

# IP Allocation Strategies in Joint Ventures, Spinoffs & Spinouts

Ron Laurie

Managing Director

Inflexion Point Strategy, LLC

[ronlaurie@ip-strategy.com](mailto:ronlaurie@ip-strategy.com)

University of California, Berkeley

School of Law

*Intellectual Property Strategy*

September 20, 2007

# IP Allocation Mechanisms

- The magic of IP:
  - ◆ You can keep it and give it away at the same time!!
  
- IP Allocation Tools
  - ◆ Assignment
  - ◆ Licenses
  - ◆ Covenants not to sue
  - ◆ Non-competes

# IP Allocation Mechanisms

- Assignment
  - ◆ Usually all IP rights
  - ◆ Creative use of assignment coupled with licenses/covenants not to sue/non-competes

# IP Allocation Mechanisms

## ■ License

- ◆ Infinite divisibility
- ◆ Parameters
  - ◆ Specific IP rights
  - ◆ Exclusive/sole/non-exclusive
  - ◆ Field of use (“FoU”)
  - ◆ Improvements
    - unauthorized
  - ◆ Sub-licensable
  - ◆ Transferable

# IP Allocation Mechanisms

- Covenant not to sue
  - ◆ Like license
  - ◆ Personal => does not run with IP
  - ◆ Applicability of patent exhaustion/first sale
  - ◆ Quitclaim
    - ◆ No reps or warranties
    - ◆ No indemnification
    - ◆ No implied warranties
      - Note non-infringement in U.S.
  - ◆ Breach of prior exclusive license grant?

# IP Allocation Mechanisms

## ■ Non-competes

- ◆ Used in conjunction with assignments and licenses
- ◆ IP ownership is not (always) enough to exclude others:
  - ◆ Copyright => independent development defense to infringement
  - ◆ Trade secret => independent development defense
  - ◆ Patent => no independent development defense, but “design around”

# Example - Technology Development JV

- Defining the IP “Buckets”
  - ◆ Background IP
    - ◆ Venturer IP in pre-existing technology or technology developed during but outside JV
    - ◆ Licensed into JV
  - ◆ Foreground IP
    - ◆ IP in technology created pursuant to JV
    - ◆ Key issue: Rights in Foreground IP?

# Example - Technology Development JV

## ■ Rights in Foreground IP

- ◆ Default rule for joint development

⇒ **Joint Ownership!!**

- ◆ Beware J.O. under U.S. law

- ◆ Exploitation: each J.O. may

  - ◆ fully exploit and license third parties

    - Patent: without accounting

    - Copyright: duty to account

      - License competitor infringers royalty free!

# Example - Technology Development JV

## Joint Ownership (cont'd)

- ◆ Enforcement of J.O. IP under U.S. law
  - ◆ Both J.O.s must join
  - ◆ May result in inability to enforce!!
- Exploitation and enforcement of J.O. in U.S., U.K, and Japan all different!

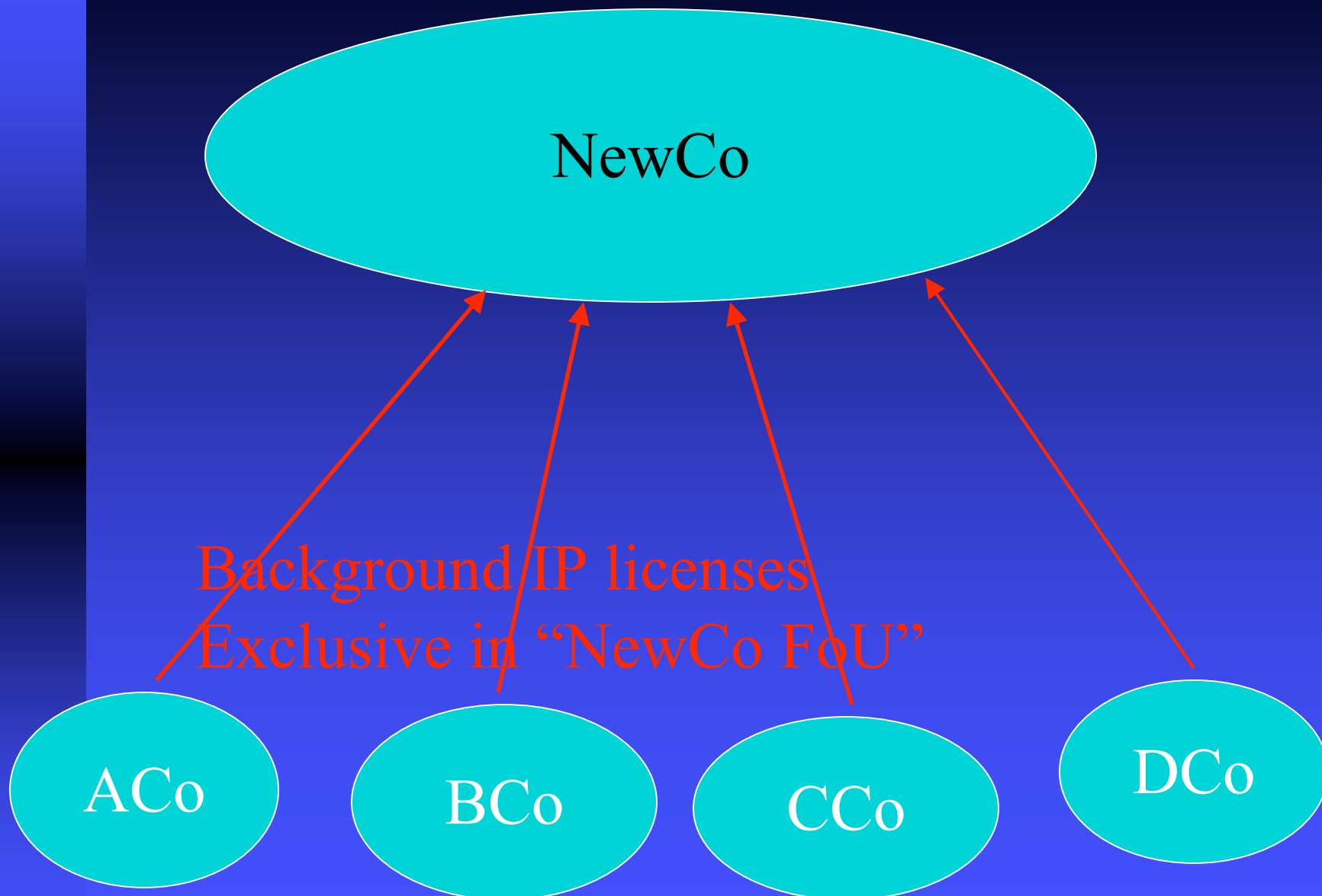
# Example - Technology Development JV

- Treatment of Background IP
  - ◆ Ownership
    - ◆ Venturer/Creator
  - ◆ Licenses
    - ◆ Each Venturer licenses BG IP to NewCo only
    - ◆ Exclusive within “NewCo FoU”
      - = JV investment + \$ maybe

# Example - Technology Development JV

## Background IP (cont'd)

- ◆ Enforcement
  - ◆ Venturer has right to enforce, but no obligation
  - ◆ If not, then maybe NewCo gets to enforce
    - Maybe NewCo gets first right within “NewCo FoU”



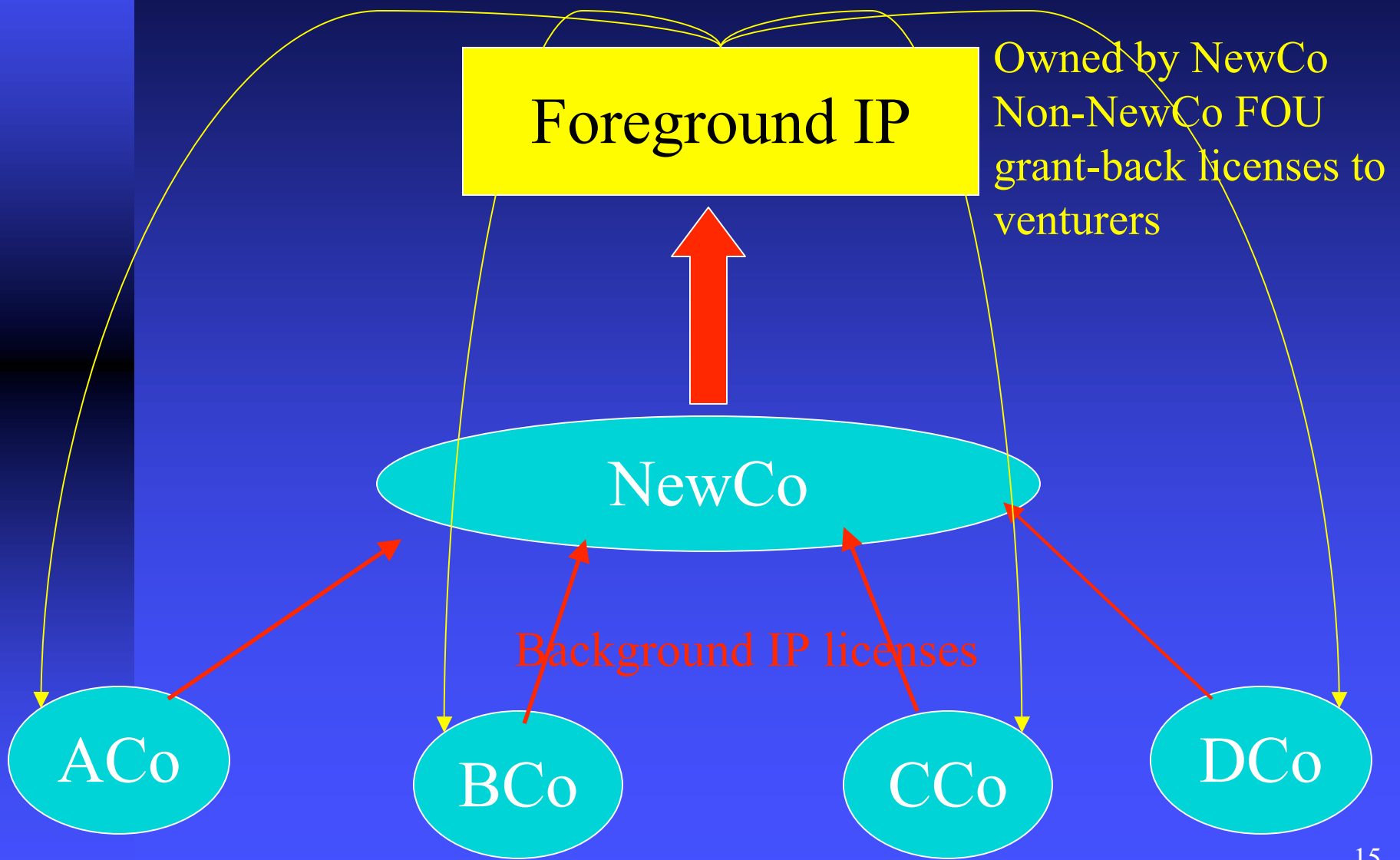
# Example - Technology Development JV

- Treatment of Foreground IP
  - ◆ Ownership
    - ◆ NewCo but subject to “Non-NewCo FoU” restrictive covenants
  - ◆ Licenses
    - ◆ Non-Exclusive to each Venturer within “Venturer FoU”

# Example - Technology Development JV

## Foreground IP (cont'd)

- ◆ Enforcement
  - ◆ Always NewCo's right
- ◆ Patent prosecution
  - ◆ NewCo



# Example - Technology Development JV

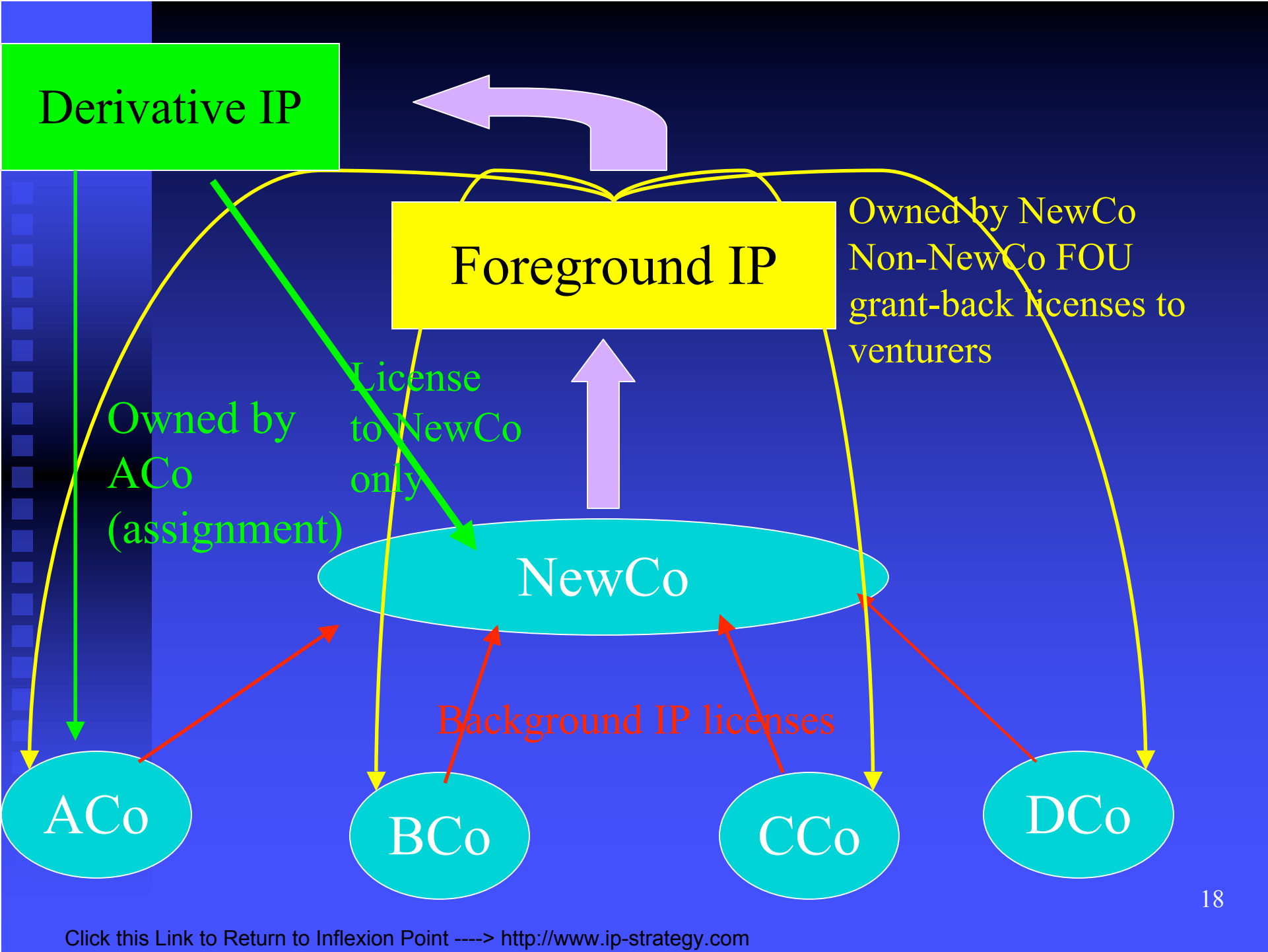
## ■ Derivative IP

- ◆ Special class of FG IP – IP in new technology derived from one Venturer's core technology
- ◆ Ownership
  - ◆ Venturer whose core technology is extended
- ◆ Licenses
  - ◆ Exclusive FoU license to NewCo
  - ◆ No license to other Venturers (esp. if potential competitors)

# Example - Technology Development JV

## Derivative IP (cont'd)

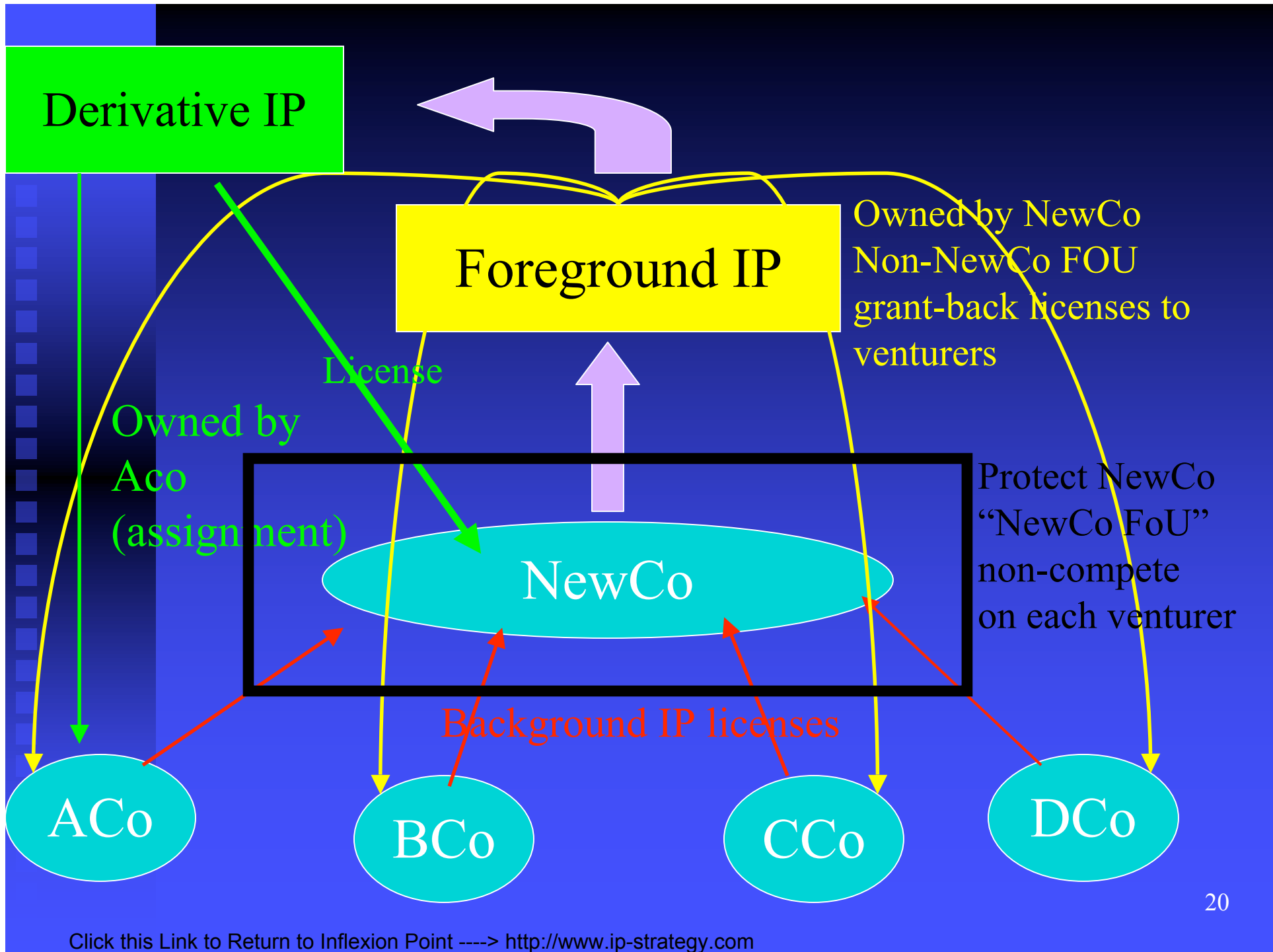
- ◆ Enforcement
  - ◆ First Venturer, if not NewCo
- ◆ Patent prosecution
  - ◆ First Venturer, if not NewCo
- ◆ Protects core technology of each Venturer from other Venturers
- ◆ Encourages openness with Newco re “core” technologies (crown jewels)



# Example - Technology Development JV

## ■ Non-Competes

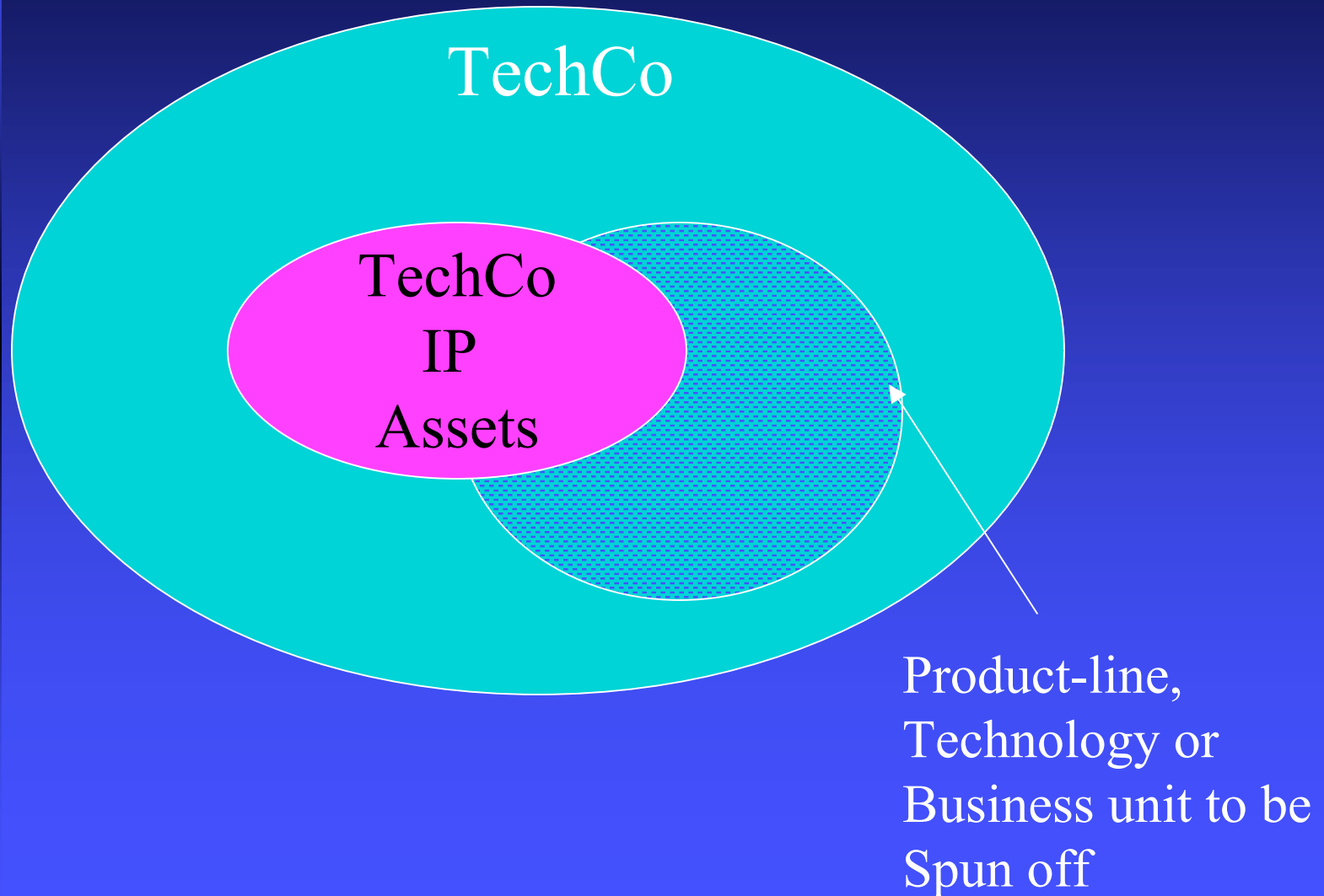
- ◆ Venturers subject to “NewCo FoU” non-compete
- ◆ In addition to Exclusive NewCo FoU license
  - Prevents development of non-infringing but competing technology (i.e. design around technology)

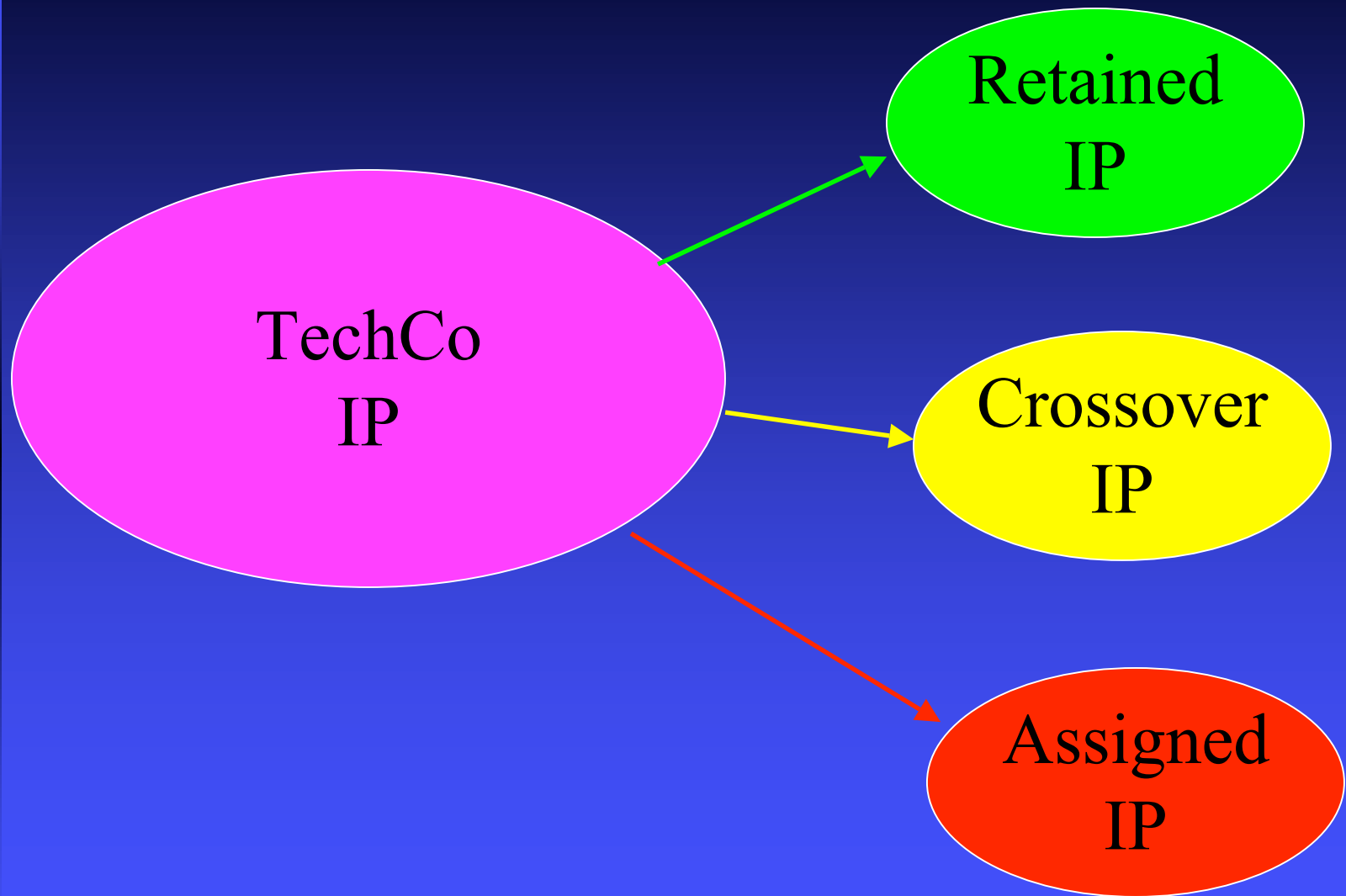


# Example - Technology Development JV

- IP Prenuptial Agreement?
  - ◆ Short form agreement addressing rights in IP developed in pre-NewCo brainstorming sessions *IF* NewCo never formed and no JV
    - ◆ Relates particularly to patentable business method inventions
    - ◆ Addresses
      - Default of J.O.
      - Claims of solo development
    - ◆ Derivative IP concept key

# Example Product line, Core Technology or Business Unit Spin-Off





# Example - Product line, Core Technology or Business Unit Spin-Off

## ■ Retained IP

### ◆ Definition

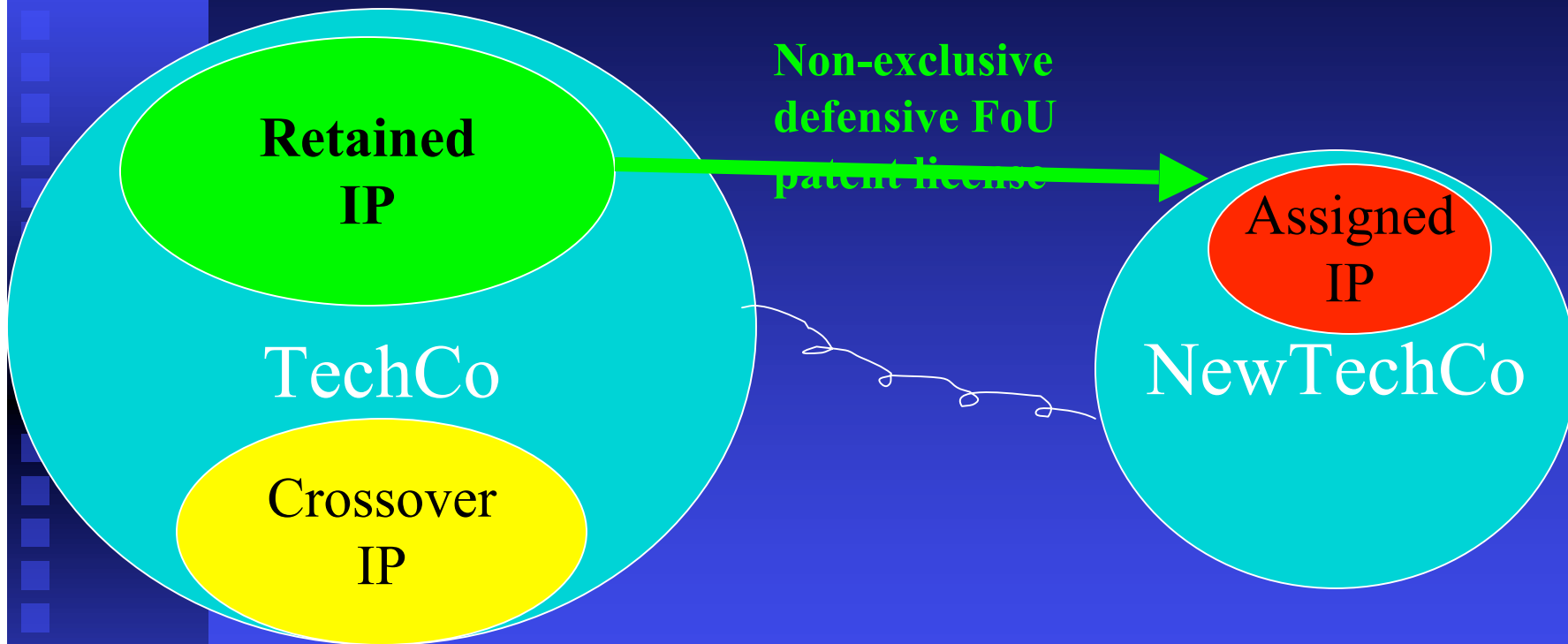
- ◆ Primarily/exclusive to TechCo businesses

### ◆ Ownership

- ◆ TechCo

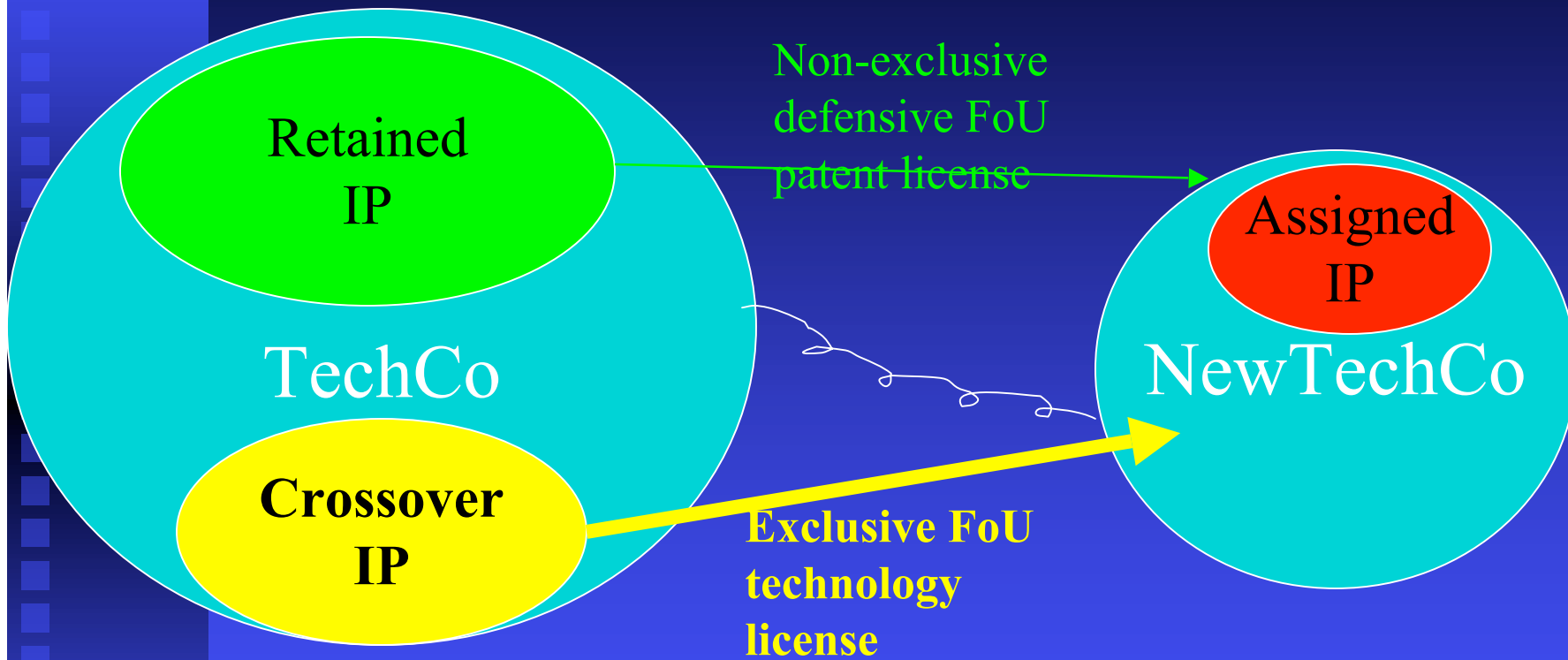
### ◆ Licenses

- ◆ non-excl. FoU license to NewTechCo
- ◆ Usually defensive only



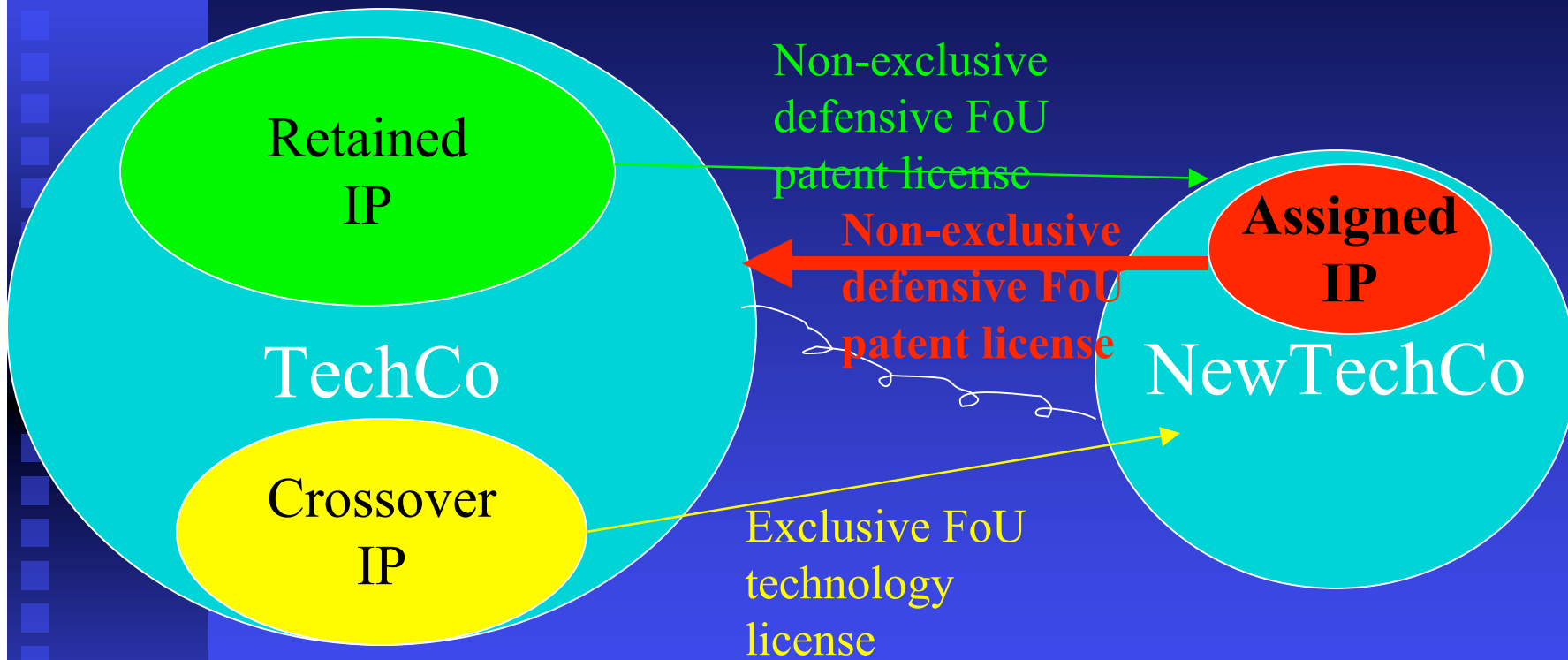
# Example - Product line, Core Technology or Business Unit Spin-Off

- Crossover IP
  - ◆ Definition
    - ◆ Useful to both TechCo and NewTechCo businesses
  - ◆ Ownership
    - ◆ TechCo usually
  - ◆ Licenses
    - ◆ Exclusive FoU to NewTechCo
    - ◆ Includes technology
  - ◆ Enforcement
    - ◆ Owner first, then licensee
    - ◆ Maybe FoU specific
  - ◆ alternative: assign to NewTechCo, with grantbacks to TechCo



# Example - Product line, Core Technology or Business Unit Spin-Off

- Assigned IP
  - ◆ Definition
    - ◆ Primarily/exclusively applicable to NewTechCo business
  - ◆ Ownership
    - ◆ NewTechCo
  - ◆ Licenses
    - ◆ Maybe non-ex FoU license to TechCo
    - ◆ no technology
  - ◆ Enforcement
    - ◆ NewTechCo



## Example - Product line, Core Technology or Business Unit Spin-Off

- Non-compete
  - ◆ Protect NewTechCo
  - ◆ Investors in NewTechCo require NewTechCo FoU non-compete on TechCo