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Corporate Law  
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NORTHERN IRELAND DEALMAKER AWARDS 2011

**ARTHUR COX**

NIABT Briefing: Making the Most of Intellectual Property

## Introduction

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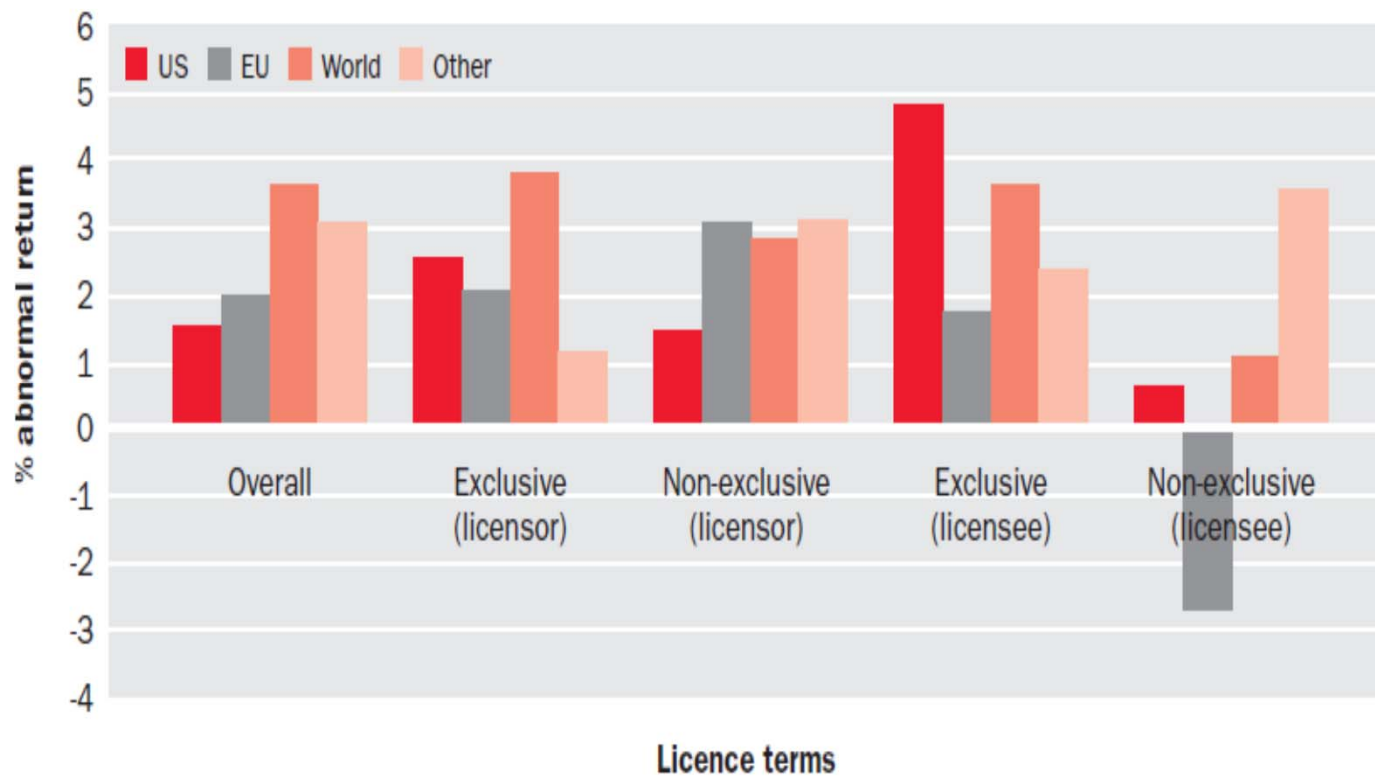
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**Your Goal = £££ IMPROVE THE BOTTOM LINE ££££**

**Licensing deals and technology transfer create increased shareholder value.**



Average abnormal returns by territory



## Intellectual Property – What Is It?

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### **Intellectual Property:**

- Produced through creative activities by human beings
- Used to indicate goods or services in business
- Technical or business information

### **Intellectual Property Rights (“IPR”):**

- A right that is stipulated by laws and regulations on other intellectual property (e.g. patent right, trademark right, copyright etc.
- A right pertaining to an interest that is protected by acts e.g. confidentiality and trade secrets

IPR can be ‘registered’ or ‘unregistered’

## IP Rights Summary – A useful tool

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### FACT SHEET: IP RIGHTS SUMMARY

	FORM	FUNCTION	BRANDING	EXPRESSION
Main forms of protection	Unregistered Design Right Registered Designs	Patents	Passing off Trade marks	Copyright
Examples	The shape of a product, its appearance or design that has deliberately chosen for aesthetic or functional reasons	Aspects of a product or process that (usually) exhibit improved performance, reduced complexity, better longevity, or that solve technical problems	Logos, product names, colour schemes, slogans, sounds	Text, graphics, videos, sound recordings, web site content, instruction manuals, technical data sheets, advertising materials
Main requirements	Novelty and individual character	Novelty and non-obviousness	Distinctiveness	Originality and tangible form
Duration of right	3-25 years	Up to 20 years	Indefinite	Up to 70 years
UK cost	~£600	~£3,500	~£800	£0
European cost	~ £900	~£8,000	~£2,500	£0
Overseas cost	~£2,000	~£5,000 +	~£2,000	£0 - £5,000

# IPR - Summary

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The images shown on the packaging and the text of the instruction manual may be **copyright** material. Copyright is the original author's exclusive right to make copies of art, photographs, films, designs, sculptures, text etc. and unauthorised copying may amount to copyright infringement.

The overall appearance of the toaster is probably one of the most important factors when a consumer makes a purchasing decision. The appearance of the toaster (or any of its component parts that are visible during normal use) could be protected using a combination of **Design Right** and **Registered Designs**, as could the appearance of the packaging

**Patents** can be used to protect new and non-obvious technical innovations. For example, the internal circuitry that controls the cooking & defrosting functions, the arrangement of the elements to give more even toasting, the removable crumb tray, the insulated side walls, the packaging and materials used to ship the toaster, etc. could be protected using one or more patents.



**Branding** and trade marks enable consumers to distinguish between the goods and services of different undertakings. **Trade marks** can be words, logos, colour schemes, shapes and sounds - provided the mark can be used to distinguish the goods or services concerned. The main functions of marks are to convey a particular level of quality and to guarantee trade origin. Trade marks can be registered or unregistered and may enable the right holder to control who can apply the mark in question to different types of goods and services.

There are many other types of IP right as well, such as **database right**, rights subsisting in **plant varieties**, the law of **confidential information** (e.g. **trade secrets, know-how**, etc.).

Hutchinson|IP ©

## TEN Steps to Protecting Your Ideas

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- 1. Sssshhhh! Confidentiality - template NDA**
- 2. Homework**
- 3. Ask yourself is it worth it?**
- 4. Most appropriate form of protection – ask the professionals**
- 5. Territorial protection – where is protection required**
- 6. Application for IP protection – sell and exploit your idea**
- 7. Prosecute your IP**
- 8. Obtain registration / grant**
- 9. Monitoring your IP**
- 10. Enforcement**

**Ownership of IP + right to use it = competitive advantage**

**BUT**

**Do you own it?** Generally creator of IP will own that right except:

**1. Employees:** if works made in course of employment. Include unequivocal terms in contract of employment to ensure IPR's arising from work done during course of employment automatically belong to employer! **CRITICAL**

**2. Contractors/Consultants:** common misconception that IP created by a contractor or consultant will be owned by the employing business or person. Not automatically the case. Again contract needs to be put in place and carefully drafted to deal with IP. **CRITICAL**

**Co-ownership of IP is a “No-No”** – severely restricts commercial exploitation BUT can be a clever tool if used right in corporate strategy planning.



- **Licensing / technology transfer as a hidden revenue source**
- **Every company, small or large, private or public, has masterpieces in its R&D shop. Most do not take advantage of this technology outside of its core activity of developing products and services, and reaching their customers**
- **Did you know? Qualcomm started out as small to medium sized product companies but later changed to become intellectual property companies. It now generates billions of USD mainly from its intellectual property and technology portfolio.**

## Consideration & Planning

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### **Key considerations include:**

- Sharing Risk
- Revenue Generation
- Increasing Market Penetration
- Reducing costs and saving time
- Accessing Expertise
- Obtaining competitive Advantage
- Collaboration

**Commercialisation of IP is the process you undertake to get your innovation to the market place.**

**Two most common methods:**

1. To undertake all steps in-house; or
2. To work with a partner such as the universities

**Ask yourself:**

1. Does this IP complement my existing core business?
2. Do I have the right business capabilities to commercialise my product to best advantage?

Two most frequently seen methods of transferring technology to third parties are:

## 1. Licensing

Licensor grants the licensee the right to exploit IP to manufacture, market goods and/or provide services

### Advantages

- A Powerful tool in maintaining efficient exploitation of IP
- Most prudent route to commercialisation if licensor has a strategy for earning revenue through the payment of royalties

### Practical Effect

- Allows the licensor to enter a new geographical / product market he/she may not be familiar with and can rely on third party
- Licensee can use rights developed and owned by the Licensor without having to carry out its own independent research and development

### **Assignment**

Involves the sale and transfer of ownership of the relevant technology under which ownership is transferred completely to another party

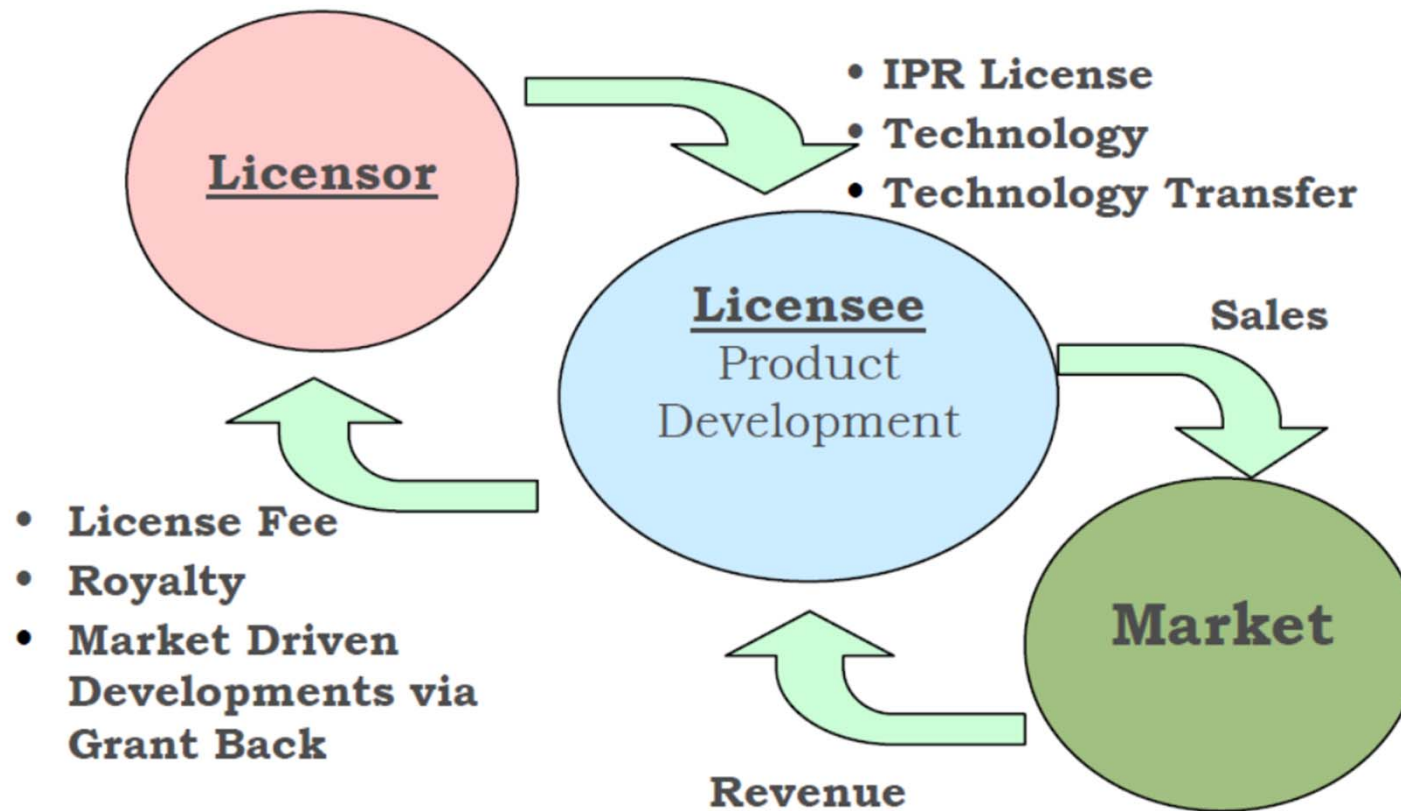
#### **Advantages**

- When the assignor's strengths are in creation rather than exploitation
- The owner has the security of being protected from an unexpected failure as long as the owner has complied with the terms of any warranties
- The raising of capital by assignment of technology can be a simpler method than other means

#### **Practical Effect**

- The assignor has no continuing right or interest in the IP

## Licensing Food Chain



- **IPRs are worth only as much as the buyer or licensee is willing to pay for them.**
- **There are many different approaches to valuing IPRs:**
- **The Cost Method:** Involves looking at the costs incurred in developing or creating the IPR
- **The Market Value Method:** Involves looking at recent sales or licences or similar IPRs for similar products in the same industry sector.
- **The Income or Economic Benefit Method:** Premise is that IPRs are only worth what they will generate in the future.
- **Royalties:** A payment on the sales of products made or created with the benefit of the IP.
- **Lump Sum Payment:** Made at the outset in respect of all the value of the licence on one single occasion.
- **Licence Fees:** A periodic payment of a fixed lump sum which is negotiated at the outset

## 'Big picture': combining ideas funds and resources to deliver valuable technologies

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### ❑ Think long term:

- ❑ Carry out the necessary searches for technology and IP prior to undertaking to design or develop an idea or product

#### ❑ Registered IPR

Patents

Trade Marks

#### Database

Derwent

Inpadoc

EPAT

US/Patents

Compu-mark

INSMARQ

Trademarkscan

UKTM

#### Territory

All major countries

50+ major countries

European patents

United States

All major countries

Selected European countries

United States

United Kingdom



## 'An Untapped Gold Mine'

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- **Technology licensing is a gold mine and is being used by many companies to generate significant revenue.**
- **It is a very high margin activity since all the spending associated with the development activity is complete.**
- **Licensing Revenue therefore goes directly to the bottom line, except for the minor expenses associated with the licensing activity itself.**

## Contact details

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ARTHUR COX



### **Lynsey Mallon, Partner**

+44 28 9026 2669

[lynsey.mallon@arthurcox.com](mailto:lynsey.mallon@arthurcox.com)

# ARTHUR COX

[www.arthurcox.com](http://www.arthurcox.com)

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## Belfast

+44 28 9023 0007

[belfast@arthurcox.com](mailto:belfast@arthurcox.com)

## Dublin

+353 1 618 0000

[dublin@arthurcox.com](mailto:dublin@arthurcox.com)

## London

+44 20 7832 0200

[london@arthurcox.com](mailto:london@arthurcox.com)

## New York

+1 212 705 4288

[newyork@arthurcox.com](mailto:newyork@arthurcox.com)

## Silicon Valley

+1 650 943 2330

[siliconvalley@arthurcox.com](mailto:siliconvalley@arthurcox.com)

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