

# Technology Transfer, Licensing and Commercialisation – The Role of IPRs

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- Why obtain Patents?
- How can patents be used?
- What strategy do you adopt
- Can you licence without litigating?
- Developing Patent Portfolios
- Mixing IPRs

# Why Obtain Patents

- For most companies primary motivation is to protect themselves against competitors
- To raise funding
- To attract licensing revenue
- To get access to others technology

# Protect against competitors

- Relying on a single patent is risky
  - It might be refused
  - Be designed around
  - Or turn out to be invalid
- Good practice to build up a portfolio
  - Top level ideas patents
  - A raft of implementation patents

# Protection against competitors

- A patent portfolio will often contain patents that cover products you are not interested in
- But others are, giving rise to
- Licensing opportunities

# Some Aspects of Licensing

- Licensing as a sole source of revenue
- Licensing as an additional source of revenue
- Licensing to gain access
- Licensing because you have to

# Licensing as a sole source of revenue

Patent Portfolio is tailored to what can be licensed

- If you can't police it is it worth protecting
- Protect in the main markets and main manufacturing bases

What else can be licensed?

Copyright

Know-how

# Licensing as additional revenue

- Still need to protect your core business
- Are there markets you can't reach?
  - Licence third parties to exploit them
- Do your patents cover product area outside your own
  - Licence third parties to exploit them

# A Licensing Strategy

- Once a policy of licensing has been adopted, a strategy must be defined
- How will you build up your patent/IPR portfolio?
- How will you find your licensees?
  - Do you have the skill in your organisation?
  - Do you need outside help?

# A Licensing Strategy

- How will you identify licensees outside your field?
  - Do you need help?
- How will you manage negotiations?
  - Do you need help
- How will you structure royalties?
- What will you do if an infringer won't take a licence?

# A Licensing Strategy

- Royalties
  - Up front payment
  - Part up front and part % per sale
  - Only % per sale
    - But what if they don't exploit the licence
  - What is the 'correct' royalty rate
    - What can you persuade them to accept

# A Licensing Strategy

- Some parties will want to take licences
- Others will do everything they can to avoid licences
  - Are you confident that your patents are valid
  - Are you prepared to litigate?
  - If you back off, how will that affect your other licensees?

# Licensing to gain access

- Having your own patents give you something to bargain with
- A cross-licence can save a fortune
- Without any thing to license yourself, you may not even get a licence.

# Patent Pools

- Exist in certain industries, typically where products are made to a standard
- For example MPEG
- Each pool has its own rules
  - Having a patent needed by the pool may give access to the others
  - Or may reduce royalty rates

# What sort of licences will you grant

- Exclusive – only the licensee can work the invention
  - May be limited to a product area
- Sole – only you and the licensee can work the invention
- Non-exclusive – lots of licensees

# IPR to raise funding

- Technology start-ups and growing companies need to raise capital
- Patents are valued by funders as an indication of technical strength
- Companies should look to file many applications to increase attractiveness to investors
- Often necessary to adopt strategies that keep the investors happy but are not sound patent practice

# Does licensing work?

- 2001 IBM revenues from patent licensing estimated at \$1.6 Billion
- 2002 revenues estimated at \$1.7 billion
- IBM executed a very carefully planned strategy

# Does licensing work?

- Texas Instruments estimated to have generated \$3 billion in licensing income over ten year period

# Does licensing work?

- The financial statements on Thomson multimedia's web site break down their revenues as far as listing the revenue for "patents & licensing" (378 million Euros in 2000, 278 million Euros in 1999).

# Does licensing work?

- US and Canadian universities, teaching hospitals, and research institutions generated nearly \$1.1 billion in royalties and fees from discoveries licensed to commercial companies in FY 2001

# Does licensing work?

- US universities alone took in more than \$827 million from 7,715 licenses. They also received 3,179 new patents and spun-off 402 companies
- Columbia University alone generated royalties of \$129.9 million

# Does licensing work?

## Yes it does!

# The Discovision Story