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## Experience in IP Exploitation, Valuation and Dispute Resolution

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# Experience in IP Exploitation, Valuation and Dispute Resolution

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# Experience in IP Exploitation, Valuation and Dispute Resolution

## *Background*

Innovative Healthcare Companies need numerous license agreements and collaborations involving IP in order to achieve/maintain a full product pipeline.



Immunological Testing



Blood Glucose Testing

IP rights are key to such R&D collaboration and technology transfer agreements and thus subjects of later disagreements and disputes, e.g.

- the scope of foreground and background IP
- the rights of the respective partners to research results
- the valuation and financials (lump sum, royalty rates)
- the opportunity of one party to compete

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## *Background*

In the pharmaceutical industry parties will typically go through an evaluation and review of IP rights before research and development can begin. Once successfully completed this leads to long-term manufacture or exploitation (marketing and sales) as long as IP rights exist.

- Long-term relationships during validity of IP
- Mostly of strategic importance
- Financial significance
- Complex multi-stage obligations of contract parties
- Amendments to agreed plans may become necessary



Clinical Chemistry Testing

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## *Exploitation*

- Precise definition of foreground and background IP.
  - *Scope, access, valuation*
- Milestones help to monitor progress.
  - *Risk allocation through milestone structure, compensation for work done, structured exploitation*
- Risky developments can lead to failure.
  - *Dispute clauses, steering committees*

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## *Exploitation*

- Universities conduct active professional IP exploitation.
  - *New approach in recent years*
- Negotiation of R&D Agreements is easier when the business models are understood (proprietary IP v. open IP).
  - *Agreement with competitor (same business model) can be easier than with university IP office (different approach)*
- Technology transfer should be encouraged as it is key for competitiveness.
  - *Filling the product pipeline is necessary and should result in a win-win situation*

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## *Dispute Resolution*

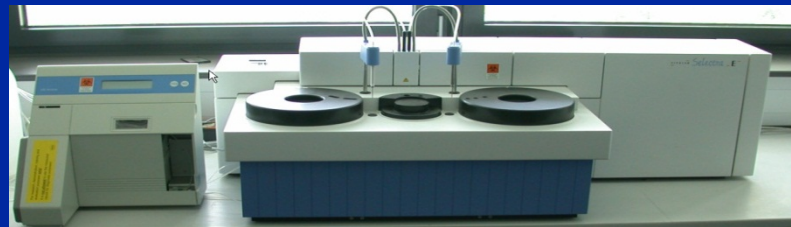
- IP disputes, particularly patent infringement suites, become more frequent.
- In USA and Europe infringement suits lead to nullity suits, higher litigation complexity and costs.
- Unpredictability re. Markman decision and infringement decision creates room for negotiated solutions as investment into research relationship, long-term development relationship, long-term manufacturing relationship is made.
- Mediation and alternative dispute resolution possibilities can be used.

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## *Dispute Resolution by Mediation*

### Scenario 1

Under a co-development and supply agreement to develop a diagnostic instrument a dispute arose between the parties regarding the development results. The unhappy contractual partner brought suit in a district court in Massachusetts.



Faced with the choice between a lengthy trial (estimated costs 1.5 mio. USD) or mediation Roche took the initiative to propose mediation. The other side agreed to try mediation. Roche began preparations. These covered the contract history, financials, options, technology and opening briefs.

The mediation on the day was shuttle mediation where the mediator moved back and forth between the parties. It took almost 13 hours until a solution and payment amount was agreed.



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## *Dispute Resolution by Mediation*

### Key Factors for Success in Dispute Resolution by Mediation

- Thorough preparation:
  - fact finding on overall relationship
  - fact finding on technical matters
  - legal and financial risk analysis
  - define goals
  
- Role of mediator
  
- Clear mandate for team at mediation
  
- Availability of back-up support

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## *Dispute Resolution by Settlement Negotiations*

### Scenario 2

In a patent dispute Roche took the initiative to conduct settlement negotiations with the other party when the infringement procedure and nullity suit grew longer and longer.

Several rounds of talks were necessary to agree a cross license, a nominal damage payment and allocation of court costs.

Once these points were agreed and the win-win situation was demonstrated the patent dispute could be resolved.

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## *Dispute Resolution by Settlement Negotiations*

### Key Factors for Success in Dispute Resolution by Settlement Negotiations

- Thorough preparation:
  - detailed review of IP situation of the parties
  - determination of respective IP needs for cross licensing
  - legal and financial risk analysis
  - IP valuation
  - role of main negotiator
  - clear mandate for negotiation team

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## *Summary*

- Dispute resolution by patent court or arbitration is lengthy and costly, particularly in complex research and development cases.
- Any negotiated solution seems to be better than a one time decision by an impartial third party.
- Disputes over IP rights cannot linger for 4 – 6 years.
- Direct settlement negotiations or mediation offer expedited solutions and a high degree of flexibility regarding the ultimate solution.



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