRODUCT THROUGH A SYSTEM PRESCRIBED BY A “FRANCHISOR” WHO OWNS THE TRADEMARK.
- IT IS ONE OF THE FASTEST GROWING AREAS OF NEW BUSINESS DEVELOPMENT DURING THE LAST 15 YEARS.
- FRANCHISE ARRANGEMENTS ARE USUALLY PRODUCTS AND TRADE NAME FRANCHISES OR BUSINESS FORMAT FRANCHISE

- THE FORMER INCLUDES PRODUCT DISTRIBUTION ARRANGEMENTS WITHIN A SPECIFIED GEOGRAPHICAL TERRITORY.
- A BUSINESS FORMAT FRANCHISE NOT ONLY INCLUDES A PRODUCT AND A TRADENAME BUT ALSO OPERATING PROCEDURES SUCH AS :-

- ▶ FACILITY DESIGN
- ▶ ACCOUNTING & BOOK KEEPING PROCEDURES
- ▶ EMPLOYEE RELATIONS
- ▶ QUALITY ASSURANCE STANDARDS
- ▶ OVERALL IMAGE & APPEARANCE OF THE BUSINESS.

# FRANCHISING FOR

```
graph TD; A[FRANCHISING FOR] --> B[THE FRANCHISEE-]; A --> C[THE FRANCHISOR-];
```

## THE FRANCHISEE-

It is a way to reduce the risks of a new business by buying into an established product or concept.

## THE FRANCHISOR-

It is a way to expand your business more quickly by sharing some of the cost, risks & rewards with the franchisees.

# ADVANTAGES

- ESTABLISHED PRODUCT OR SERVICE
- TECHNICAL AND MANAGERIAL ASSISTANCE
- QUALITY CONTROL STANDARDS
- LESS OPERATING CAPITAL
- HIGHER PROBABILITY OF SURVIVAL
- OPPORTUNITIES FOR GROWTH
- POTENTIAL LOWER COST SUPPLIES BECAUSE OF QUANTITY PURCHASING
- USE OF FRANCHISOR'S SECRET METHODS

# LICENSING OF KNOW HOW

**LICENSING OF KNOW HOW IS GOVERNED UNDER THE LAW OF CONTRACTS SUBJECT TO THE PROVISIONS OF THE LAWS OF PATENTS, DESIGNS AND TRADEMARKS WHEREVER APPLICABLE**

# SCOPE OF TRADE SECRET.

## WHAT IS A 'TRADE SECRET'?

**A TRADE SECRET CAN BE ANY INFORMATION THAT DERIVES INDEPENDENT ECONOMIC VALUE FROM NOT BEING GENERALLY KNOWN OR READILY ASCERTAINABLE. AMONG THE THINGS THAT CAN BE TRADE SECRETS ARE A FORMULA, PATTERN, COMPILATION, PROGRAM, DEVICE, METHOD, TECHNIQUE, OR PROCESS. AMONG THINGS COURTS HAVE FOUND TO BE "TRADE SECRETS" ARE MACHINING PROCESSES, BLUEPRINTS, AND FORMULAE, RECIPE, CUSTOMER LISTS, PRICING INFORMATION, AND NON-PUBLIC FINANCIAL DATA.**

# **WHAT FACTORS DETERMINE WHETHER SOMETHING IS A 'TRADE SECRET'?**

- THE EXTENT TO WHICH THE INFORMATION IS KNOWN OUTSIDE THE BUSINESS;**
- THE EXTENT TO WHICH IT IS KNOWN TO THOSE INSIDE THE BUSINESS, I.E., BY THE EMPLOYEES;**
- THE PRECAUTIONS TAKEN BY THE HOLDER OF THE TRADE SECRET TO GUARD THE SECRECY OF THE INFORMATION;**

# **WHAT FACTORS DETERMINE WHETHER SOMETHING IS A 'TRADE SECRET'?**

- THE SAVINGS EFFECTED AND THE VALUE TO THE HOLDER IN HAVING THE INFORMATION AS AGAINST COMPETITORS;**
- THE AMOUNT OF EFFORT OR MONEY EXPENDED IN OBTAINING AND DEVELOPING THE INFORMATION;**
- AND THE AMOUNT OF TIME AND EXPENSE IT WOULD TAKE FOR OTHERS TO ACQUIRE AND DUPLICATE THE INFORMATION.**



# **DO I ABSOLUTELY NEED A WRITTEN AGREEMENT TO PRESERVE TRADE SECRETS?**

NO. SIMPLY TELLING SOMEONE THAT MATERIAL IS TRADE SECRET CAN SUFFICE DEPENDING ON THE EXTENT AND NATURE OF THE DISCLOSURE. HOWEVER, WRITTEN RECORDATION OF AN AGREEMENT OF CONFIDENTIALITY IS BETTER BECAUSE IT IS EASIER TO ENFORCE; AND IT DEMONSTRATES GREATER EFFORT TO PROTECT THE TRADE SECRET.

# **CAN I TRANSFER TRADE SECRET RIGHTS TO ANOTHER PARTY?**

YES, THROUGH AGREEMENTS  
ASSIGNMENTS. JUST MAKE SURE YOUR  
ATTORNEY REVIEWS THE TERMS OF THE  
TRANSACTION AND THAT IT IS WELL  
DOCUMENTED.

# SOME KEY FEATURES FOR MAINTAINING TRADE SECRETS

- **USE CONTRACTUAL PROVISIONS AND RESTRICTS THE RIGHTS OF EMPLOYEES TO USE OR DISCLOSE EMPLOYER-OWNED AND LICENSED CONFIDENTIAL INFORMATION REASONABLY RESTRICTING COMPETITIVE EMPLOYMENT.**
- **LIMIT ACCESS TO AREAS WHERE CI IS SEEN OR USED TO THOSE EMPLOYEES WHO DO NOT NEED TO ACCESS CI AND RESTRICT VISITORS.**

## SOME KEY FEATURES FOR MAINTAINING TRADE SECRETS

- **LIMIT ACCESS TO CI AND RELATED RECORDS AND STORES AND ROUTE SUCH DOCUMENTS IN A MANNER DESIGNED TO LIMIT USE TO AUTHORIZED EMPLOYEES.**
- **AVOID RECEIPT OF COMPETITIVE TRADE SECRET BY BRIEFING NEW EMPLOYEES NOT TO DISCLOSE TO FORMER EMPLOYERS.**

## SOME KEY FEATURES FOR MAINTAINING TRADE SECRETS

- **MAKE EMPLOYEES SUBJECT TO RESTRICTIVE COVENANT NOT TO DISCLOSE ANY TRADE SECRET TO ANY FUTURE EMPLOYER OR TO OTHERWISE MAKE USE OF THE SAME.**
  - **MAKE IT OBLIGATORY FOR EMPLOYEES TO SPECIFICALLY DISCLOSE TO FUTURE EMPLOYERS OF THE RESTRICTIVE COVENANTS WITH YOUR COMPANY.**

## SOME KEY FEATURES FOR MAINTAINING TRADE SECRETS

- **SCREEN PUBLICATION FEATURES OF CI HOLDERS SUCH THAT THEY DO NOT SELECT ANY TOPIC WHICH WOULD DIVULGE USEFUL CLUES OF THE TRADE SECRET.**
- **USE DISTINCTIVE AND SELF-GENERATED DOCUMENTARY LEGENDS, NOTIFICATIONS, SIGNS AND PROCEDURES SO THAT ANYTHING RELATING TO TRADE SECRETS IS READILY IDENTIFIABLE.**

## SOME KEY FEATURES FOR MAINTAINING TRADE SECRETS

- BUILD APPROPRIATE RESTRICTIVE COVENANTS IN AGREEMENTS IN THIRD PARTY DEALING SUCH AS WITH SUPPLIERS, JOB WORKERS, POTENTIAL LICENSEES ETC.
- MAKE SEPARATE TRADE SECRET AGREEMENT IN COMPOSITE DEALS DEALING WITH PATENTED TECHNOLOGY.

# CONSIDERATIONS ABOUT PRINCIPLES DISCLOSURE, PROCEDURES, LICENSE STRUCTURE AND NEGOTIATION

## BASIC TYPES OF AGREEMENT

- FURNISHING PLANS, DRAWINGS AND SPECIFICATIONS
- FURNISHING CONSTRUCTION ENGINEERING ASSISTANCE
- TURN KEY PLANT
- PERFORMANCE ASSURANCE
- ASSISTANCE
- KNOW-HOW AND SHOW-HOW
- LICENSEE'S ACCESS TO LICENSOR'S OTHER LICENSEES' OPERATIONS
- TRAINING PERSONNEL



# STRATEGY IN LICENSING

LICENSOR	LICENSEE
HOW SOLID IS YOUR IP?	WHAT ARE THE POSSIBLE WAYS OF CIRCUMVENTING THE IP
RELEVANCE OF THE IP IN THE CURRENT STATE OF TECHNOLOGY	WHAT BENEFITS DO I DERIVE. WILL THE IP PLACE MY PRODUCT IN THE TOP SEGMENT IN THE MARKET
HOW MANY TAKERS ARE THERE FOR THE IP	ARE THERE OTHER TECHNOLOGIES TO DO THE SAME THING
ARE IMPROVEMENTS THERE IN THE PIPELINE	HOW FAST IS THE TECHNOLOGY MOVING
WHAT IS A GOOD PRICE TO DEMAND	WHAT IS A GOOD PRICE TO PAY

# LICENSES

- AN IMPORTANT TOOL IN ENFORCING IP
- ALTERNATE TO LITIGATION -- OFTEN AN END RESULT OF A SETTLEMENT ENDING A LITIGATION
- PRO-ACTIVE LICENSING CAN BE MUCH CHEAPER THAN AFTER THE FACT LITIGATION
- OFTEN THE ONLY PRACTICAL WAY OF ENFORCING PATENTS

# HOT PLATE CASE

(COPYRIGHT IN ENGINEERING  
DRAWING/TRADE SECRET)

- **PLAINTIFF INVENTED THE PRODUCT COMPRISING 102 PARTS HAVING A SPECIFIC CIRCUIT, ENGINEERING DESIGN AND INDUSTRIAL DESIGN (EXTERNAL SHAPE) AND APPLIED FOR PATENT ON 17TH MAY 1995 AND STARTED USE ON 20TH MAY 1995.**

- **DEFENDANT WAS COMMISSION AGENT OF PLAINTIFF.**

- **DEFENDANT OBTAINED DESIGN REGISTRATION ON 7TH JUNE 1995. (WITHOUT PLAINTIFFS KNOWLEDGE)**

cont'd



**PLAINTIFF'S  
OVEN**



**DEFENDANT'S OVEN**



## Hot Plate Cast Cont'd

- **IN 1997 PLAINTIFF APPLIED FOR CANCELLATION OF DESIGN IN CALCUTTA HIGH COURT AND OBTAINED STAY OF EFFECT OF REGISTRATION ON GROUND OF PRIOR PUBLICATION (PRIOR USE).**
- **IMMEDIATELY THEREAFTER PLAINTIFF FILED SUIT IN CALCUTTA HIGH COURT ON THE GROUND OF COPYRIGHT INFRINGEMENT OF ENGINEERING DRAWING AND FIDUCIARY.**
- **INTERIM INJUNCTION GRANTED.**

## DEFENDANT PROPOSES TO SETTLE

### QUESTIONS TO PLAINTIFF

DOES HE HAVE ENOUGH CAPACITY  
TO MEET THE MARKET DEMANDS- NO

CAN HE INCREASE CAPACITY TO  
MEET THE DEMAND - NO BECAUSE  
SUBSTANTIAL INVESTMENT REQUIRED

WHAT ARE HIS PLANS TO MEET THE DEMAND-  
TO BE FORMULATED

## **DEFENDANT PROPOSES TO SETTLE**

### **QUESTIONS TO PLAINTIFF**

**DOES HE HAVE SPECIFIC PROJECTIONS  
AS TO HOW TO TAKE BENEFIT OF THE  
COURT ORDER- YES TO STOP OTHERS**

**DOES HE HAVE ENOUGH RESOURCES  
TO FIGHT MULTIPLE LITIGATIONS- NO**

**HOW DOES HE TAKE ADVANTAGE OF  
DEMAND AFTER STOPPING  
ALL – DISCUSS LICENSING**

## Hot Plate Cast Cont'd

- **NEGOTIATION**
- **DEFENDANT OFFERS TO TAKE LICENSE AND LICENSE GRANTED @ Rs.10/- PER OVEN OR AN AMOUNT OF Rs. 5 LAKHS PER ANNUM WHICHEVER IS HIGHER**



# LICENSES

- IDENTIFY PARTIES
- DEFINE LICENSED PROPERTY
  - » PATENT NUMBER
  - » CLAIMS
  - » CORRESPONDING RIGHTS IN OTHER IP (TRADEMARKS, COPYRIGHTS AND TRADE SECRTES)
- DEFINE THE LICENSED PRODUCTS/SERVICES
  - ACTUAL PRODUCTS EMBODYING THE CLAIMS

# LICENSE

## ■ LICENSE GRANT

- EXCLUSIVE/NON-EXCLUSIVE
- TERRITORY
  - » CROSS BORDER CONSIDERATIONS
  - » INTERNET APPLICATIONS
- WHAT RIGHTS RETAINED BY LICENSOR
- DEFINE SUBLICENSING PERMISSIONS

# LICENSE

- AGREEMENT TERM AND RENEWAL
  - DEFINE INITIAL TERM
  - RENEWAL OPTIONS FOR LICENSEE
    - » SPECIAL CONSIDERATION BECAUSE SOFTWARE BECOMES OBSOLETE FASTER
  - DETERMINE LIFE OF THE PATENT AND/OR APPLICATION AND SET TERM ACCORDINGLY

# LICENSE

## ■ COMPENSATION

- » DEFINITION OF NET SALES
- » DEFINE ROYALTY RATE/PERIOD
- » FORMAT FOR REPORTING ROYALTIES
- » ADVANCE PAYMENTS
- » MINIMUM ROYALTY; GUARANTEED ROYALTY
- » WHEN DOES A SALE/USAGE OCCUR
- » SALE/USAGE BY PARTIES WITHIN THE LICENSEES ESTABLISHMENT
- » SPLITTING OF SUBLICENSING INCOME
- » OTHER FINANCIAL CONSIDERATIONS - CURRENCY, INTEREST RATE

# LICENSE

## ■ AUDIT

- TIMING AND NOTICE
- ACCOUNTING CONSIDERATION
  - » WHAT CONSTITUTES AN UNDERPAYMENT
- HOW LONG RECORD SHOULD BE MAINTAINED

## ■ WARRANTIES BY LICENSOR

- » IP IS IN FORCE
- » OWNERSHIP
- » NO CONFLICTING LICENSES

# LICENSE

## ■ WARRANTIES BY LICENSEE

- » LICENSEE WILL MAKE BEST EFFORTS TO COMMERCIALIZE
- » LICENSEE WILL PROMOTE AND ADVERTISE
- » LICENSEE WILL MEET PRODUCTION DEADLINES

## ■ PRODUCTS

- » MARKING PROVISIONS
- » QUALITY STANDARDS
- » LEGAL NOTICES
- » PRODUCT QUALITY CONTROL

# LICENSE

- **RESPONSIBILITY FOR IP**
  - PATENT MAINTENANCE
  - FURTHER PROSECUTION
    - » CONTINUATIONS, FOREIGN PATENTS, ETC
- **TERMINATION**
  - RIGHTS TO TERMINATE
  - NOTICE
  - PARTIAL TERMINATION RIGHTS

# LICENSE

- **POST TERMINATION**
  - EXISTING INVENTORY OF MATERIAL
  - RETURNING KNOW HOW RELATED DOCUMENTS, ETC
- **INFRINGEMENT BY THIRD PARTIES**
  - » RESPONSIBILITY FOR LAWSUITS
  - » LITIGATION COSTS
  - » CHOICE OF COUNSEL
  - » DIVISION OF PROCEEDS FROM LAWSUITS



# LICENSE

- **INDEMNIFICATION**
  - CLAIMS OF INFRINGEMENT
  - PRODUCT LIABILITY
- **INSURANCE**
  - PRODUCT LIABILITY
  - FALSE ADVERTISING
- **FORCE MAJEURE**

# LICENSE

- JURISDICTION
  - CHOICE OF LAW
  - ARBITRATION
  - NONDISCLOSURE AND NONCOMPETE
- ASSIGNABILITY
- BINDING ON SUCCESSORS

# CROSS LICENSING

**CROSS LICENSING IS  
EXCHANGE OF  
PATENT LICENSE  
UNDER SPECIFIED  
CONDITIONS**

# CROSS LICENSING

**CROSS LICENSING IN MOST CASES ENTERED INTO WHEN THE IP OF THE RESPECTIVE PARTIES OVERLAP LEADING TO INFRINGEMENT. THIS IS PARTICULARLY APPLICABLE TO SELECTION PATENTS.**

# CROSS LICENSING

**MOST COMMON IN PHARMA  
BUSINESS.**

# THE ADVANTAGE

**THE ABILITY TO PATENT IMPROVEMENTS OF EXISTING PRODUCTS HAS ALSO STIMULATED THE FINE-TUNING OF EXISTING DRUGS.**

**THIS ALLOWS INNOVATIVE COMPANIES TO MAINTAIN AN ADVANTAGE AGAINST THE IMPENDING INTRODUCTION OF GENERIC PRODUCTS.**

# THE ADVANTAGE

**THE INNOVATION PROVIDES MARKET BENEFITS TO THE RESEARCH-BASED DRUG COMPANIES BY SETTING THEIR PRODUCTS APART FROM THE UNIMPROVED GENERIC PRODUCT AVAILABLE AFTER THE EXPIRATION OF THE ORIGINAL PATENT. CONSUMERS ALSO BENEFIT BECAUSE THE DESIRE TO DISCOVER A PATENTABLE IMPROVEMENT OFTEN RESULTS IN SUPERIOR MEDICINES.**



# THANK YOU

TWO WORD FILES GIVING TO SPECIMENS OF LICENSES