



# Intellectual Property Protection and Licensing

March 11, 2015

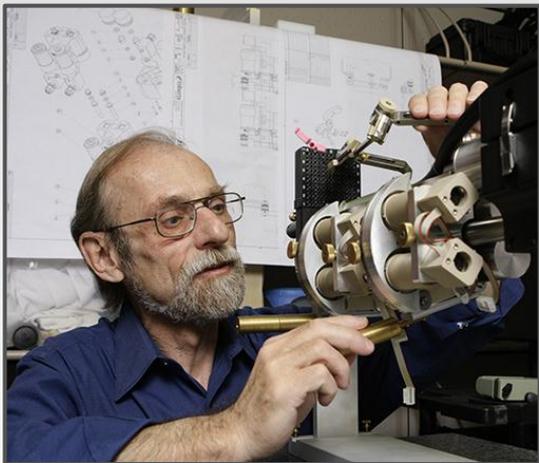
**YOCTO | LAW**  
INVENT LEVERAGE ENTERPRISE

**FASKEN  
MARTINEAU** 

*One80 Strategy Advisors Inc.*  
When It's Time For A New Direction

# CIMTEC Services

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



Technology Development



Business Development



Clinical Testing



# Panelists



**YOCTO | LAW**  
INVENT LEVERAGE ENTERPRISE

## Gabriella Chan Founder

- Lawyer
- Scientist
- Entrepreneur

Gabriella specializes in advising young companies in the biotech, nanotech, medical devices, and medical technology sectors to strategically leverage their IP portfolios and business assets. Her experience working in start-up companies both as an IP and technology manager and as VP of Legal Affairs ensures her clients receive well-rounded advice informed by a multi-disciplinary perspective.



**FASKEN  
MARTINEAU**

## Mark Penner Partner

- Patent Agent
- Trademark Agent
- Lawyer

Mark is frequently called upon to advise clients on commercializing intellectual property rights, including technology acquisition and licensing, freedom to operate and patentability opinions, as well as IP components of high value national, cross-border and multi-jurisdictional corporate transactions (e.g. financing, mergers and acquisitions and joint ventures).

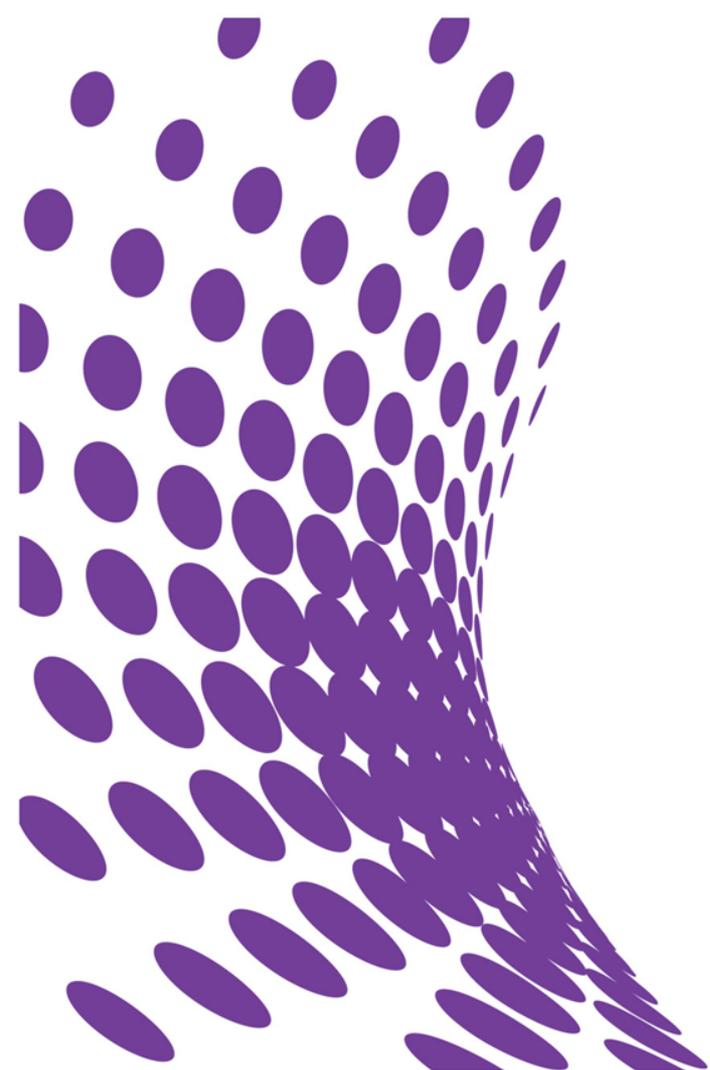


*One80 Strategy Advisors Inc.*  
When It's Time For A New Direction

## Harold Lenfesty President

- Negotiator
- Advisor
- Entrepreneur & Lecturer

Harold has extensive expertise in corporate management and negotiating corporate change. He specializes in strategy: readiness, process, deployment, senior team assessments, business process and performance analysis, leadership coaching, governance counsel, and mediation of conflict in and between organizations.



**YOCTO | LAW**  
INVENT LEVERAGE ENTERPRISE



**Gabriella Chan**

Founder

# Assignment vs. License

## ■ Assignment

- Irrevocable and permanent transfer of IPR in a patent from assignor/owner to assignee
- Assignment database USPTO

## ■ License

- IP owner retains ownership of patent
- Licensor grants exclusive or non-exclusive rights in patent to licensee

# Types of Licensing Agreements

## ■ Exclusive

- Broadest scope – benefits Licensee
- Licensee has exclusive rights over the IP → minimizes competition

## ■ Non-Exclusive

- Narrow license – benefits Licensor
- Granted by a Licensor to many Licensees

# Freedom to Operate

- Patent monopoly = right to exclude others, not a right to practice an invention
  - Can have a patent on an invention that cannot be commercialized → reads upon others' patents → may need to in-license
- Conduct F2O / market clearance analysis to explore availability of white space – critical
  - Evaluate in-licensing requirements

# Structure of Agreement

- Definitions = basis for interpretation of agreement
- Grant and Restrictions of License
- Consideration
- Intellectual Property Ownership
- Representations, Warranties, Indemnity
- Term & Termination
- General/boilerplate provisions

# Field of Use & Territory

“**Field of Use**” outlines how/in what field a Licensee may use the Technology

- Must be clear and unambiguous

“**Territory**” defines jurisdictions where a Licensee can use the licensed Technology

- E.g.: each and every country of the world / North America / EU / specific countries;

# Grant of License

- Licensors hereby grants to Licensee an non/exclusive license of the Technology, effective throughout the Territory and within the Field of Use:
  - to reproduce, make, have made, use, import and sell any Licensed Product and export any Licensed Product;
  - to engage contractors to reproduce or make components of subsystems that incorporate or embody or that are derived from any parts of the Technology to be used or sold by the Licensee;
  - to sell any Service;
  - to copy, translate or modify any Copyright works relating to the Technology;
  - to otherwise practice the Technology (including making improvements); and
  - to grant sub-licenses of all rights

# Restrictions of License

- The Licensee acknowledges and agrees that the Licensee, its Affiliates and all sub-licensees shall not:
  - use the Technology or advertise, promote, market or otherwise offer Licensed Products or Services for sale in any manner which will adversely affect the reputation of Licensor;
  - at any time, use the Technology for any purpose except as authorized by this Agreement, nor in any manner likely to negate, impair or dilute any of the rights of Licensor as owner of the Technology; and
  - at any time, directly or indirectly, dispute or contest:
    - the validity or enforceability of the Patents or the registrations therefor; or
    - the exclusive ownership rights of Licensor in and to the Technology.

# Reserved rights (academic)

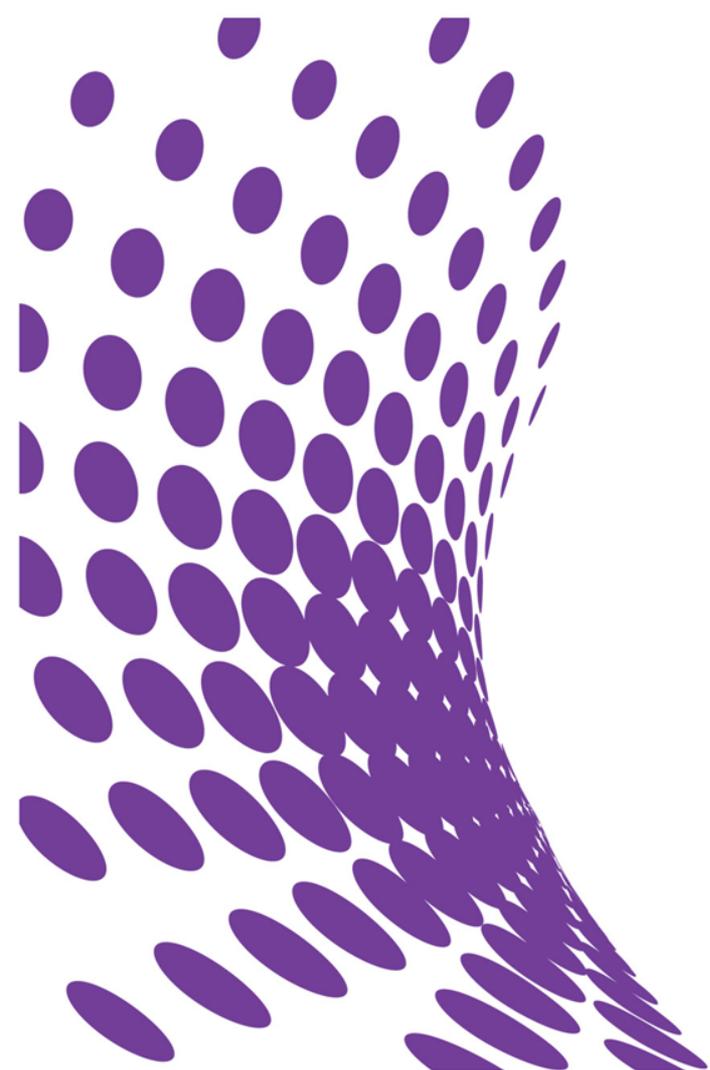
- The Licensee acknowledges that Licensor (i.e. University / Teaching Hospital) and the Inventor(s) have a
  - Reserved royalty-free, non-exclusive perpetual irrevocable license to use the Technology for research, educational and administrative purposes.
- The Licensee further acknowledges and agrees to provide Licensed Products to Licensor, for such research or other not-for-profit scholarly purposes at a price not to exceed the lowest contracted price in the Licensee's order book or the lowest price offered for sale to Third Parties.

# Ownership (academic)

- All aspects and parts of the Technology shall be exclusively owned by Licensor and nothing herein shall serve to, or should be construed to transfer any ownership rights whatsoever in the Technology.
- Patents shall be filed, prosecuted and maintained in the name of the Licensor.
- If a patent has not yet issued at time of licensing negotiations, Licensor may incur some prosecution costs but Licensee undertakes the full prosecution of the invention at its own expense.

# Consideration

- Licensing fee
  - May / may not be required
- Royalty payments
  - The Licensee shall pay a royalty of Net Sales on all patented / un-patented Licensed Products.
- Annual Minimum Payment → incentive to exploit invention
  - At the end of each Calendar Year, the Licensee shall pay an AMP of \$10,000
- Milestones
  - Aggregate Net Sales reach \$1 million (\$25,000) / \$5 million (\$100,000) / \$10 million (\$200,000)
  - Issuance → \$10,000
  - Regulatory Approval



**FASKEN  
MARTINEAU**



**Mark Penner**

Partner

# Why all the “Boilerplate”?

## ■ Risk Allocation

- Confidentiality
- Prosecution and maintenance of IP
- Support
- Enforcement of IP
- Representations & Warranties
  - Ownership
  - Validity & Infringement
  - Indemnification

# Confidentiality

- Commonly imposes onerous duties on recipient of the information
- Survival

“From time to time, Licensee [a Party] may have access to Confidential Information of the Licensor and Licensee agrees to keep confidential any and all such information and shall only disclose such information:

- to its employees who have a need to know such information, for the purpose of performance under this Agreement;
- to its professional advisors and subcontractors who are bound by non-disclosure obligations at least as protective of the Licensor’s interests as this Agreement; or
- to the extent required by applicable law, provided that Licensee shall give reasonable Notice to the Licensor prior to such disclosure.”

# IP Prosecution & Maintenance

- IP Rights need to “prosecuted” and “maintained”
  - “**Prosecution**”: the interaction between applicants and their representatives, and a governmental IP office with regard to the specific IP right
  - “**Maintenance**”: steps needed to keep the IP right in force, usually in the form of paying annuity or renewal fees
- Need to allocate who is responsible for the prosecution and maintenance of the IP
  - Licensor typically is responsible

# Support

- Licensee may require technical or regulatory support to utilize technology
- Need to set out the obligations, costs
- Need to allocate responsibility for regulatory approval process

# Enforcement

- Where there is third party infringement of the IP rights that are the subject of the license, who will be responsible for enforcement thereof?
- Licensor responsibility (at its exclusive discretion) but if Licensor does not, Licensee may take over (with the assistance of the Licensor)
- Who has control and who bears the cost

# Enforcement

“Licensor shall have the right to determine whether any demand, action, suit, proceeding, arbitration, assessment, reassessment, prosecution, lawsuit or administrative action (“**Proceeding**”) shall be taken by it on account of any unauthorized use, infringement, unfair competition, passing off, by any third party (“**Unauthorized Acts**”). Party B shall not bring or cause to be brought any Proceeding for any Unauthorized Act, without the prior written consent of Party A.”

# Infringement

- Licensee will want some kind of rep that use of technology, IP rights not infringing and no third party infringement in Territory
- Licensors should be cautious
  - “To the knowledge” qualifier

“*No Infringement [To the knowledge of the Licensor]* The exploitation of the Licensed Property and the Licensed Rights does not *[and during the Term will not]*, violate or infringe the intellectual property rights of any Person.”

“*Third Party Infringement [To the knowledge of the Licensor]* No party has infringed or otherwise violated, any Intellectual Property Right of the Licensor”

# Validity of Licensed Rights

- Who bears the risk of invalid IP?
  - Licensee wants assurance that rights are valid
  - Licensor wants to limit any reps

“...[To Licensor’s Knowledge] The Intellectual Property is valid, in full force and effect and has not been exercised, used or enforced or failed to be exercised, used or enforced in a manner that would result in the invalidity, abandonment, opposition, re-examination, rejection, impeachment, cancellation, termination, lapsing limitation, expungement or unenforceability of any of such Intellectual Property ...”

# Ownership

- Licensor owns the IP

“The Licensor is the exclusive owner of, and has good and marketable worldwide [or territory restricted] title to, all the Intellectual Property. Except as specified in Schedule .... Other than this Agreement, there is no ownership interest, agreement option or other right, title, benefit, interest or privilege outstanding in favour of any Person for the purchase or license from the Licensor ...”

# Apportioning risk: Indemnification

- Indemnification provision:
  - If there is a “claim” by a third party, one party may indemnify the other party
  - Watch for “Carve Outs”
    - Particularly important for IP infringement
      - Licensee will want in
      - Licensor will want out or restrict

“Licensor agrees to indemnify Licensee and its directors, officers, employees and agents (the “**Licensee Indemnified Party**”) against all claims, demands, costs and other liabilities resulting from the breach by Licensor of any of the terms of this Agreement, **[excluding any claims, demands, costs and other liabilities for IP infringement]** or arising out of the fraud, malfeasance, nonfeasance, gross negligence or wilful default by or of Licensor or its employees or agents upon or in relation to the fulfillment of Licensor’s obligations hereunder”

# Limitation of Liability

- Cap damages
- Specific “Carve Outs”
- Common for remedies to exclude:
  - Indirect, special and consequential damages
  - Punitive and exemplary damages
  - Lost Profits

# Limitation of Liability

“nothing in this Agreement is intended or will be construed to confer on any Party (other than Licensor, Licensee, and the parties entitled to indemnification to the extent of such indemnification) any rights, benefits or remedies of any kind (including any Sublicensee), and no other Person (including any Sublicensee) is intended nor will be deemed to be a third party beneficiary. Licensee shall bring this clause to the attention of each of its Sublicensees; and in calculating the amount of losses suffered by a Person hereunder, no regard shall be made to any indirect, special, incidental or consequential damages, including lost profits or failure to realize expected savings, even if a Party has been advised of the possibility of such Loss or damage.”

# Consideration

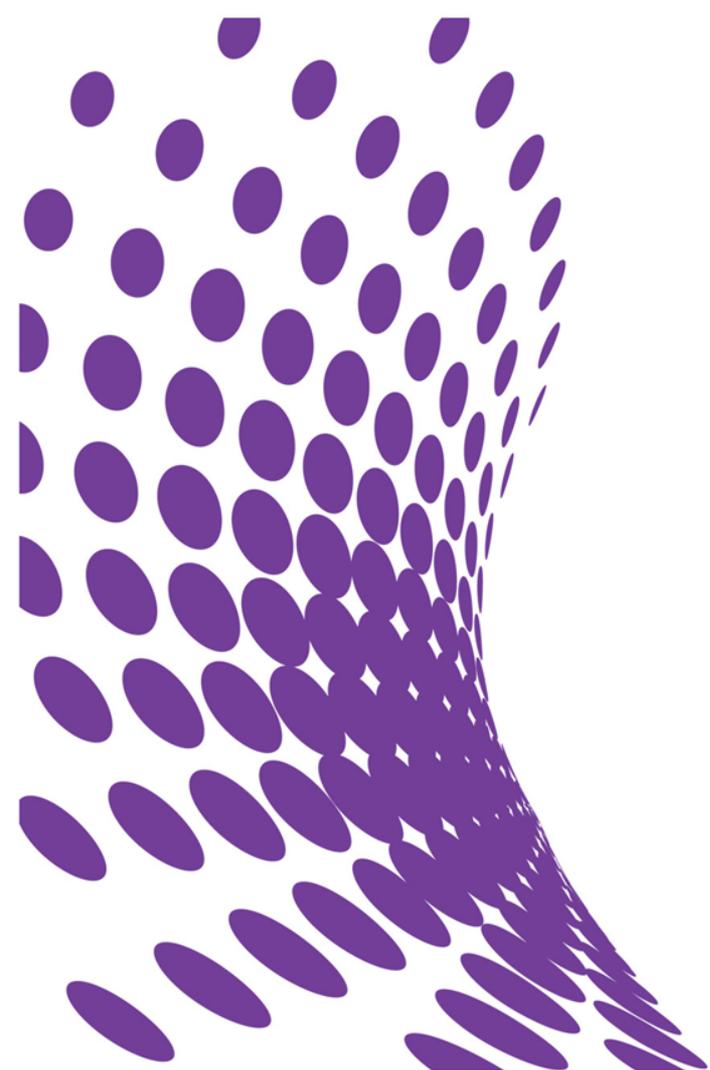
- Royalties
- Milestones
- Lump sum
- Cross-licensing
- Reporting and Auditing rights

# Consideration: Royalty Rates

- Determination requires that numerous factors be taken into account
  - Importance? Is the technology a breakthrough or core product, or is it merely an ancillary product or minor improvement?
- Uniqueness? Is the associated intellectual property (patents, copyrights, etc.) strong enough to keep this solution special?
- Stage of development? Can the invention be used immediately or will it require substantial R&D or regulatory clearance to be commercialized?

# Consideration: Royalty Rates

- Risk? How certain is it that the solution will work as expected?
- Profit margins? High or low margins?
- 5% Rule
  - Older studies found “typical” royalty rate of 5-6% of net sales



*One80 Strategy Advisors Inc.*  
When It's Time For A New Direction



**Harold Lenfesty**

President

# Elements of Negotiation

- Conflict Style
- Emotional Intelligence
- Power, Rights & Interests

# Conflict Style

- Understand your relationship with conflict
- Avoider?
- Engager?
- It is important because your style should not be an impairment to an effective negotiation

# What Makes a Good Negotiator

- What makes a good negotiator?
- How do I become a good negotiator?

# The Five Categories of Emotional Intelligence (EQ)

- Self-Awareness
- Being Aware
- Motivation
- Empathy
- Social Skills

# Self-Awareness

- The ability to recognize an emotion as it “happens” is the key to your EQ. Building self-awareness requires tuning in to your true feelings. Being aware of your emotions leverages your ability to manage them better.
- The major elements of self-awareness are:
  - **Emotional awareness:** The ability to recognize your own emotions and their effects on you and others.
  - **Self-confidence:** Understanding your intrinsic value as a human being.

# Being Aware

- **Self-control:** Managing ineffective impulses
- **Trustworthiness:** Being and seen to be honest and ethical
- **Conscientiousness:** Taking responsibility for your own performance
- **Adaptability:** Understanding the need for change and demonstrating flexibility
- **Innovation:** Being open to new ideas

# Motivation

- **Achievement drive:** Your constant striving to improve or to meet a standard of excellence
- **Commitment:** Aligning with the goals of the group or organization
- **Initiative:** Readyng yourself to act on opportunities
- **Optimism:** Pursuing goals persistently despite obstacles and setbacks

# Empathy

- **Serving:** Anticipating, recognizing and meeting others needs
- **Development:** Sensing what others need to progress and bolstering their abilities
- **Diversity:** Cultivating opportunities through diverse people
- **Political awareness:** Observing and understanding emotional currents and power relationships
- **Seeing from someone else viewpoint:** Understanding the feelings behind the needs and wants of others

# Social Skills

- Effective persuasion tactics
- Sending clear messages
- Leadership, Inspiring and guiding groups and people
- Change Agent
- Understanding, negotiating and resolving disagreements
- Building trust based upon behaviour
- Working with others toward shared goals
- Creating group conditions that support collective goals

# Power, Rights & Interests

- Negotiations may be influenced by power e.g. Government, Corporations, Wealth
- Negotiations may be influenced by Rights e.g. Patent Holder, IP, Ownership
- Many negotiations take on one or both of these characteristics

# Power, Rights & Interests

- What is Integrative or Interest-Based Bargaining?
- "Integrative refers to the potential for the parties' interests to be [combined] in ways that create joint value or enlarge the pie." [1] Potential for integration only exists when there are multiple issues involved in the negotiation. This is because the parties must be able to make trade-offs across issues in order for both sides to be satisfied with the outcome.

# Power, Rights & Interests

- The classic example of interest-based bargaining and creating joint value is that of a dispute between two little girls over an orange. Both girls take the position that they want the whole orange

# Power, Rights & Interests

- Their mother serves as the moderator of the dispute and based on their positions, cuts the orange in half and gives each girl one half. This outcome represents a compromise

# Power, Rights & Interests

- However, if the mother had asked each of the girls why she wanted the orange -- **what her interests were** -- there could have been a different, win-win outcome
- One girl wanted to eat the meat of the orange
- The other just wanted the peel to use in baking some cookies

# Power, Rights & Interests

- If their mother had known their interests, they could have both gotten all of what they wanted, rather than just half

# Acknowledgments

- [1] Watkins, Michael and Susan Rosegrant, Breakthrough International Negotiation: How Great Negotiators Transformed the World's Toughest Post-Cold War Conflicts (San Francisco: Jossey-Bass, 2001), 31. <<http://www.beyondintractability.org/bksum/watkins-breakthrough>>.
- [2] The principal ideas regarding identifying interests outlined here were drawn from: Roger Fisher and William Ury. Getting to Yes: Negotiating Agreement Without Giving In, 3rd ed. (New York: Penguin Books, 2011). <<http://www.beyondintractability.org/library/external-resource?biblio=23737>>.
- [3] The idea that integrative or interest-based bargaining will always include distributive bargaining too, was originally put forth by David Lax and James Sebenius in The Manager as Negotiator: Bargaining for Cooperation and Competitive Gain, 1986. <[http://books.google.com/books?id=FN\\_OIG0-alEC](http://books.google.com/books?id=FN_OIG0-alEC)>.

# Acknowledgments

- Spangler, Brad. "Integrative or Interest-Based Bargaining." Beyond Intractability. Eds. Guy Burgess and Heidi Burgess. Conflict Information Consortium, University of Colorado, Boulder. Posted: June 2003 <<http://www.beyondintractability.org/essay/interest-based-bargaining>>.
- Michael Akers & Grover Porter. (2007). What is Emotional Intelligence (EQ)?. Psych Central. Retrieved on March 4, 2015, from <http://psychcentral.com/lib/what-is-emotional-intelligence-eq/0001037>