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INTELLECTUAL PROPERTY LAW | EST. IN 1859

Unlocking the Value of Intellectual Property

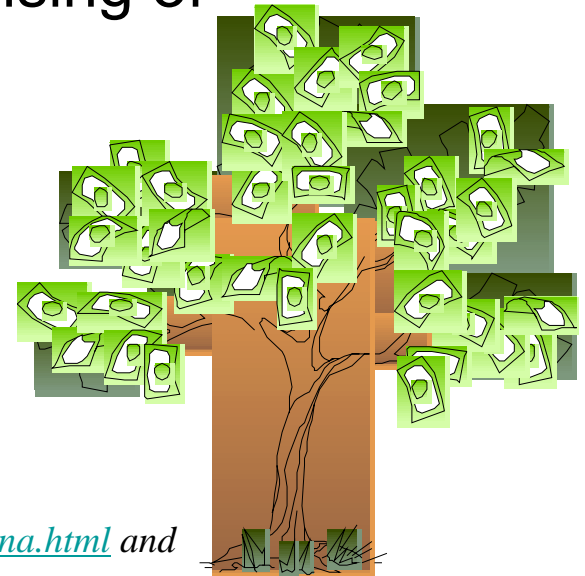
Setting Business Objectives
and
Negotiating Valuable Licenses

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- Intellectual Property (“IP”) is an untapped revenue source/asset for many entities
- NASA*: over \$ 1 million in licensing revenue in 2000 and 2001
- IBM*: \$ 900 million in sales and licensing of intellectual property in 2003



**Information from*
http://www.hq.nasa.gov/ogc/intellectual_property/regina.html and
http://www.ibm.com/annualreport/2003/noflash/fr_md_yr.shtml#ip .

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Determine the Objectives

Objectives for IP Owners

- Traditional IP Licensing (building businesses and technology)
 - Licensor and Licensee may develop, continue or expand a business relationship
 - Licensee may help create demand for licensor's products
- Maximize IP Value
- Maximize Revenue



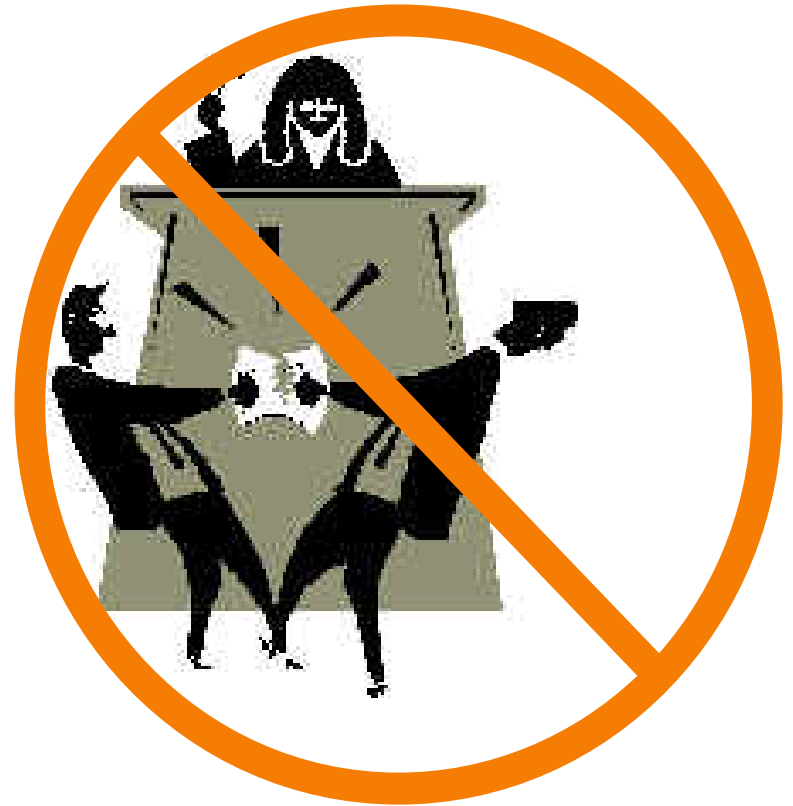
Research in Motion, Ltd.

- April 21, 2004 - RIM announces licensing deal with Motorola
- Latest deal in RIM's BlackBerry Connect licensing program
- Gives handheld computer and phone makers the ability to connect their devices to RIM's BlackBerry Enterprise Server
- Server-side software that sits behind a customer's firewall and provides access from remote devices to corporate data
- Previously, only RIM's own BlackBerry devices could connect to the server
- RIM introduced licensing program in hopes of boosting software sales

Source: www.eweek.com

Objectives for IP Licensees

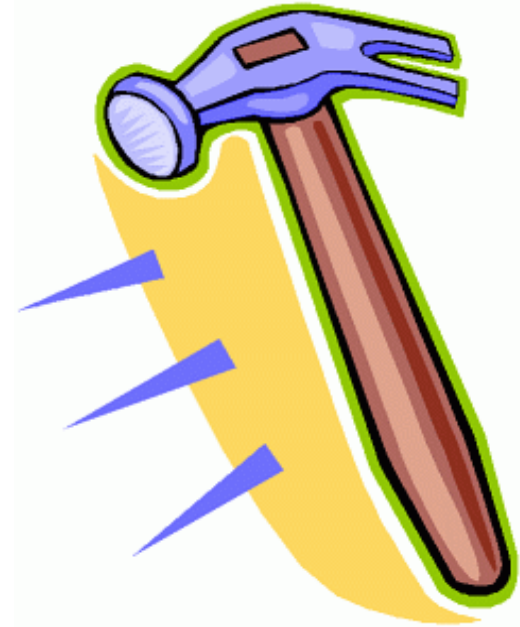
- Avoid litigation
- Access new technologies and markets
- Accelerate technology and market development
- Minimize royalty costs



Creating Licensing Revenue without Litigation

Creating Licensing Revenue without Litigation

- *Caveat: Litigation is sometimes advisable*
- *Early success in litigation may lay a foundation for successful licensing program.*

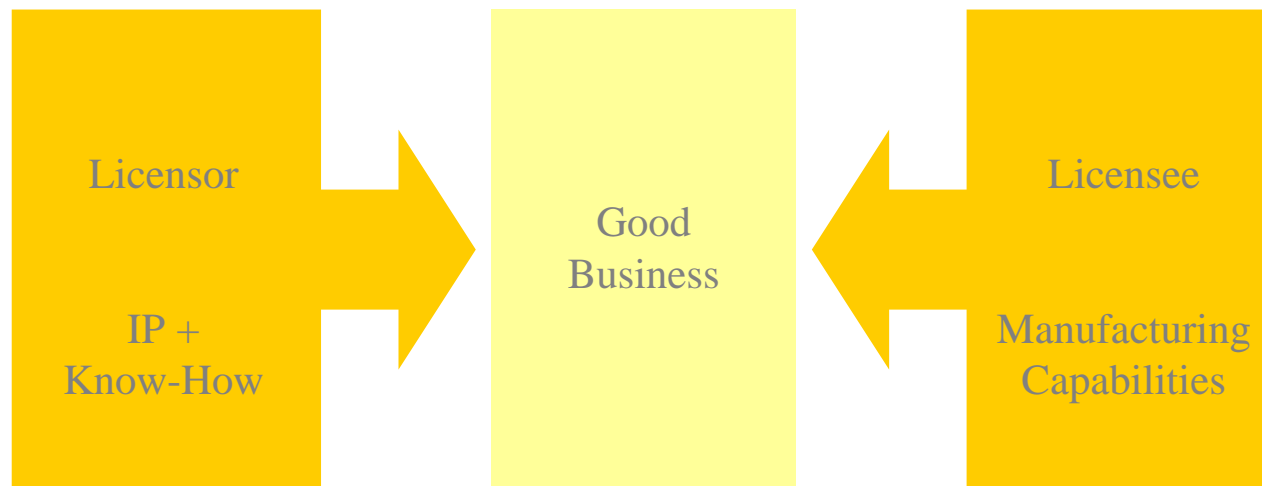


Creating Licensing Revenue without Litigation

- **Avoid a threatening approach**
 - Licensor's business and technology people should discuss technology solutions with Licensee's business and technology people
 - Facilitates healthy discussion of goals and compatibility
 - Using attorneys to contact attorneys regarding patents portends a lawsuit, not a license

Creating Licensing Revenue without Litigation

- Include “know-how” when appropriate
 - True technology development
 - Saves cost of development
 - Licensor will help Licensee get started
 - Helps kick-start royalty revenue



Creating Licensing Revenue without Litigation

- Find good matches in technology and business goals

→Licensors must find compatible licensees

- Manufacturing issues
- Type of market/business



Creating Licensing Revenue without Litigation

- What does the future hold?
- Web site markets?
 - Used to facilitate traditional licensing
 - Web sites designed to shop IP and create a market for IP
 - Generally, a company lists its IP rights in a searchable database for potential licensees to search and shop
 - Web sites and other organizations give mediation and licensing guidance



Creating Licensing Revenue without Litigation

- Examples of websites
 - www.yet2.com
 - www.pl-x.com
 - www.thevcx.com
 - www.2xfr.com
- Problem: Often many more sellers (Licensors) than buyers (Licensees)
- More effective for narrow technology fields (e.g., silicon technology)

Creating Licensing Revenue without Litigation

- Other Web possibilities?
 - eBay
 - IP online?
 - Why not?



Creating Licensing Revenue without Litigation

- Creative uses of IP to help the bottom line
 - IP Valuation Loan
 - Non-core IPR Monetization
 - Sale-License Back
 - Sale of Right to License Payments
 - Creative Licensing

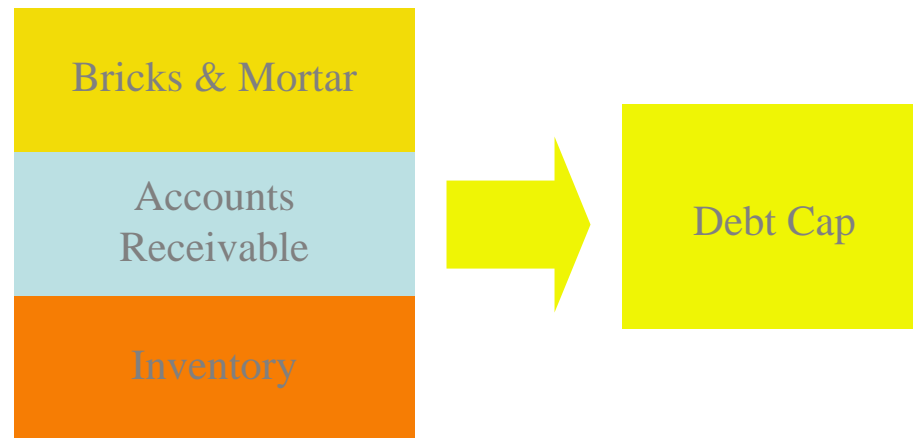


IP Valuation Loan

- Traditional Loan

→ Business seeks loan

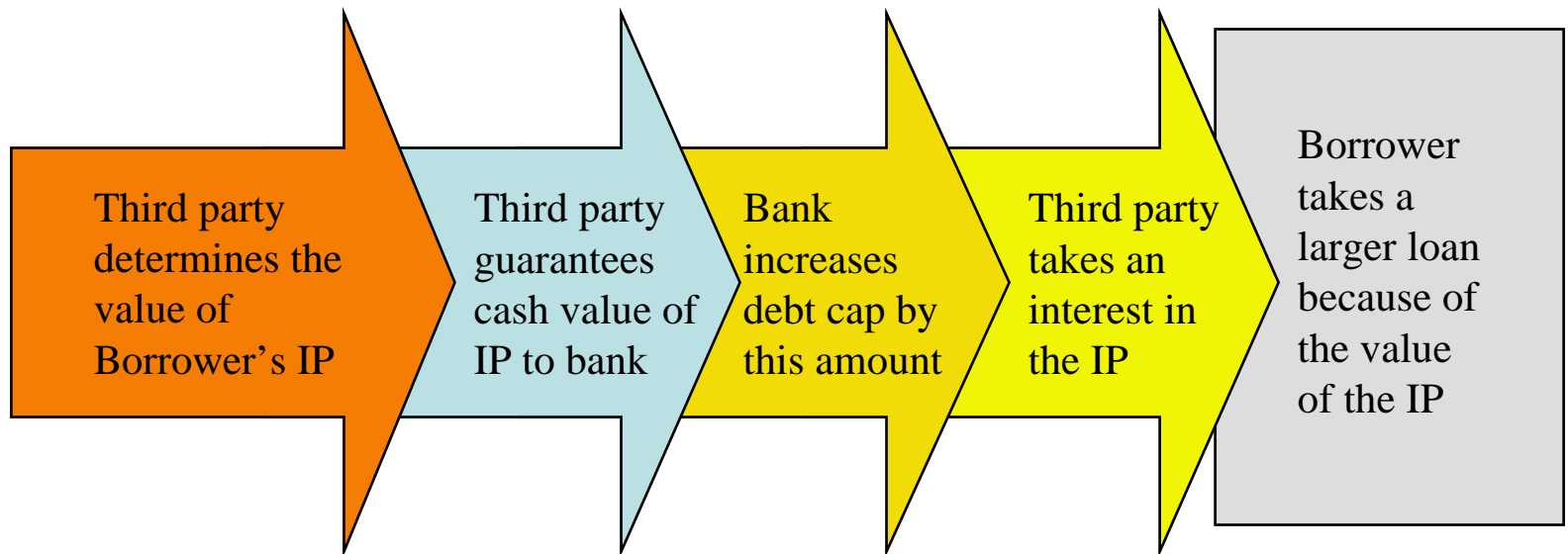
→ Bank evaluates:



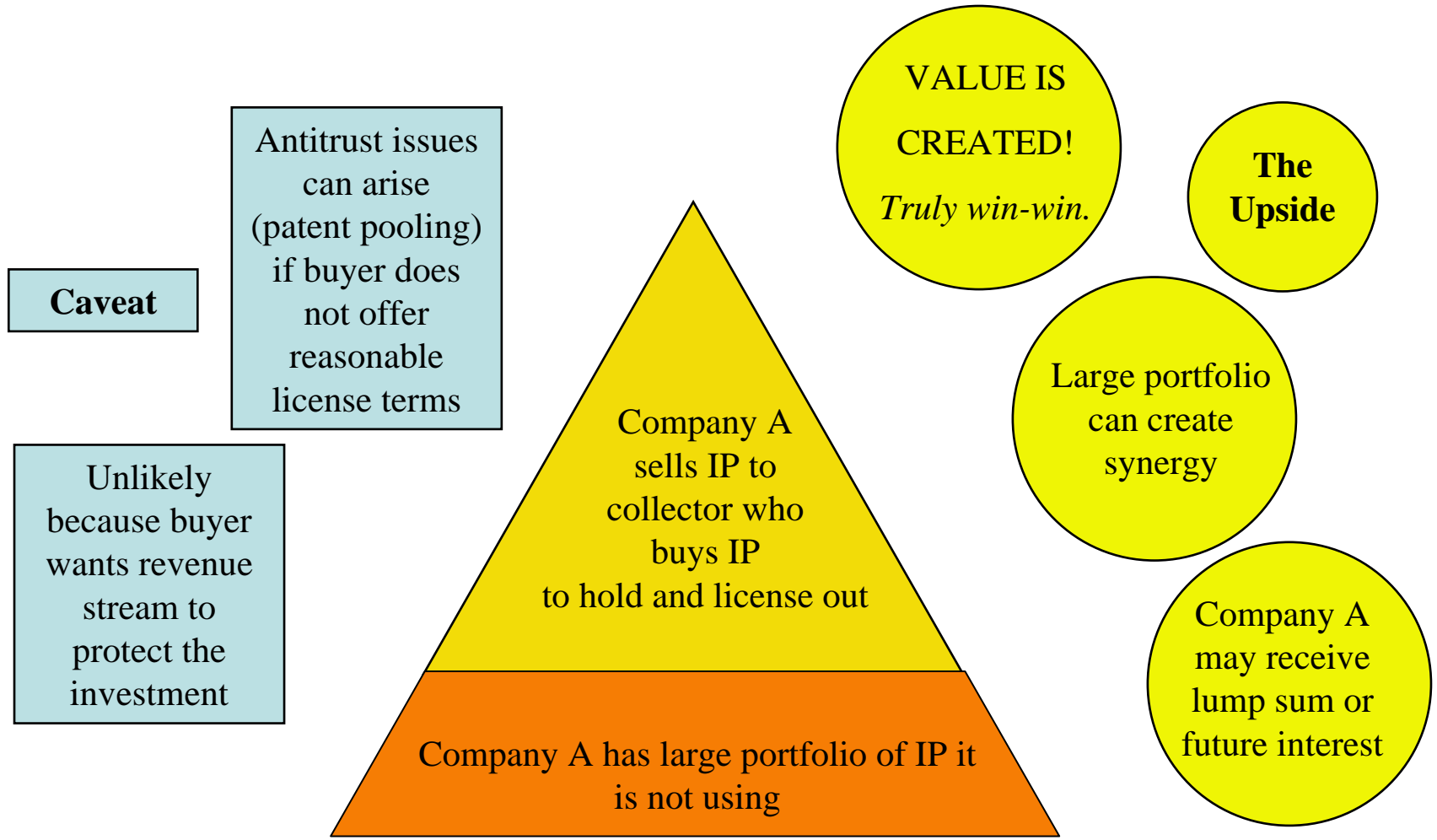
→ Bank takes an interest in all assets, including IP

IP Valuation Loan

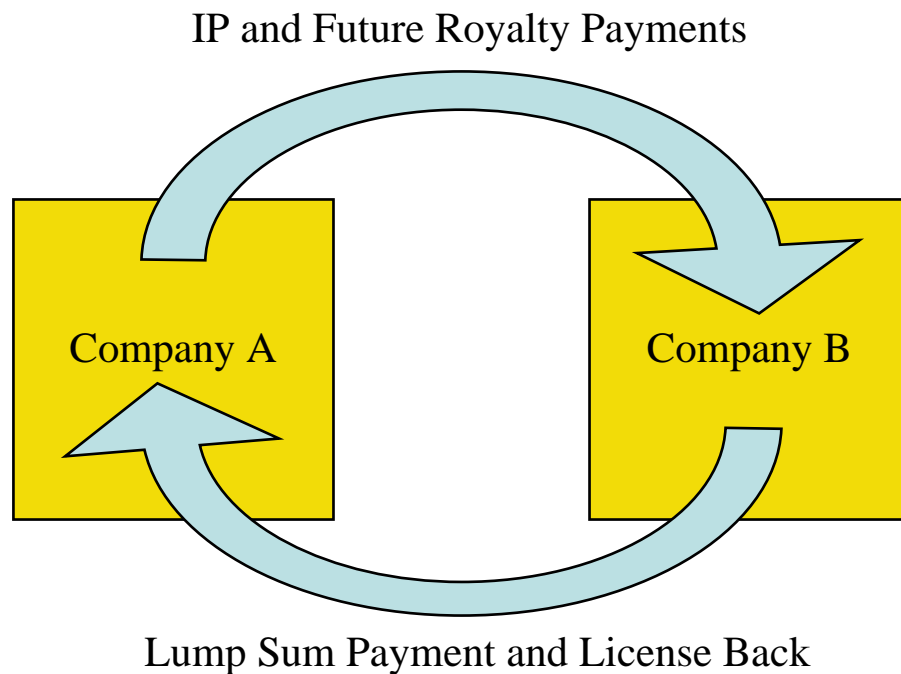
Creative use of IP as collateral



Non-core IPR Monetization



Sale-License Back



- Result: Instant lump sum of money for the seller and instant revenue stream for the buyer

IP Secondary Market

- **Secondary Market**

- Sale of bundle of licenses

- Similar to sale of home mortgages on secondary market

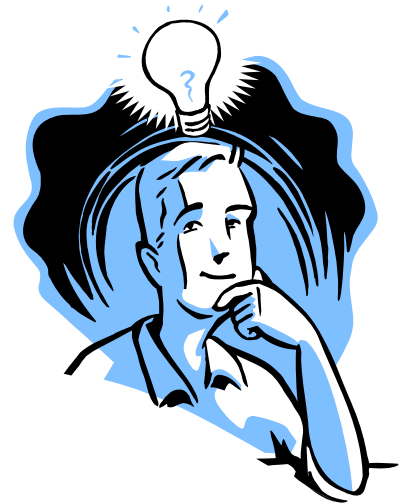
- Buyer may purchase entire bundle, or shares

- More info at *<http://www.km-iptask.org>*

Creative Licensing

- **Intel Example:**

- Intel offered a royalty free worldwide license for patented technology to create an industry standard that they could then build around
- See *Intel v. VIA*, 319 F.3d 1357 (Fed. Cir. 2003).



Creative Licensing

- Rambus

→ Business model is to research and license

→ No manufacturing

Rambus Interface Technology Licensing Options						
		Included Deliverables, Licenses & Services				
		Customer Specific Solutions	Process Specific Databases	Circuit Reference Designs	Patent License	System Engineering/ Signal Integrity Services
Licensing Options	Custom Interface Cells	✓	✓	✓	✓	Optional
	Off-the-Shelf Interface Cells		✓	✓	✓	Optional
	Design Kits			✓	✓	Optional
	Patent Licenses				✓	Optional

**Table from www.rambus.com*

Creative Licensing

- Obtaining patents covering a technology required to comply with an industry standard can lead to opportunity, but . . .
- Participation in standards-setting body may impose obligations on owner of patents

See *Rambus Inc. v Infineon Technologies AG*, 318 F. 3d 1081 (Fed. Cir. 2003)

Creative Licensing

- Lemelson strategy

- Demand payments from all users of certain widely used technologies, e.g., bar code technology
- Set payment at low level – less expensive than litigation; small fraction of potential damage
- Financially successful but widely criticized
- Recent decision:
 - *Symbol Tech. Inc. v. Lemelson Med., Ed. & Research Found. LP*, 301 F. Supp. 2d 1147 (D. Nev. 2004).

Structuring Cross-Licenses

Structuring Cross Licenses

- **Objectives**

- To consolidate blocking patents
- To advance technological development
- To resolve claims of infringement
- To settle interferences
- To provide competitive advantage

Structuring Cross Licenses

- Define field of use and geography restrictions
 - Important because cross-licenses often done with competitors
- Define the inclusion of later developed technology
- Review for antitrust issues

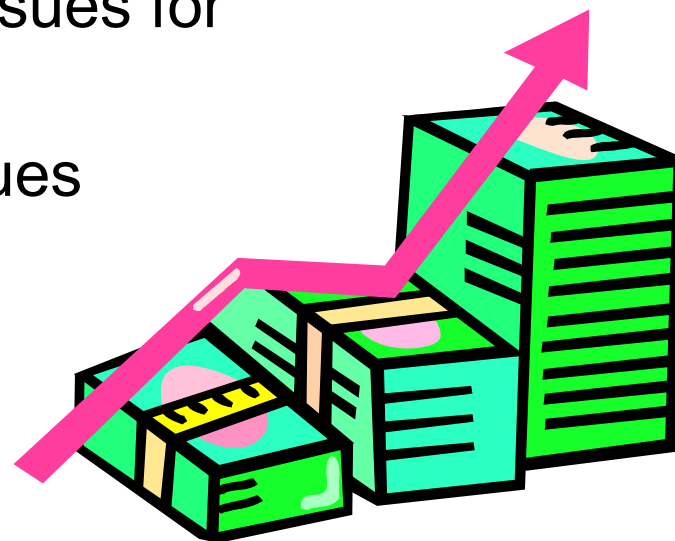
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- Sun and Microsoft Settlement*

- Sun sued Microsoft over antitrust and patent issues

- Sun settled the antitrust issues for over \$ 700 million

- Sun settled the patent issues for over \$ 900 million



**Information from www.eweek.com*

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- Sun and Microsoft Settlement* (Licensing)

- Microsoft agreed to continue to support Sun's Java Virtual Machine
- Sun will pay royalties when using its competitor's products
- Sun and Microsoft took one year to create a "patent regime"
- The "patent regime" amounts to a complicated cross-licensing agreement allowing technical know-how and IP to be shared, thereby creating better products for consumers.



**Information from www.eweek.com*

How to Address Royalty Stacking

Addressing Royalty Stacking Concerns

- Cap the license payments for a particular product
- Warranties
 - Not always available
 - Not always sufficient
- Due diligence – Identify other relevant IP owners



Factors for Win/Win Situations

Factors for Win/Win Situations

- Keep an eye on the objectives
- Knowledge
 - Of market, competitors, technology, trends
 - Beware companies with dangerous IP (may invalidate your IP, but also a possible cross licensing opportunity)
- Base proposal on business realities
- Avoid appearance of pulling numbers out of the air

Factors for Win/Win Situations

- Define variables

→What is covered?

- Products
- Processes
- Apparatus

→Scope of rights

- Make
- Have made
- Use
- Sell and Offer to Sell
- Import

Factors for Win/Win Situations

- Define variables

- Define royalty base appropriately - anticipate design arounds, expansion of licensee's business, discounts, loss leaders, etc.
- Field of use
- Life of agreement
- Geographical area
- Some provisions may survive expiration of agreement (particularly important for trade secrets)
- Rights of successors in interest (beware a competitor buying your licensee or your licensor)

Factors for Win/Win Situations

- Inclusion of know-how (how much, how long, documents and/or people)
- Product development costs
 - Structure royalties to acknowledge business realities
- Future tech development
 - Who owns new developments?
 - Are they included in the license?
 - Who will prepare and prosecute patent applications on them?
 - Sometimes best for both parties to have them owned by licensor to take advantage of 35 USC 103(c)

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