



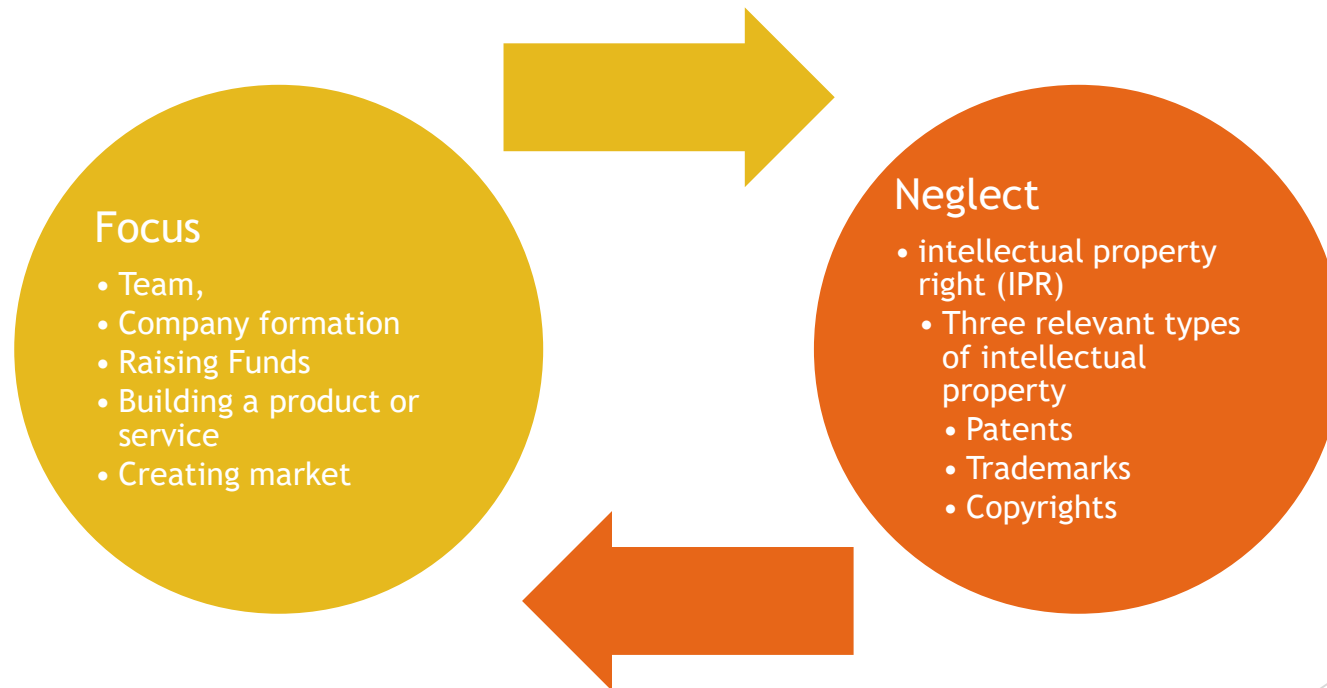
“Intellectual Property Rights and Start-ups”



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Start-up Dilemma





About The Presenters

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- ▶ Over 25 years of work experience in Engineering, Management and Entrepreneurship
- ▶ Currently
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- ▶ Last two assignments were
 - ▶ Multimedia Development Corporation
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 - ▶ 10 patents and 16 publications
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About The Presenters

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- ▶ Consultant, Mentor, Facilitator,
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- ▶ Regular co-speaker at Entrepreneurship conferences and a support facilitator for innovation and other workshops.

Introduction

- ▶ A good idea in itself is just an idea. It has no value at all.
- ▶ Something has to be done with that idea.
- ▶ That idea has to be produced in a form/product to become valuable.
- ▶ In turn the product or service has to be commercialised.

Facts

- ▶ When you are involved with technology there is a high probability that you may develop something new.
- ▶ It may be an invention, software, design, literary work etc.
- ▶ The name or brand you have developed will also be new.
- ▶ You must remember that all of the above have a VALUE attached to it. This VALUE is known as INTELLECTUAL PROPERTY.
- ▶ It is worth noting requirements and timelines are different based on jurisdictions for all INTELLECTUAL PROPERTY.

Why Intellectual Property?

- ▶ Intellectual Property Rights exist to encourage, promote and protect Entrepreneurs.
- ▶ You do not have to be worried that someone else may reap the benefits of what you have sowed or the hard work you have put in.
- ▶ It is vital to acquire your rightful 'Rights' to an invention, work or name and then to enforce those 'Rights' in the marketplace.

Commercial Value

- ▶ IP has commercial value or potential commercial value. If you protect it no one else can infringe upon it and use it for their own gain.
- ▶ If you go through the process of inventing a product, process, or device, if you come up with a great new name or slogan, or if you write a company document, spending the time to protect it can save your company's products or name a great deal of legal trouble.
- ▶ Do some research by yourself. This can save you lot of money. The Internet is a boon and make use of it.

Only if there is an infringement of rights can IP rights be enforced.

Patents

- ▶ A patent is a monopoly or exclusive rights granted from the government office for a limited period to a person who has invented a new and useful article or an improvement of an existing article or a new process of making an article. The Patent gives exclusive rights to make, use, sell the invention and to assign or transmit the patent via licensing contracts for a period from the date of application. After the expiry of the duration of patent anybody can make use of the invention.

Important Development

- ▶ The subject matter of patent protection has evolved as technology has developed and progressed. In recent years there has been much discussion and debate, and some confusion, regarding the patentability of living matter (non-naturally occurring forms which are the product of human ingenuity), software and business methods, but it is now well established that all of these may be patented in most countries.

The Role of Patents

- ▶ It must be noted patents maybe not benefit all start-ups.
- ▶ But start-ups should know about patents.
 - ▶ To protection themselves from others.
 - ▶ To prevent from infringement of others patent.
- ▶ Patents are the most expensive and take up a lot of time of all the IP but patents provide the strongest protection.

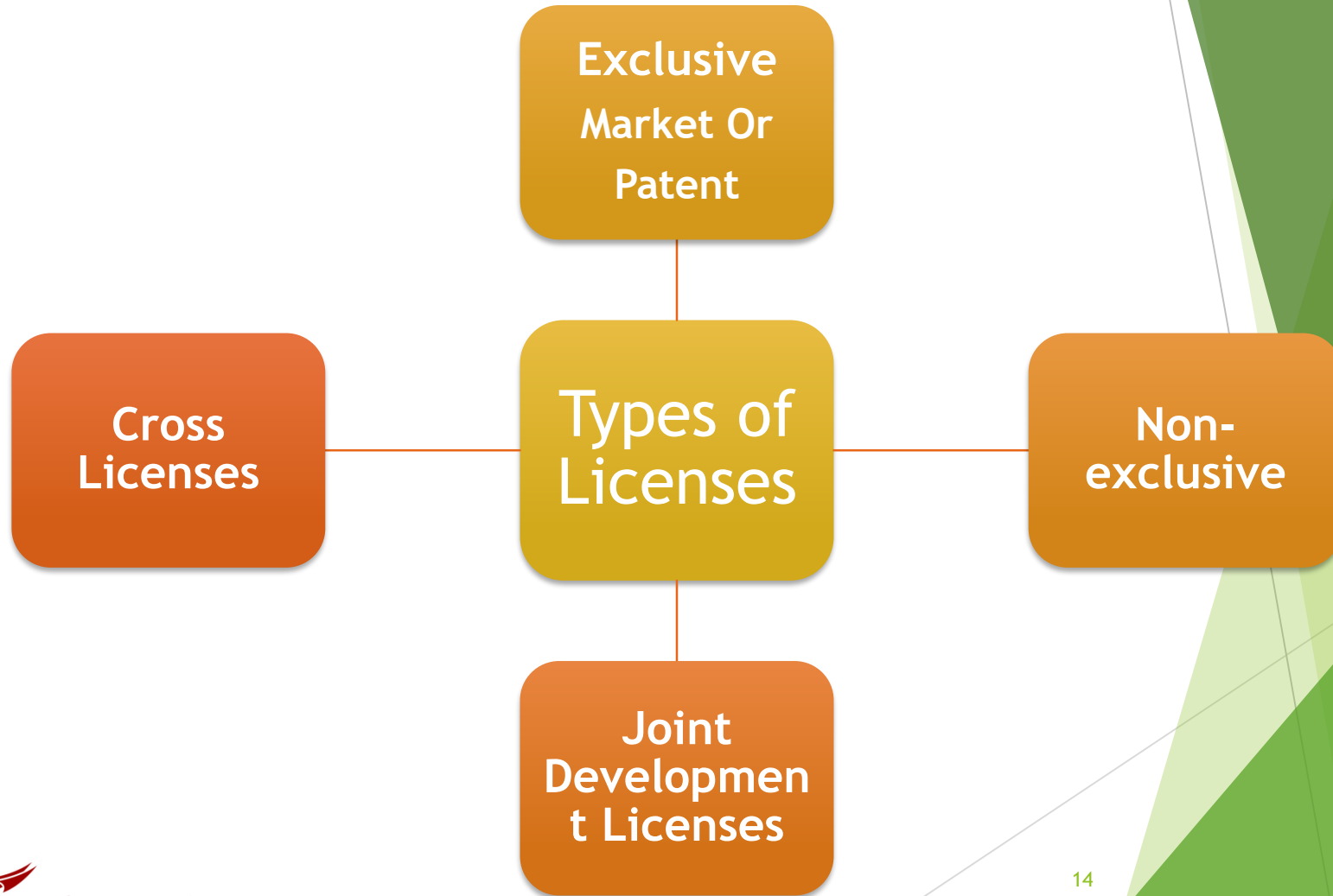
Patents Benefits for a Start-up

- ▶ Help getting funding.
- ▶ Increase the barrier of entry for others.
- ▶ Patents can also generate income by allowing others to use them
 - ▶ Licencing
 - ▶ Assignment

Licensing

- ▶ Licensors grant exploitation rights over a patent to a licensee.
- ▶ Legal contract setting out the terms upon which the exploitation rights are granted, including performance obligations that a licensee must comply with.
- ▶ Royalties are typically paid over the life of the patent, such as the unexpired term of a patent.
- ▶ In a license, the failure to pay royalties will be a breach of the license contract, and would entitle the licensor to terminate the license and seek enforcement of rights/damages etc..
- ▶ Long term benefit.
- ▶ Revocable (generally performance based).

Licensing



Assignment

- ▶ Assignment involves the sale and transfer of ownership of the patent by the assignor to the assignee for a lump sum payment.
- ▶ Transfer of ownership is permanent and irrevocable.

Licensing & Assignment [1]

- ▶ For example, a start up company such as a biotechnology company researching and developing a patent to take it to state of development where it can make a commercial deal, may choose, instead of licensing the patent, to assign it, and in that way raise substantial capital to fund further research and development of other patents in its portfolio.

Licensing & Assignment [2]

- ▶ Licensing is not necessarily always the best or most advantageous commercialisation pathway. Sometimes, assignment might be.
- ▶ Similarly, assignment is not necessarily always the best or most advantageous commercialisation pathway. Sometimes, licensing instead might be.
- ▶ On each occasion an assessment of the advantages and disadvantages of assignment versus licensing needs to be made.
- ▶ Neither is necessarily the better course to take to the exclusion of the other. The benefits of royalties, as against the benefits of receiving a once only lump sum need to be assessed, with all other implications, to reach a conclusion whether on a particular occasion, a license, or an assignment is to be the preferred course.

Licensing & Assignment [3]

Licensing

- Royalties are paid over a period
- Long term
- Non payment of royalties will be a breach of the license contract
- Can include performance obligations
 - Pre market entry milestones
 - Post market entry sales targets
- Revocable

Assignment

- Lump sum payment or equity
- The whole period of the IP
- Based on present value
- Need money
- Not keen to wait
- Irrevocable

Trade Marks

- ▶ A trademark is any distinctive word/s, symbol, emblem, name, logo, slogan, letters, drawings, pictures, colours or combination of colours or trade dress that a company uses to identify the origin of a product or to distinguish it from other goods on the market. It may also be a combination of all the aforesaid elements. It is what the company wants itself to be identified with.....THE COMPANY'S IDENTITY.
- ▶ Scents and Smells can also be registered as trademark.
- ▶ Sounds can be used as trademarks as well as shapes and configurations of products. E.g. Coca Cola bottle.

The Role of Trade Marks

- ▶ Gives you an identity.
- ▶ Gives your customer confidence.
- ▶ Protects you from others selling in the same name.
- ▶ Creates goodwill and reputation.
- ▶ Sets quality of your services and products.
- ▶ Helps in advertising your services and products.

Trade Marks Benefits for a Start-up

- ▶ Creates value in the long run.
- ▶ Helps in hiring.
- ▶ Once registered in a class others cannot register.
- ▶ Helps raise funds.
- ▶ Sell the trade mark.
- ▶ As trade mark is an asset it can be included in the balance sheet.

COPYRIGHT

- ▶ Copyright means exclusive right to do or authorise others to do certain acts in relation to literary, dramatic, musical, artistic works, cinematograph film and sound recordings. Literary work includes computer programmes, tables and compilations including computer databases. E.g. books, music, art, software, films.
- ▶ In other words copyright is the right to copy or reproduce the work in which copyright subsists.

The Role of Copyright

- ▶ To create economic value for the creator of the work.
- ▶ Copyright could be an option when patents and trademark is not applicable.
- ▶ In most countries there is no requirement to register and hence cost is minimal.
- ▶ Useful in many countries for software.

Copyright Benefits for a Start-up

- ▶ The originator can reproduce, modify and sell as he pleases.
- ▶ This would be the least expensive of the IP.
- ▶ Lasts the life time of the originator plus few years afterwards this number of years differs for different countries.

IP ASSESSMENT

To assess the **IP component** of the start-up in terms of its technical potential and novelty.



Especially relevant in cases where the **IP has not been secured yet** – the assessment will be helpful in streamlining the IP for filing.



Conducting **high level IP Valuation** at this stage will add value to the due diligence process as it helps estimate a value for the IP and the research.



The assessment should also identify the **key risks or competitors** for this IP in the target markets.



KEY ADVANTAGES

Provides **higher confidence** to external stakeholders in the start-up thus making it **easier to approach and engage** these external stakeholders.

Provides **clarity and credibility** to the start-up outcome and **generates additional information** that can be used for the business planning stage.

The assessment process helps in **identifying the key risks and challenges** (both technical and business) for the research at an early stage allowing for effective **mitigation planning**.

Failure of any of the due diligence steps will ensure **minimization of losses and take up of corrective measures** at an early stage.

KEY CHALLENGES

It involves **time consuming** and **resource intensive** processes - especially in fields like pharmaceuticals where technology due diligence might even involve clinical trials.

Exposure of the research to third party or external bodies for the due diligence at an early stage - especially in cases where the **IP has not been secured** already.

Research scenarios with no standard processes or data to benchmark against complicates the due diligence process.

A First Hand Example - Modria

- ▶ Community Court platform developed at eBay and PayPal on a crowd sourcing model using the eBay community.
- ▶ CC won the prestigious LabRats Award two years in a row 2008 and 2009.
- ▶ As it is not aligned to eBay/PayPal business it was suggested to spin the company out.
- ▶ Modria formed by ex PayPal/eBay employee licensed the technology from eBay/PayPal for royalty free.
- ▶ Modria raised over a USD1M in seed fund to get started in 2011 and have raised further rounds of funding.
- ▶ The founders of Modria in goodwill still manage CC for eBay/PayPal.

Looking at IP in The Form of Commercialization (1)

- ▶ Intellectual Property provide exclusive economic rights in new inventions and hence plays a vital role in innovation.
- ▶ The most important form of IP in technology is known as patents. Patents are a reward for innovation.
- ▶ It is important to note that a patent will most likely require further work before it can be put to practical and economic use. This is the case particularly in public domain.
- ▶ This would require funds and hence this is where the private sector can play a role and hence technology transfer happens.
- ▶ Unless there is protection, private sector will be reluctant to invest. Hence this is where patents play a role by providing protection. Otherwise someone else would reap the benefits of the invention.

Looking at IP in The Form of Commercialization (2)

- ▶ IP laws are only part of the innovation system.
- ▶ The bigger goal of innovation system should be
 - ▶ To spur technological innovation.
 - ▶ To enhance economic growth.
- ▶ Most countries have innovation systems but the success of these depend on the rate of technological innovation and the impact of these innovation on the economic growth.

Here are the top reasons why your start-up needs patents.

- ▶ Patents can help raise investment.
- ▶ Patents can help to keep away competitors.
- ▶ Patents can help protect from giants stealing the idea.
- ▶ Patents can help gain market share.
- ▶ Patents can help acquire.
- ▶ Patents can help for an IPO.
- ▶ Patents can help build a solid business.

Conclusion

- ▶ For companies patent owned is better than just the license rights.
- ▶ Secondly the number of patents owned makes a difference.
- ▶ Thirdly it is perceived that a patent owned is much easier to manage and control than licensed patent.
- ▶ Typically, the individual, university, research institute or government laboratory making its patent available to the start up company does so, not necessarily for royalties, but instead for shares in the start up company.
- ▶ Given that the patent is made available for shares, not royalties, and given the desirability of maximizing the exit opportunities and exit terms, for all parties it might be considered prudent to assign the patent to the start up company, and not just to license it.

Thank You

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Appendix

Ingredients of Patents

- ▶ Novelty - New.
- ▶ Inventive step - true inventor, not to a person who discovers another person's invention.
- ▶ Lack of obviousness - to a person of ordinary skill and knowledge in the related field.
- ▶ Sufficiency of description/ Applicable in the Industry - industrially manufactured or used.
- ▶ Useful.

Objective of Patents

- ▶ To encourage and develop new technology and industry.
- ▶ To promote innovation.
- ▶ To stimulate creativity.

Important points to keep in mind

- ▶ An idea cannot be patented.
- ▶ Only the article or the process of making some article applying that idea can be patented.
- ▶ A device cannot be patented if it has been published anywhere in the world or if it has been used or offered from sale in this country prior to the date of the patent application.
- ▶ The patent does not give its owner the right to practice the invention, only the right to exclude others from doing so.
- ▶ Copying, reproducing or selling a patented invention without obtaining a license or permission from its inventor is strictly PROHIBITED.
- ▶ Unaware of existing patent is not a defense.

How to patent?

- ▶ Before applying for a Patent it is prudent that one does an extensive search to find out if the invention or process already exists.
- ▶ An application for a patent can be made directly in your country's patent office.

First to invent or First to apply

- ▶ The first person who files a patent application gets the patent, even if he or she is not the first person to invent the claimed subject matter.
- ▶ Canada, the Philippines, and the United States had been among the only countries to use *first-to-invent* systems, but each switched to first-to-file in 1989, 1998, and 2013 respectively.

Patent Cooperation Treaty - PCT

- ▶ Allows applicants to file an “International Application” at one’s home country patent office under the auspices of the World Intellectual Property Organization.

Different Types of Patents

- ▶ Beside traditional patents which covers tangible technical inventions. Now we have in most countries.
 - ▶ Utility patents are available for processes, machines, articles of manufacture, or compositions of matter that are deemed new, useful and non-obvious.
 - ▶ Now Patents are also available for business methods e.g., First USA Bank's US Patent No. 6,227,447 is directed to a method for completing a credit card transaction without the need for the physical presence of the credit card.
 - ▶ Design patent, may be sought to protect ornamental (non-functional) designs. E.g. Apple's D 604,305 covering the design of its iPhone interface.

Registration and Duration

- ▶ Although in some countries and in some situations a mark may be protected without registration, it is generally necessary for effective protection that a mark be registered in a government office. If a trade mark is registered, no person or enterprise other than its owner or authorized users may use it, otherwise infringement actions can be taken against them.

Registration and Duration

- ▶ Trade marks rights can last indefinitely, if the trade mark continues to be used.
- ▶ However, the exception is - Trademark rights can be diminished, eroded or lost if the owner does not continuously use the mark, or if the owner does not actively enforce his rights against known infringers, or if the trademark loses its significance in the market by becoming generic.

Registration and Duration

- ▶ Generic - part of everyday language, common.
- ▶ A owner may loose its trademark right if the mark becomes a generic name e.g. - Asprin, escalator, yo-yo, cellphone - were once enforceable trademarks but now no more as they are common words in the English language.

Dos

- ▶ Name should suggest the use and nature of the product or service and should be easy for the customers to remember.
- ▶ Present a trademark so that it stands out. Use bold letters, colours, capital letters, quotation mark.
- ▶ Use the trademark consistently.
- ▶ Do a trademark search to determine whether the name is available for registration. It is common ground for people to put in a lot of time and money into developing a name only to find out later that somebody else has a right to it. It is very frustrating, hence conduct a thorough search.

Important points to keep in mind

- ▶ Trademarks should be used. If it sits idle for a period then it is redundant.
- ▶ Not only should it be used but it must be used properly.
- ▶ Use the appropriate notice symbols - TM, SM, ® - this shows that the marks belong to you.

Objective

- ▶ To prevent others from using the same or confusingly similar trademark for the same or similar product.
- ▶ To prevent others from using confusingly similar marks, stripping off the identifying source and replacing it with different marks.

Domain Names

- ▶ The mere registration of a domain name does not confer trademark rights.
- ▶ You have to use your domain name to identify your goods or services to acquire trademark rights.

Ingredients for Copyright

- ▶ Ideas by themselves do not have copyright.
- ▶ Ideas must be expressed in material form for copyright to subsist.
- ▶ In order to secure copyright, the author must have bestowed upon the work.
- ▶ Labour.
- ▶ Capital.
- ▶ Skill.
 - ▶ It is immaterial whether the work is wise or foolish, accurate or inaccurate, whether it has any literary or artistic merit. What amount is sufficient depends upon each case.

Ingredients for Copyright

- ▶ Original work.
 - ▶ The work should be original. Originality of expression of thought is required. The thought itself need not be original. Expression of that thought has to be original. Should originate from the author. E.g. Dan Brown's "The Da Vinci Code" - Ideas themselves are unprotectable under copyright.
 - ▶ The work has been written down, recorded or reduced to material form.

Ownership of Copyright

- ▶ Author on his own behalf.
- ▶ Where the making of a work is commissioned or where a work is made by an employee in the course of his employment, unless there is an agreement to the contrary, the copyright in the work shall be deemed to vest in the person who commissioned the work or the employer.