



Get your Ticket to Innovation



IP Exploitation

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Today's speaker



Sabine Albrecht

- *University studies of Biology and Agriculture; PhD in plant breeding*
- *Responsible for public relations and regulatory affairs at a German seed company with emphasis on genetic engineering and biotechnology*
- *Build-up of a patent department at a spin-off company (later affiliate of a chemicals company).*

Core area: inventions in the field of genetic engineering and biotechnology /

IP training of scientists and technical staff

- *Since August 2011: Eurice GmbH, core area: IPR Training & Business Development*

Team



Road Map



- *What is IP exploitation ?*
- *Business scenarios for IP exploitation*
- *IP exploitation in the context of contractual R&D*
- *FP7 IPR regime for IP exploitation*
- *In a Nutshell*
- *Need Assistance ? The Services of the IPR Helpdesk*

STOP

What is IP exploitation?

IP exploitation



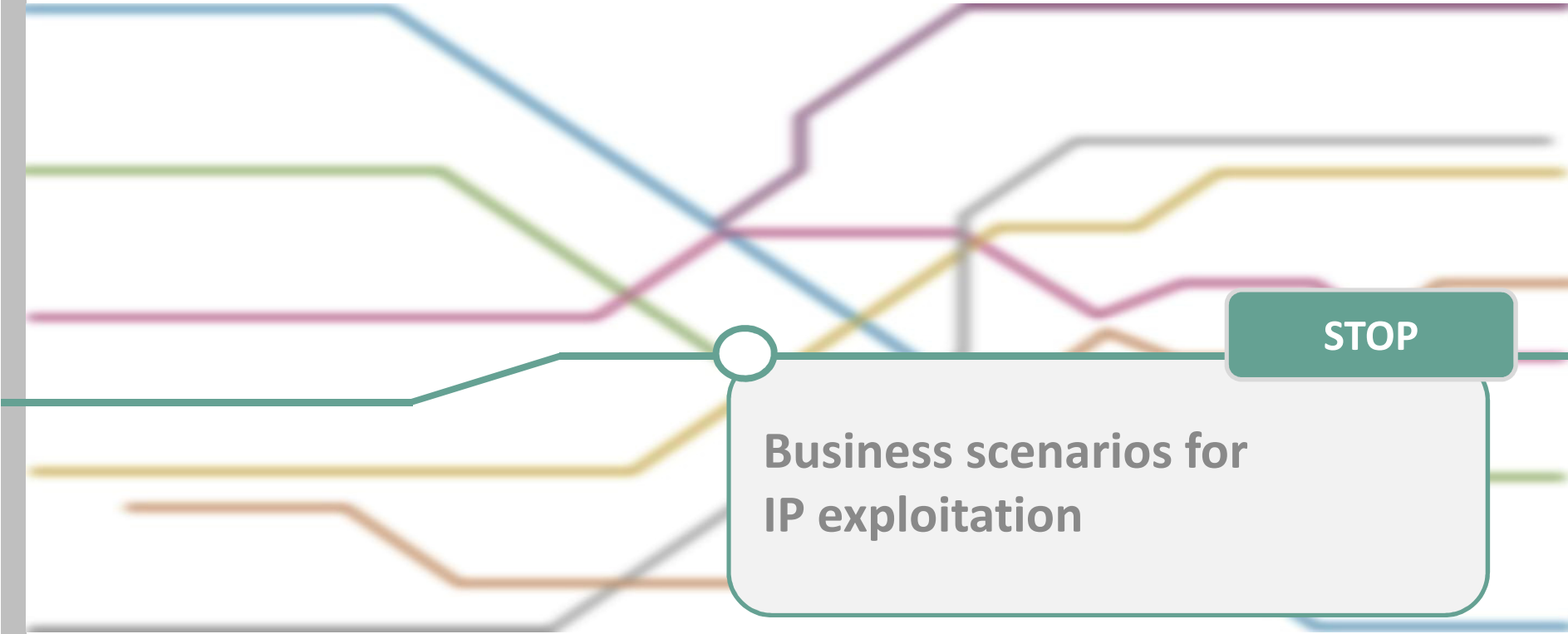
IP exploitation means:

- Technology transfer
- Innovation
- Profits
- Business opportunities

... and can be realized through:

- business activities and
- in the context of contractual R&D





Business scenarios



Creation of a business/a spin-off

Joint ventures

Sale of IPR or IPR pools

Licensing of IPR or IPR pools



*How do I create a business/
spin-off?*

Incentives (I)



Create a vehicle for universities, non-profit research centres and SMEs to ...

- ... **extend** their **capacities** to meet exploitation requirements.
- ... **transfer R&D results** into the market and **move further** (own product line, production capacities and marketing channels).
- ... become a “**free agent in the market**” without legal boundaries of a University or a non-profit research centre.

Incentives (II)



- Create a **business opportunity** for university/institutes' **employees**.
- Establish a **platform for a market-oriented cooperation** between the parent entity and the spin-off.



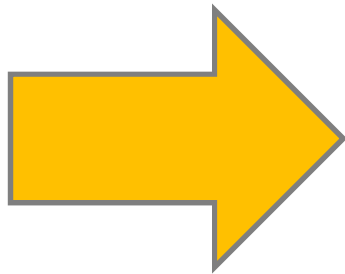
Precondition



Only **visible ownership of IP ...**

... enables a player to become competitive.

... attracts the interest of investors.



It is necessary to **protect own IP...**

... by **IPR**;

... or treat it as **secret know-how**;

... and/or to secure an **IP transfer from a third party owner**.



What are joint ventures?

Type of activity



Basic definition:

Combined economic activity of parties **with complementary resources** for mutual benefit.

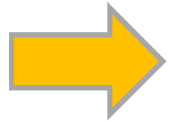
Goals:

- Long-term business relationship
- Use synergies to open new markets
- Create a network presence in different countries

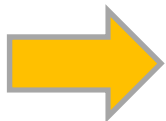
Features



Two characteristic features



1. *Cooperation* at JV-partner level



2. *Autonomy* at JV-partner level

Types of joint venture



Cooperative Joint Venture

- JV-unit is an **independent management and organisation unit**, not legally autonomous
- Flexible input of resources (capital, know-how etc) and flexible share of profit and loss
- **Design of JV in Cooperation Agreement (JV Agreement)**

Equity Joint Venture

- JV unit is an **autonomous legal person**
- JV-partners **share** profits, risks and loss as provided for in the JV-agreement and in compliance with their shares in the JV-capital



*What does commercialization
of IPR pools mean?*

IPR pools



What is meant by IPR pools?

Bundle IPR for a certain technology (sector) and present a portfolio with high commercialization potential.

What are the motives?

Search of

- Investor for your start-up/spin-off/joint venture partner
- Licensees
- R&D collaboration partners
- R&D clients
- Sale or auction-off of IPR which cannot be used or licensed by the IPR owner



How does licensing of IPR or IPR pools work?

Licensing



Business licensing

Cross licensing

Assertive licensing

Licensing in the context of contractual R&D



What is meant by business licensing?

Business licensing



= Offers of IPR licences to potential licensees outside of R&D contracting.

How to find licensees?

- **Individual business contacts** from own networks, including spin-offs
- **General internet search**
- **Database search**
 - » PatBase (www.patbase.com) – patent search
 - » Der Deutsche Technologiedienst (www.dtdienst.de) - technology offers/out-licensing
- **Support by the Enterprise Europe Network (EEN)**
Europe's largest database for technology transfer: 13,000 profiles & brokerage events – 19,000 in the last 3 years (www.enterprise-europe-network.ec.europa.eu)



What is assertive licensing?

Assertive licensing



Assertive licensing is **licensing with IPR infringers – enforcement of IPR.**

The aim is to **achieve a fair and equitable negotiated licence** – possibly higher royalties.

How to identify infringers?

- Product watch, e.g. fairs, product portfolios displayed on websites
- Databases for patent search – what other firms are referred to?
→ Subsequent check of their products
- Network information
- Individual business contacts
- Analysis of products



What is cross licensing?

Cross licensing



- Mutual licence grants between 2 parties
- “Quid pro quo” – principle
- Against commercial conditions or free of charge
- Purpose of free cross licensing is often to avoid infringement proceedings, (automotive branch!)



*How to make a choice –
investment, risk and control?*

Investment, risk & control



Transfer of IPR

Transfer of the ownership = transfer of risk and loss of control e.g. sale of a patent

Joint Venture

- Increased investment and risk
- Share in profits and losses
- Shared control in a complex partnership
- Risk of strengthening JV unit as a competitor

Licensing

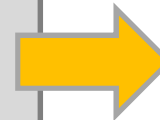
- Less investment
- Less control, esp. in exclusive licensing
- Risks with exclusive licensing

Advantages of licensing



Combined assets ...

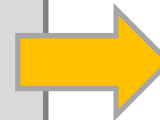
... technology of the licensor & marketing, distribution channels, manufacturing capacity, know-how of the licensee



Increased profit for both parties

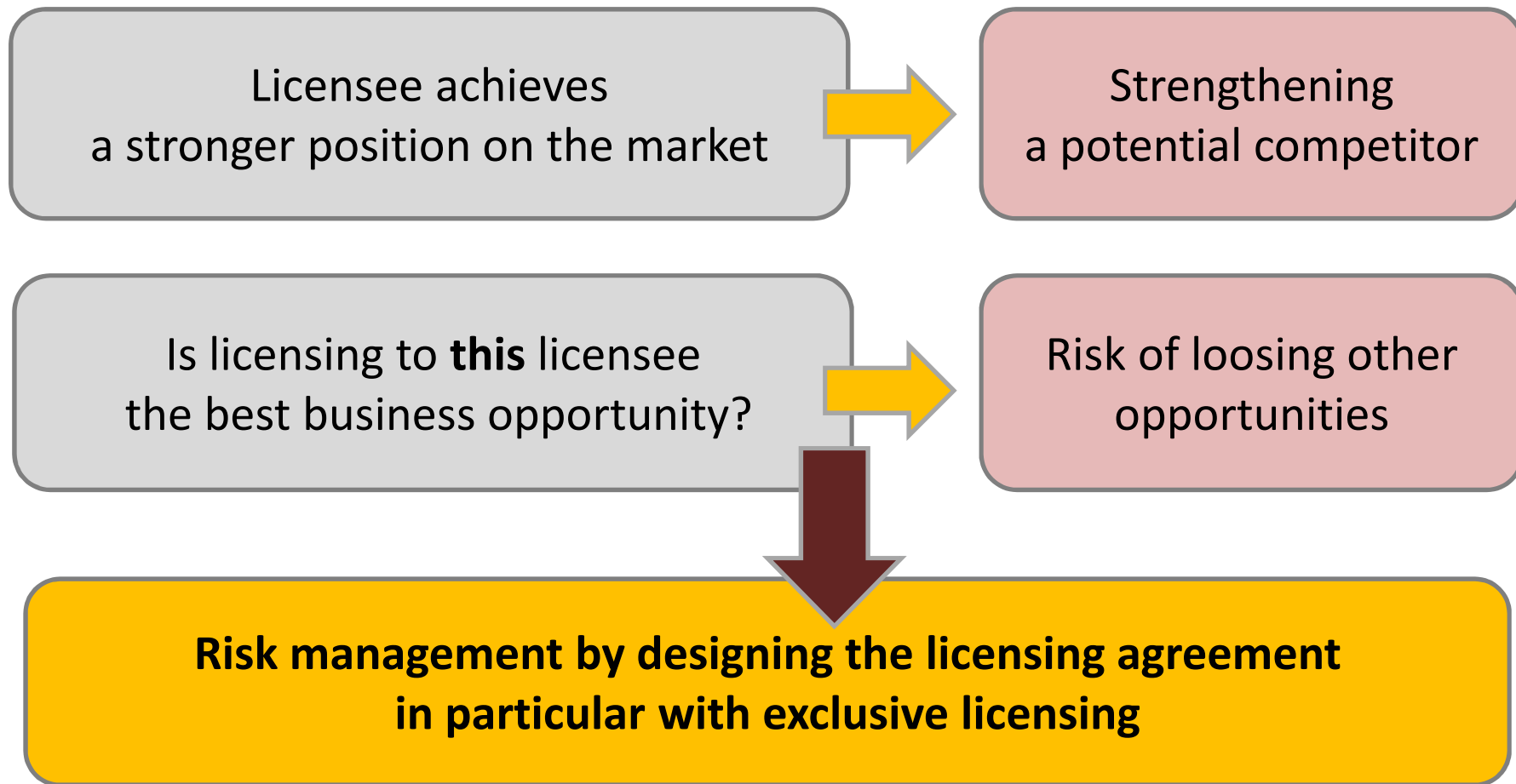
Low investment ...

... for the licensor to launch a new product/to broaden an existing market; licensee saves development costs



**Low commercialization risk for the licensor;
no development risk for the licensee**

Risks of licensing





What are crucial licence conditions?

Description of licence subject



What exactly is being licensed:

- One patent? Future patentable IP related to the patent?
- What about soft IP (technical know-how)?
- Related IP assets (software, databases)?



*The IP being licensed **must be described as accurately as possible with no possibility for confusion.** The licensee will naturally want a broad definition that will give the widest possible advantage based on their interests.*

Definition of licence scope



Licence scope defines the range of granted rights (freedoms/constraints):

- Exclusive or non-exclusive rights
- Sole licence

Restrictions by:

- Field of use (industry specific, technology specific, product specific), and/or
- Duration, and/or
- Geographic territories

What rights does the licensor retain (e.g. research access) – grant-back licence?

Payment or consideration



Payment can come in many forms – not all of them involve money – however typical conditions may include:

- Lump sum payments (upfront or milestone based)
- Royalties - share in the turnover – by percentage or by fix price a sold piece
- Share in net revenues from sublicensing
- Minimum royalties

Other payment issues: timing of payments, currency, taxes?

Limitations of risks with exclusive licensing



Restriction of exclusivity, e.g.

- field of use
- territory
- period of time

Flexible royalty structure, e.g.

- dynamic royalties along with increasing commercialization success
- (dynamic) minimum royalties
- minimum royalties can be credited against actual royalties

Flexible termination or conversion into non-exclusive licence in case of insufficient commercialization.

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IP exploitation in the context of contractual R&D



How is IP exploitation linked to the IP strategy?

IP strategy (I)



Three areas of core interests:

1. Creation of IP

- Be and stay innovative
- Promote R&D

2. Protection and maintenance of IP

- Become visible by IPR
- Achieve a competitive lead
- Achieve a commercialization tool

3. Exploitation of IP

- Enter the market and generate income

IP strategy builds on
the core interests of a
player in IP!

IP strategy (II)



Step 1:

Creation of IP

Generate/increase
your **innovation
potential**

Step 2:

Protection of IP

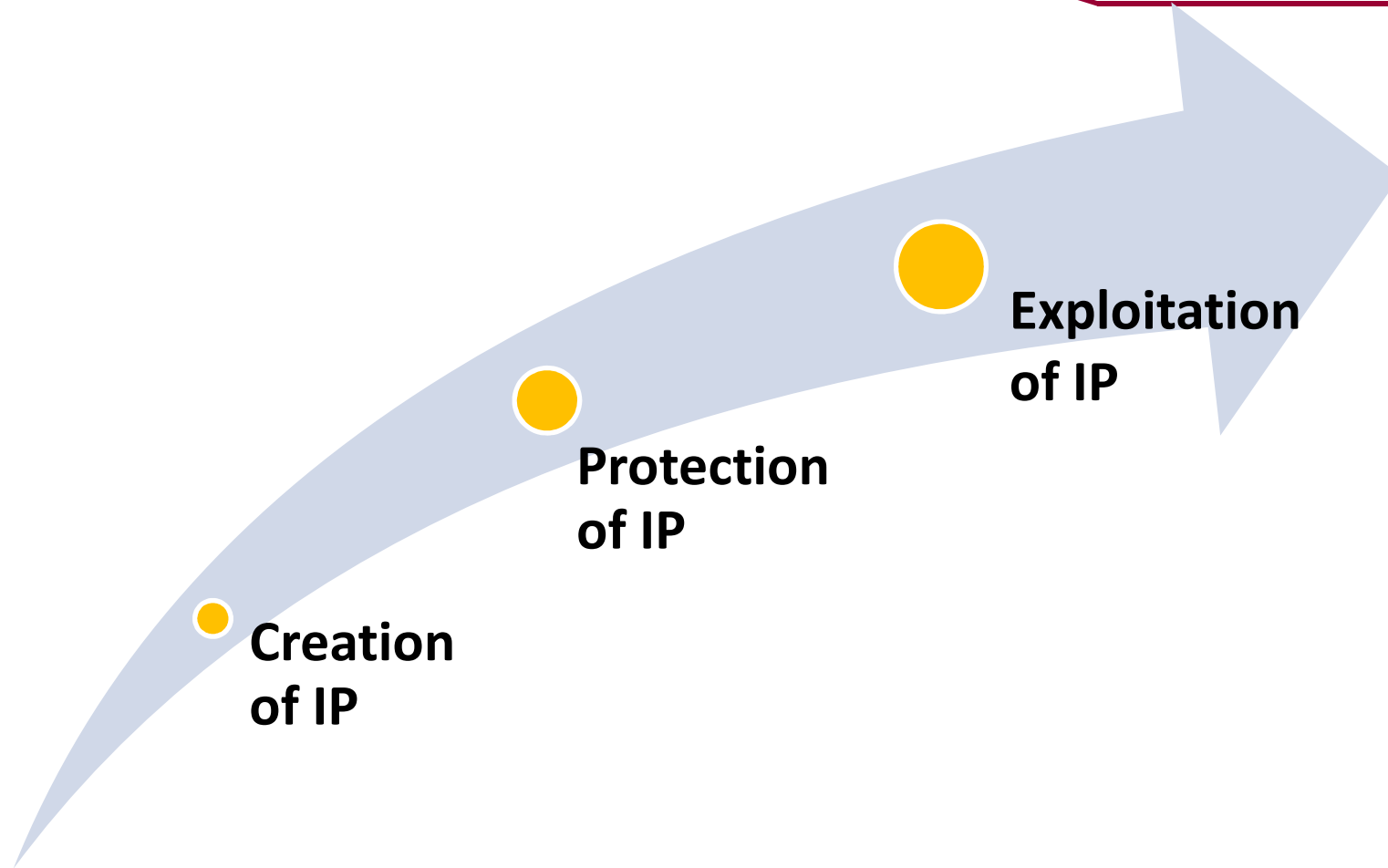
- Create a solid platform of IPR as **commercialization tool**
- Become **visible**
- Become **enforceable**
- Become **competitive**

Step 3:

Exploitation of IP

Add value
by commercializing
your IPR

IP strategy (III)





What are the IP strategies of different players?

R&D performers



University

- Maintenance of **high quality research and education**
- Visibility of high standard by publications and IPR
- IP exploitation in contractual R&D and through TT offices/spin-offs

R&D institute for applied research

- Maintenance of **high innovation capacity** in the intensified competition with other R&D performers
- IPR are essential for **further contractual R&D** and IP exploitation by licensing, joint ventures, spin-offs

SMEs & industry



SME

- Visible ownership of IP/purchase of IPR to supplement own technology/enforcement of IPR
- **Competitive lead** by excluding potential competitors
- IPR increase the value of an enterprise – intangible assets

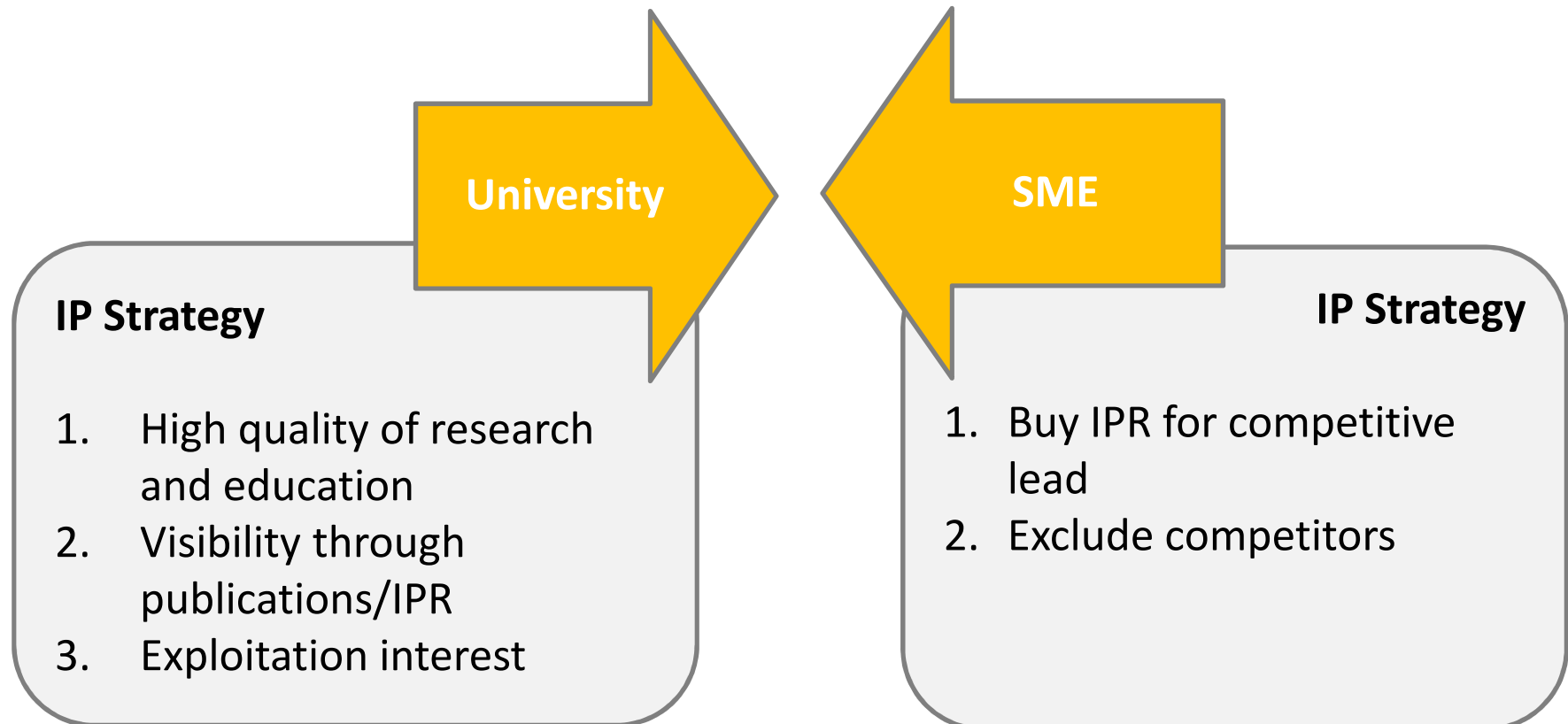
(big) Industry

- Visible ownership of IP/purchase of IPR to supplement own technology /enforcement of IPR (**IPR battlefield**)
- **Competitive lead** by excluding potential competitors
- IPR increase the value of an enterprise – intangible assets



How is the contractual management of IP exploitation aligned with the IP strategy?

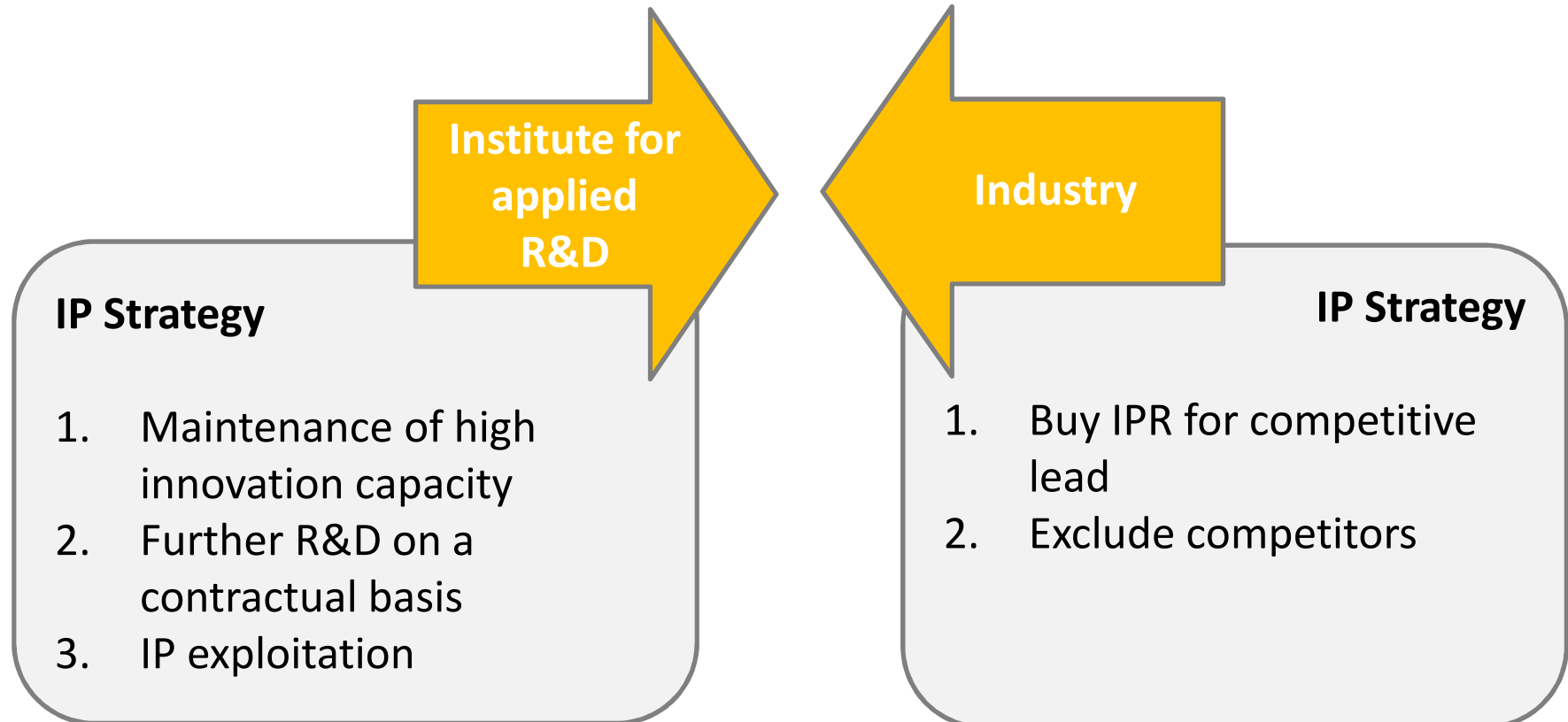
University vs. SME contracts



Strategic alignment



R&D Institute vs. Industry



Strategic alignment



Institutes
for applied
R&D

R&D Contract - Basic considerations

- Analyse the specific interests of each party in the R&D project results
- Decide on IPR ownership (cost factor)
- Rights to use results:
 - Further R&D (including sub-licensing)
 - Commercialization fields/territories

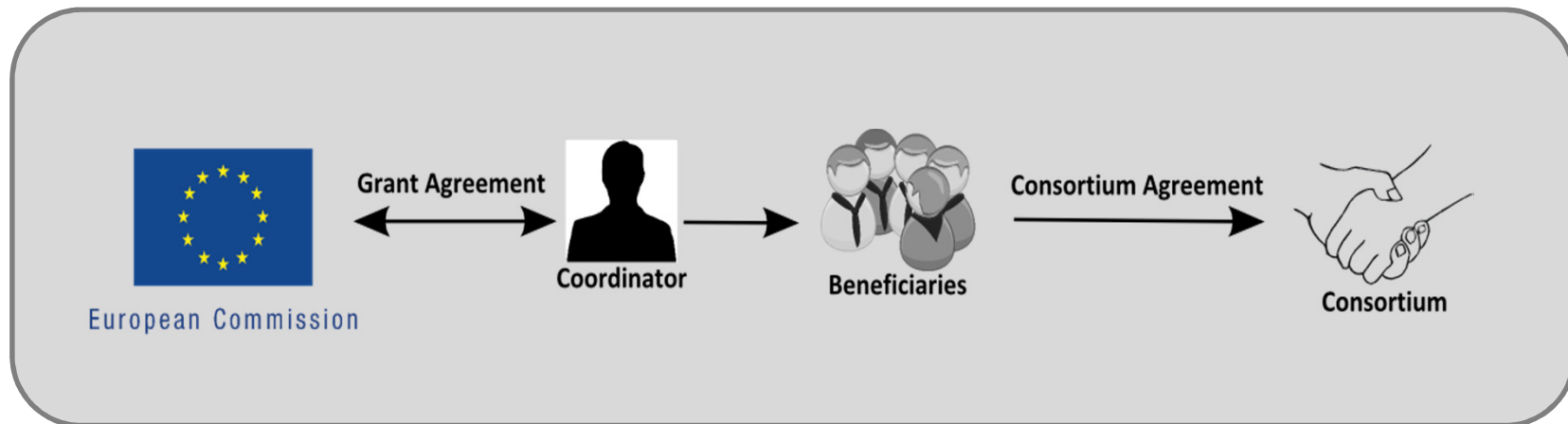
Industry



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**FP7 IPR regime for IP
exploitation**

Overview: FP7 IPR regime

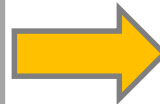


FP7 IPR regime



Grant Agreement

- Signed by European Commission, project coordinator and all project members
- Little room to negotiate
- **Mandatory *IPR regime*** included in Annex II (General Conditions-Part C) & Annex III (Specific Provisions for SME Actions)



Consortium Agreement

- Comprises individual agreements between the partners of the consortium
- Recommended for all projects, obligatory for some areas
- Needs to ***reflect the IPR regime*** of the Grant Agreement, where the latter provides flexibility, i.e.:
 - . specify the IPR regime
 - . choose individual provisions



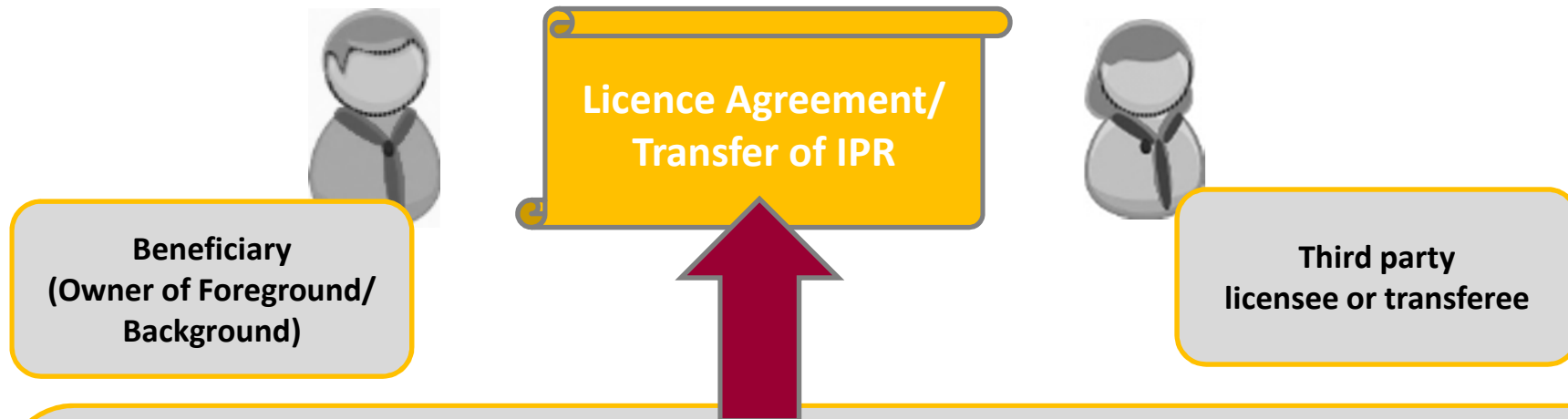
FP7 access rights



Access rights are licences and user rights to Foreground and Background which Beneficiaries (and their Affiliates in Member States or Associated countries) can mutually request in writing until 1 year after the project.

	Background - identified as relevant - - available for access -	Foreground - project results -
Needed to carry out the project ("Implementation")	Royalty-free, unless otherwise agreed before the Grant Agreement is signed	Royalty-free
Needed to exploit own project results ("Use" = further R&D and commercialisation)	Royalty-free or on fair and reasonable conditions	Royalty-free or on fair and reasonable conditions

FP7 IP exploitation



The other beneficiaries' **access rights need to be maintained**

- as long as they can be requested,
- or to the extent, as they have already been granted

The other beneficiaries need to be notified if IPR is transferred to a third party and may object if their access rights are not maintained.

FP7 IP exploitation



Consequences:

- Non-exclusive licenses can be granted to third parties anytime
- In an exclusive license or in a transfer of IPR the obligation to grant access rights has to be passed on to the third party – not really “exclusive”

Exceptions:

- **“Real” exclusive licensing** is possible if the other beneficiaries **waive their access rights in writing**
- **Notification** is not necessary in case of a transfer to **specifically identified third parties**

FP7 exploitation of joint IP



Joint IP Ownership of Foreground arises if:

- project results are generated jointly by 2 or more beneficiaries, and
- the individual parts of the contributing beneficiaries cannot be determined.

The beneficiaries must conclude a **Joint Ownership Agreement** to settle:

- the allocation of shares, and
- the exercise of rights related to the joint IP



Joint Ownership Agreement



The allocation of shares and protection by IPR

- Determination of shares in the invention
- Responsibility for IPR protection and related management
- Shares in the IPR costs

Exercise of rights

- Individual use in further R&D activities
- Individual or joint commercialization
- with or without mutual financial compensation (profit share)
- Possible: Set up a joint venture or a start-up company

Applicable law, jurisdiction or alternative dispute resolution (ADR)

Without Joint Ownership Agreement



FP7 prescribes a **default regime** if no/until a Joint Ownership Agreement is concluded:

Beneficiaries may grant non-exclusive licences to third parties

- upon prior notice to the other beneficiaries.
- against fair and reasonable compensation.

In any case of joint ownership



In any case – with or without Joint Ownership Agreement:

The **access rights** of the other beneficiaries who have not contributed to the joint Foreground **must be maintained** in any IP exploitation activity.

Exception for exclusive licensing:

- Written waiver of their access rights



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In a nutshell



Essentials for IP Exploitation:

- Diverse business scenarios for IP exploitation
- IP exploitation in the context of contractual R&D
- IPR regime for IP exploitation in FP7





STOP

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May 2012



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