



# **IP Basics & Beyond:** Tips for In-house Counsel

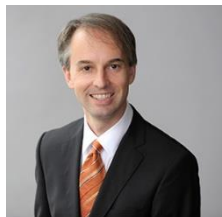


**SMART & BIGGAR**  
Intellectual Property & Technology Law

**Tuesday May 28<sup>th</sup> 2019**

Toronto Board of Trade

# Agenda



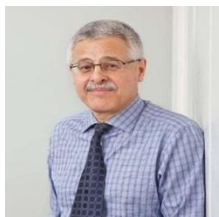
## **Matthew Zischka**

Partner,  
Smart & Biggar

## **IP Basics...**

What in-house counsel need to know

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## **Richard Brait**

General Counsel  
Siemens Canada  
Limited

## **...and Beyond: IP through the business lens**

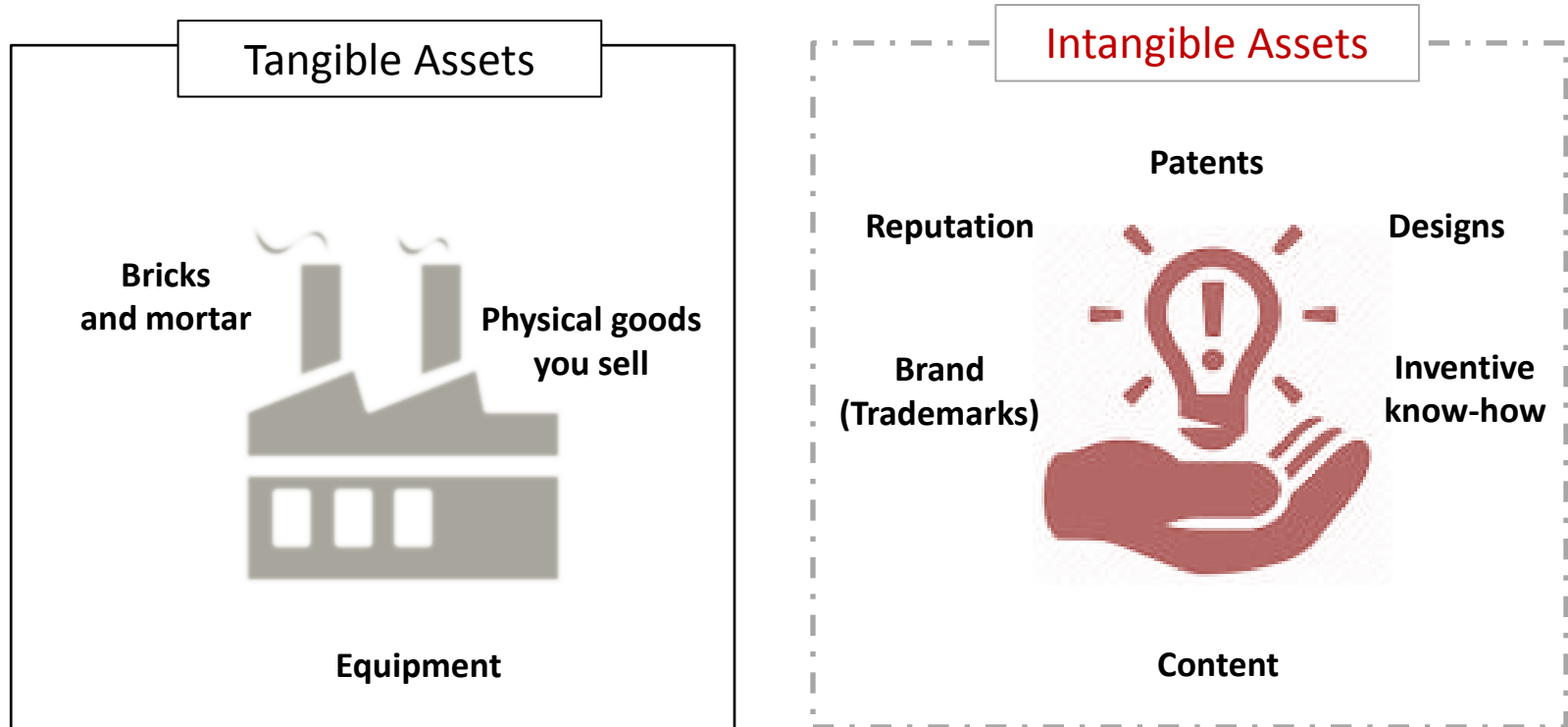
The view from In-house Counsel

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# IP Basics ...

**What in-house counsel  
need to know**

# IP Assets Are “Intangible” Business Assets



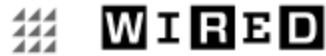
# IP is where the money is

*“Some two-thirds of the value of America’s large businesses can be traced to the **intangible assets** [...] embody ideas, especially the **intellectual property** of patents and trademarks”*

*Economic Effects of Intellectual Property-Intensive Manufacturing in the United States*  
by Economists Robert J. Shapiro and Nam D. Pham July 2007



# IP is where the control is



BRIAN BARRETT BUSINESS 05.22.19 12:33 PM

## IF HUAWEI LOSES ARM'S CHIP DESIGNS, IT'S TOAST



Losing access to ARM won't cripple Huawei overnight. But without it, the Chinese electronics giant has few good options.  ADRIAN DENNIS/AFP/GETTY IMAGES

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**"All of the options are going to be painful."**

—ERIC HANSELMAN, 451 RESEARCH

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**This is like telling Coca-Cola that it can't use carbonated water.**

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**BUT often .... IP is where the neglect is**

*“Almost every small business undervalues its intangible assets.”*

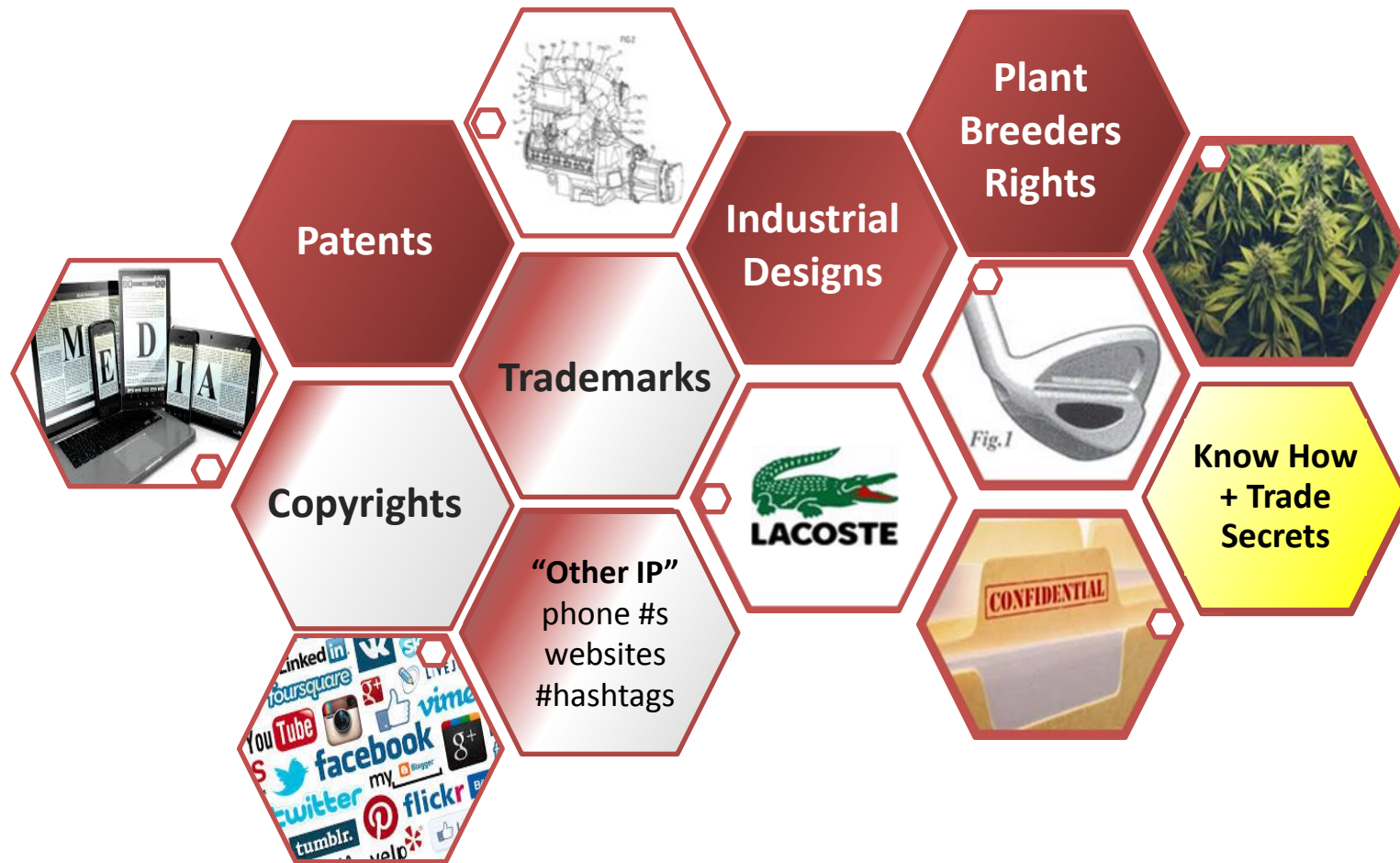
*“Majority of companies and SMEs would fail”*

*Assessing the Value of a Patent: Things to Bear in Mind - Ian Cockburn (CIPO)*

**SO ....**

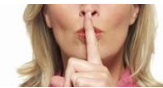
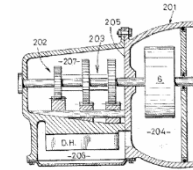
**Can you list all your company's IP in a Schedule?**

# Intellectual Property “IP” Shall Mean...

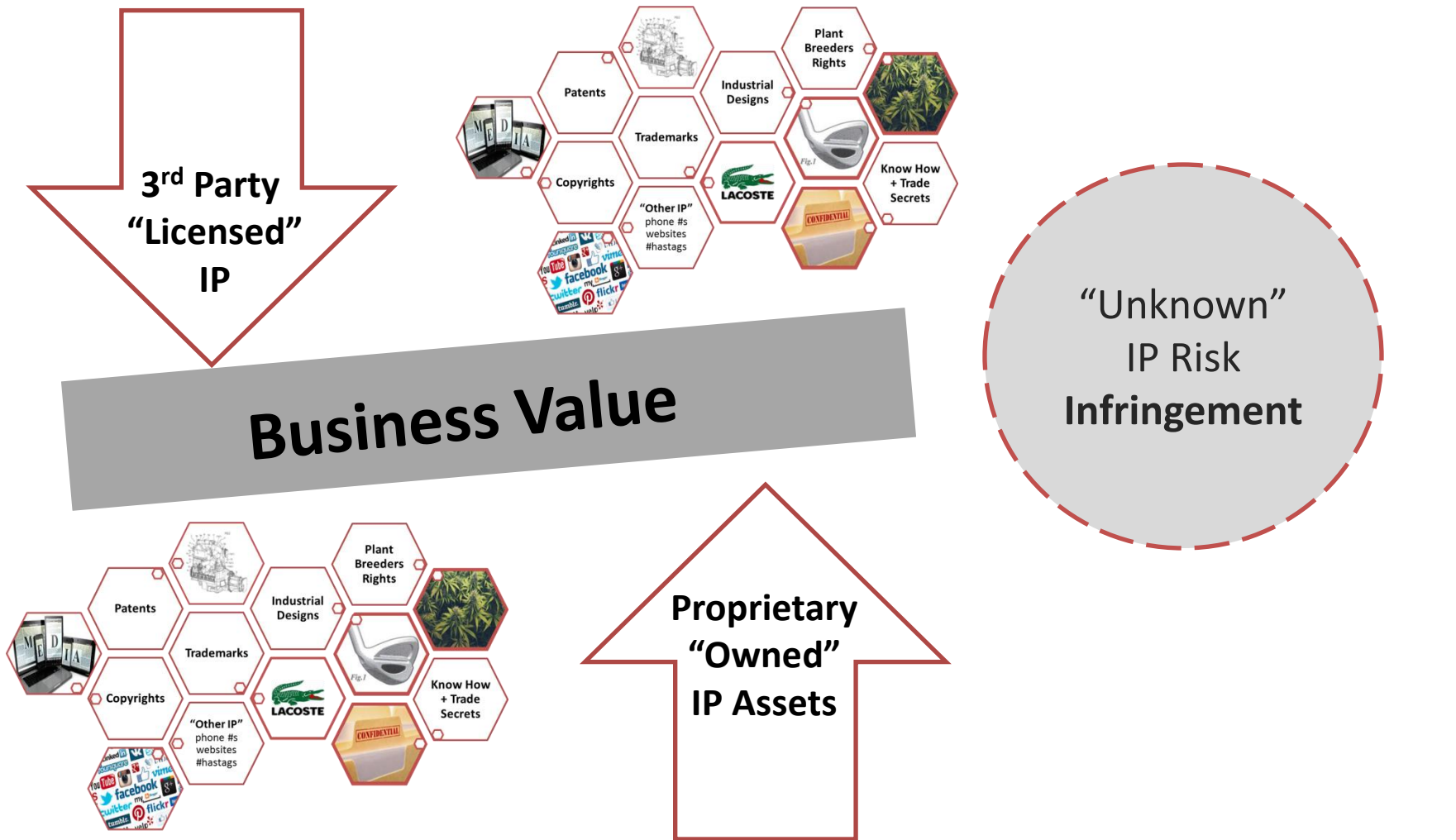


# Summary of Forms of IP Rights

IP Right	What for?	How?
Patents	New inventions	Application and examination
Trade secrets	Valuable information not known to the public	Reasonable efforts to keep secret
Copyright	Original creative or artistic forms	Exists automatically
Designs	External appearance	Registration
Trademarks	Distinctive identification of products or services	Use and/or registration



# IP in the Business ...



# IP Management - align IP to business objectives

## BUSINESS VALUE

- **Commercial Leverage**
  - Using your IP to provide a unique or superior product, service or feature – excluding others
    - VIAGRA; STOW-N-GO; Google Algorithm
- **Bilateral and Multilateral opportunities**
  - Cross-licensing, collaborative R&D, open innovation
- **Conflict Avoidance**
  - Reduces or removes risk of law suit

## INVESTOR VALUE

- Beyond mere sales and marketing

# Investor Value

- **Liquidation Value**

- IP can serve as loan collateral.

- **Growth Value**

- IP Assets' potential to serve as a platform for innovation and growth, not only for the company's current products, but for future products and markets as well.

- **Monetization Value**

- A corporate venture group could provide opportunities for synergies with the IP Assets of the start-ups in which they invest based on their market distribution.

- **Synergistic Value**

- Corporate investors may see a value in using the actual technology themselves.

# IP is where the money is...

## Square Inc.

US\$32 billion valuation (Nov 2018)

Canadian Patent 2777765

Systems and methods for  
decoding card swipe signals

*Anticipated Expiry – 2030*



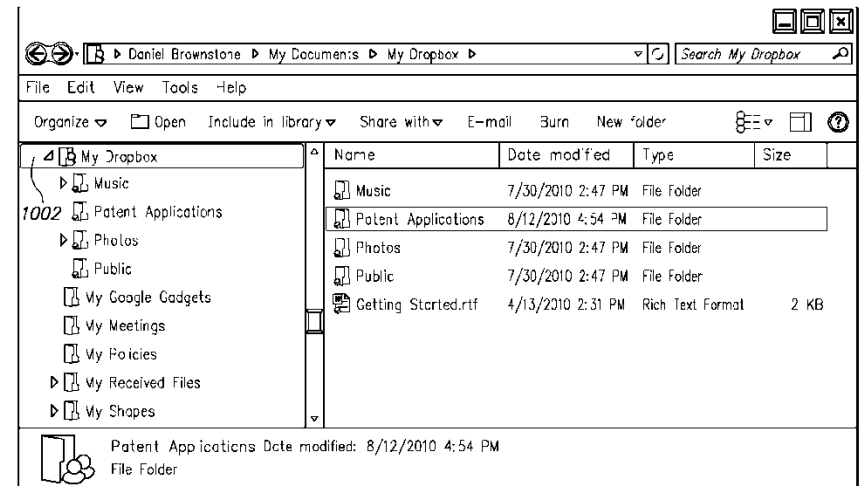
## Dropbox Inc.

US\$12 billion valuation (Oct 2018)

US Patent 10148730

Network File Synchronization

*Anticipated Expiry – 2031*



# IP is where the money is



# IP is where the money is

Franchise	Total Revenue (USD)	Merchandise Revenue (USD)	Owner
Pokémon	90B	61.1B	Nintendo
Hello Kitty	80.02B	80B	Sanrio
Star Wars	65B	40.3B	Lucasfilm/Disney
Mario	36B	4.3B	Nintendo
Harry Potter	31B	7.3B	J.K. Rowling Warner
Teenage Mutant Ninja Turtles	12.7B	11.3B	Viacom



# IP is where the money is

## Nortel patents sold for \$4.5bn

Apple, Microsoft, Sony and RIM part of consortium that bought patent portfolio from bankrupt telecoms company Nortel Networks



▲ Apple and RIM are part of a consortium that bought a portfolio of co Networks. Photograph: Paul Sakuma/AP

## Microsoft to buy AOL patents for \$1.1bn

AOL will retain a licence for the patents and return a 'significant portion' of the sale proceeds to shareholders



▲ Tim Armstrong, the AOL chief executive, has been facing pressure from unha

## Facebook Buys AOL Patents From Microsoft For \$550 Million In Cash

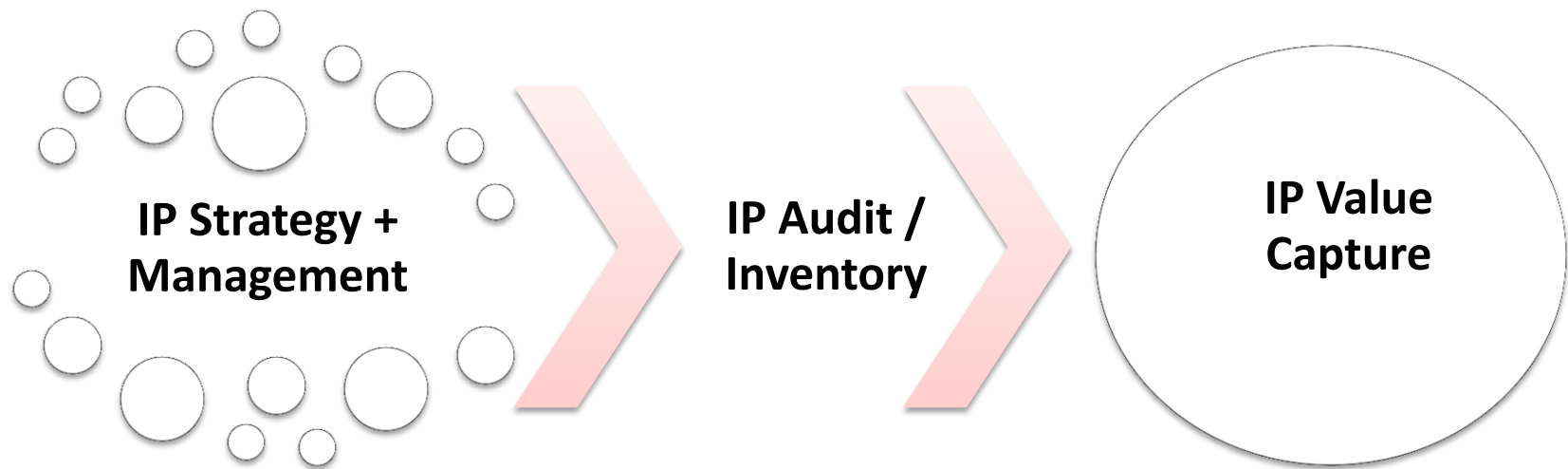
Ingrid Lunden @ingridlunden / 7 years ago

[Comment](#)



# Develop & Manage IP Strategy Proactively

**Well before** a transaction is contemplated, proactively work with counsel to audit and inventory IP assets, review/develop IP strategy, conduct due diligence, and assist with valuation and overall transaction.



# Protecting your IP

- Securing registered protection Patents, Trademark, Designs and possibly Copyright.
  - Mining and Developing
  - Registering (jurisdictions)
- Maintaining
- Monitoring
- Enforcing

# IP Ownership

Every IP right has a different nexus of ownership

- Patents = inventors
- Copyright = authors
- Trademarks = entity that controls character or quality
- Trade secrets = contracts
- Industrial Design = author or whoever paid them

**Critical** to understand and **document** ownership

# Value Capture: Monetization

## Property



generate revenue

*Sold*

*Licensed*

help raise debt

*Collateralize*

## Valuation



IP value



balance sheet

tying IP to revenue streams  
and extrapolating

## Tax Relief



profit shifting

*transfer pricing*

*IP holding co.*

patent box schemes

*(e.g. Qc. 11.8% → 4%)*

# Involve IP Counsel as Early as Possible

- **Involve IP Counsel early** - as transaction contemplated
- **Formulate and communicate business objectives**
- **Formulate an IP Management Plan**
  - IP Audit/ Inventory
  - IP Due Diligence Checklist
  - IP Due Diligence Questionnaire with appropriate questions relating to intellectual property

# Facilitate Due Diligence: Identify “Business IP”

*To confirm that the value the buyer places on the seller, particularly if the seller is a technology company, is supported by the **IP that the company owns** (or has the right to use) and that is critical to its current and anticipated business.*



## How?

### Informed Due Diligence - by buyer with help of seller\*

- independent investigation;
- interviews/questions;
- documentary due diligence

*\* More onerous for private company acquisitions*

# Avoid Defects ...



Defects in ... <b>Title</b>	Defects in ... <b>Rights</b>	Defects in ... <b>Obligations</b>
<ul style="list-style-type: none"><li>• Employees?</li><li>• Contributors?</li></ul>	<ul style="list-style-type: none"><li>• Scope</li><li>• Prior grants</li><li>• Failures to secure</li><li>• limits to transferability</li><li>• (Assignability + change of control)</li></ul>	<ul style="list-style-type: none"><li>• License payments</li><li>• Open source issues</li><li>• Grant backs/cross licenses</li><li>• 3<sup>rd</sup> party NDA/ non-compete obligations</li></ul>

# ...and Beyond: IP through the business lens

**The view from in-house counsel**

# What is an IP Strategy?

Modern, knowledge-based organizations view IPRs as commercial tools...

...for capturing *intangible value* generated by a business

**IP strategy** is the process that results in the capture of that intangible value...

- it's a business driven process that must be aligned with business objectives
- it's about turning *intangible value* into *commercial value*

# Your Business Plan informs your IP Plan

- An IP Plan involves identifying, protecting and leveraging the IP required to achieve your business goals or that arises from your business goals.
- Every time you adjust your business plan, you may adjust your IP Plan.

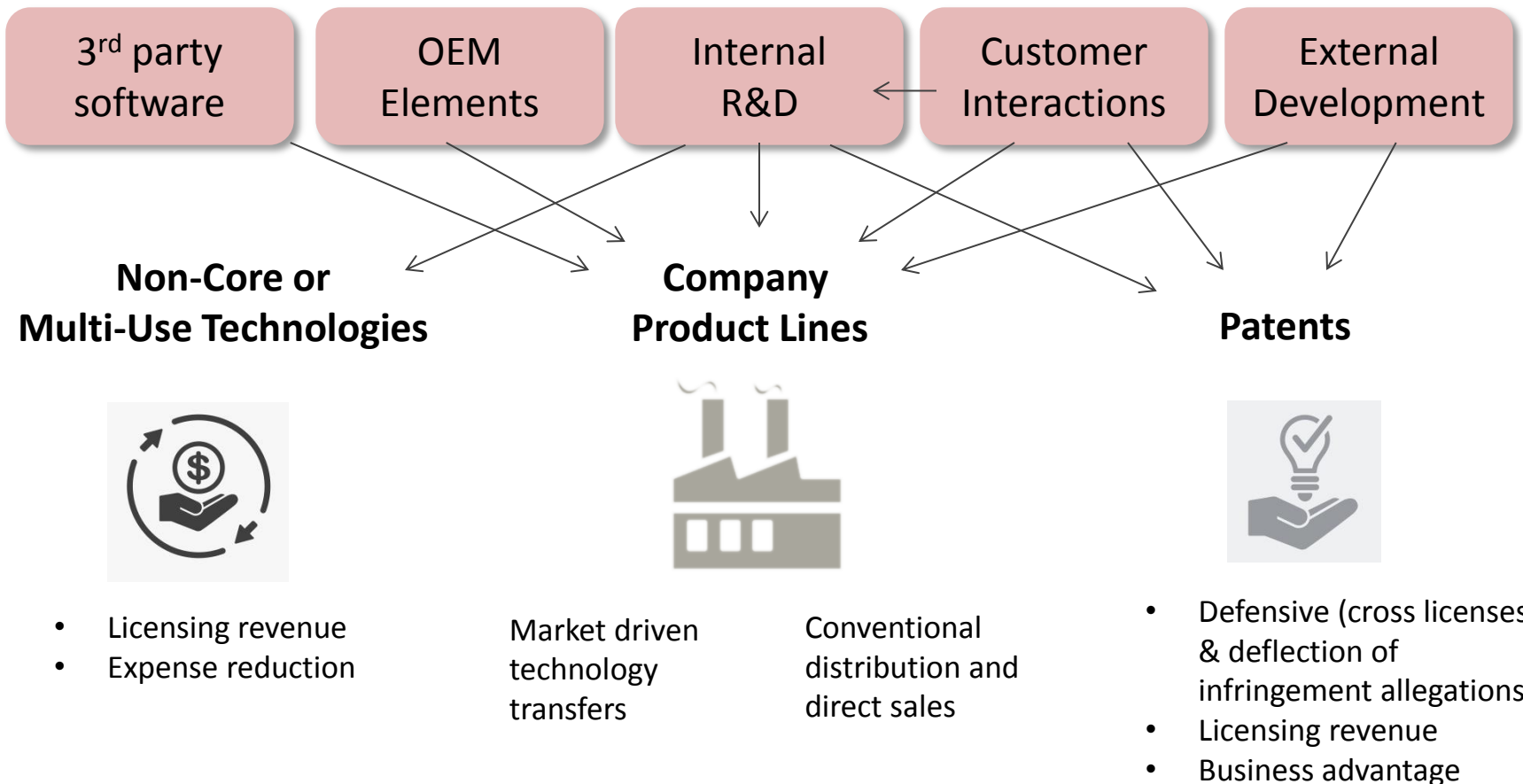
# IP through the business lens

How do you identify IP, and leverage it against business objectives?



- *To protect products?*
- *Build a patent portfolio?*
- *Move IP out of the business for others to use?*

# Sources and applications of intellectual property



*Structuring an effective intellectual property management program, Richard A Brait, 1997*

# Intellectual property mechanisms

## IP Protection and Exploitation



### Patents / Designs, Trademarks

- Setting the strategy
- Building a portfolio
- Exploiting a portfolio

### Other IP Rights

- Copyrights
- Trade secrets
- Etc.

## Technology Transactions



### Product Line Formation

- Contracted development
- Third party software acquisition
- Strategic OEM relationships

### Market Driven

- Establish new channels:
- Manufacturing licenses
  - Joint ventures
- Customer transactions
- Custom or joint development
  - Service definition
  - Technology escrows

*Structuring an effective intellectual property management program, Richard A Brait, 1997*

# Aligning IP Strategy to Business Objectives

## Patent Filing Objectives

- I. IDF Submissions
  - a. Plan
  - b. Actual
- II. US Patent Applications Filed
  - a. Plan
  - b. Actual
- III. Key Technologies
  - a. Technology #1
    - IDFs Submitted
    - Patent Applications

## Standards

- I. Summary of Activities

## Other

- I. Summary of Activities

## Business Objectives

- *Grow market share?*
- *Increase Revenue?*
- *Maximize ROI ?*



## M&A Activity

- I. Summary of Activities

## Defensive Activity

- I. Ongoing Matters
  - a. Matter #1
    - a. Goals
    - b. Key Dates
  - b. Matter #2
    - a. Goals
    - b. Key dates
- II. New Matters

## Licensing Activity

- I. Ongoing Matters
  - a. Matter #1
    - a. Goals
    - b. Key Dates
  - b. Matter #2
    - a. Goals
    - b. Key dates
- II. New Matters

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Q&A