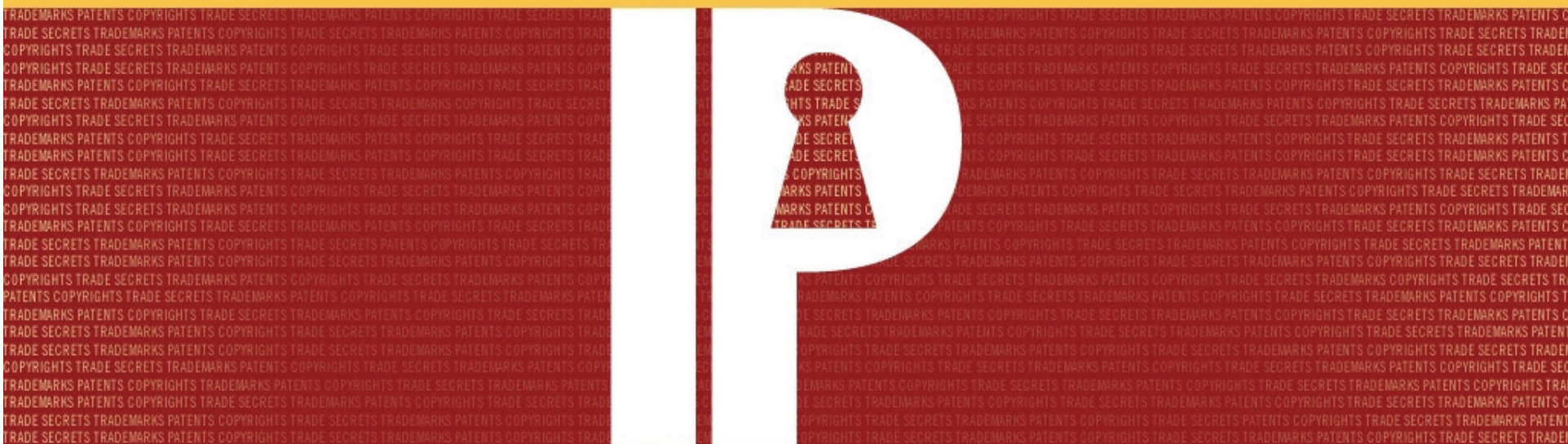


# GUARDING THE TREASURE: IP VALUATION & REMEDIES

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**FOLEY**  
FOLEY & LARDNER LLP





# **LICENSING TO MAXIMIZE IP VALUE & ASSETS**

## **(From the Licensor's Perspective)**

**Craig Fochler, Foley**  
**Kamau King, The Coca-Cola Company**  
**Tanya Moore, Microsoft Corporation**  
**Stanley Pierre-Louis, Viacom, Inc.**  
**Catherine Sun, Foley**





# Elements of a Successful Licensing Program

# LICENSING BUSINESS GOALS



- Advance Licensor's overall business strategy
- Exploit potential value of Licensed Property
- Increase value of Licensed Property

# LICENSING LEGAL GOALS



- Support business goals
- Protect rights in Licensed Property
- Expand IP rights
- Enhance ability to protect Licensed Property rights

# IS LICENSING THE RIGHT STEP?



- Fit with business strategy?
- Existence of Licensable Property?
- Risk/reward balance?
- Feasibility?

# EXISTENCE OF LICENSABLE PROPERTY



- Must have value to third parties
- Varies by type of Intellectual Property
- Can be created

# HOW TO EVALUATE IF PROPERTY LICENSABLE



- Unsolicited license requests
- Competitive/analogous programs
- Expert evaluation
- Infringements



# RISK/REWARD BALANCE



- Cost
- Potential losses
- Potential gains

# COST



- Establishing
- Maintaining

# POTENTIAL LOSSES



- Goodwill, reputation
- IP rights loss
- Business disruption
- Liability

# POTENTIAL GAINS



- Income
- Prestige
- Expanded IP rights

# FEASIBILITY



- Sufficient internal resources
- Availability of third party resources
- Integration into Licensor's business

# IDENTIFYING LICENSING OPPORTUNITIES



- Develop license parameters
- Develop Licensee profile
- Develop licensing function

# LICENSE PARAMETERS AND GOALS



## The Extremes:

- Simple/Cheap: License single trademark for risk free, low technology product to licensee with proven track record
- Complicated/Expensive: Franchise program licensing trademarks, copyrights, patents and know-how

# LICENSEE PROFILE



- Experience in field to be licensed
- Reputation of candidate and its management
- Track record as a Licensee
- Competitive factors



# LICENSING FUNCTION



- Internal or external search capability
- Program integration into business
- Program maintenance

# NEGOTIATING THE LICENSE TERMS



It Is Like Any Other Business Negotiation:

- Know your “needs” v. “wants”
- Know both the business and substantive IP law goals and bottom lines
- Consider starting with a term sheet

# NEGOTIATING THE LICENSE TERMS (CONT'D)



- Prepare a thorough first draft
- Ask for more than your bottom line
- Remember every word means something and every ambiguity is a question of fact for the jury

# LICENSOR “NEEDS”



- Trademarks – Quality Control
- Patent – None
- Copyright – None
- Trade Secret – Confidentiality Procedures

# LICENSORS “WANTS”



- Limitations on rights grants
- Licensed Property protection
- Financial protection
- Ease of enforcement

# LIMITED RIGHTS GRANT



No more than necessary for Licensee to achieve Licensing Goals:

- Non-exclusive
- No sub-license
- Limited Term
- Limited Territory
- Limited Channels of Trade
- Non assignable
- Non disclosure of property or license terms

# LICENSED PROPERTY PROTECTION (LEGAL/BUSINESS)



- Permanent prohibition against Licensee ownership or validity challenges or claims
- Control/approval over Licensee product quality/manufacture/sale
- Control over marketing presentation of Licensed Property
- Control over enforcement of rights in Licensed Property

# LICENSED PROPERTY PROTECTION (LEGAL/BUSINESS) (CONT'D)



- Licensor approvals required in writing
- Require Licensee co-operation in publicity and enforcing rights
- Licensor obtains ownership of, or license to use, Licensee derivations/improvements



# FINANCIAL PROTECTION



- Initial flat fee royalty payments
- Periodic royalty payments
- Limited deductions from revenue subject to royalty percentage
- Minimum annual royalties
- Escalating minimum royalties
- Initial first sale requirements, *e.g.*, dates, amounts, type of customer

# FINANCIAL PROTECTION (CONT'D)



- Required Licensee marketing investment
- Broad Licensee indemnification
- Adequate Licensee insurance
- Narrow Licensor indemnification

# EFFECTIVE ENFORCEMENT OF RIGHTS



- Broad grounds for termination
  - Breach of License
  - Sub-licensee breach
  - Reputation damage
- Automatic termination events
- Clear quick and simple procedures for non-automatic termination
- No cure for repeat violations

# EFFECTIVE ENFORCEMENT OF RIGHTS (CONT'D)



- Waivers only expressly written
- Limited *Force Majeure*
- Choice of law
- Irreparable injury admitted
- Specific dispute forum



# Licensing and Protection of Intellectual Property Rights Abroad



# Preparation of a Licensing Program to China



- What to be licensed?
- Who to be licensed?
- When to license?
- How to license?

# What to be Licensed to China?



- Patented technology
- Proprietary technology
- Patented combined with non-patented
- Other forms of IP
- In what language
- What territory and field of use



# Who to be licensed?

- A foreign company without China presence
- A foreign company with China presence
- A Chinese company without foreign presence
- A Chinese company with foreign presence
- Individuals or government



# When to license?



- A pure and amicable license program
- Cross-license
- At arms-length setting-up of a joint venture in China
- At arm-length merger or acquisition related to China
- A forced license program



# How to license?

- How to approach the licensee?
- How to negotiate sensitive terms?
  - exclusive **vs.** non-exclusive
  - with the right of sublicense **vs.** without sublicense
  - fixed term **vs.** flexible term
  - call option **vs.** put option



## How to license?-Cont'd

- How to negotiate sensitive terms?

licensee owns improvements **vs.** licensor owns improvement

licensor enforces in China **vs.** licensee enforces US law as governing law **vs.** Chinese law as governing law

lawsuit to resolve dispute **vs.** arbitration as dispute resolution

English version binding **vs.** Chinese version binding

# Summary



No license should be granted unless:

- It meet your licensing program goals
- The risk/reward ratio is in your favor
- It can be reduced to an acceptable written form