



LICENSING EXECUTIVES SOCIETY
BRITAIN AND IRELAND

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The Newsletter of the Licensing Executives Society Britain and Ireland

Issue 135 January 2011

New EU Laws – R&D and Specialisation Block Exemptions and Horizontal Agreements Guidelines

The New Year brings with it the new EU block exemptions which are now in force which apply to joint research and development agreements and, in the case of the second new exemption, to specialisation agreements. In addition, in December the new EU horizontal agreements guidelines were finalised. Although perhaps the Cinderella of the EU competition law block exemptions, as they are not used as much as those relating to technology transfer (patent, knowhow and software copyright licensing reg 772/2004) nor the vertical agreements block exemption (distribution and franchising agreements reg 330/2010) both with their accompanying Guidelines, the R&D block exemption is relevant for those who are involved with the drafting of joint research agreements. The Commission says:

“The 'Horizontal Guidelines' provide a framework for the analysis of the most common forms of horizontal co-operation such as agreements in the areas of R&D, production, purchasing, commercialisation, standardisation, standard terms, and information exchange. The two Regulations exempt from the competition rules certain R&D, specialisation and production agreements that are unlikely to raise competition concerns. Two key features of the reform are a new chapter on information exchange in the Horizontal Guidelines and a substantial revision of the chapter on standardisation agreements.”

This indeed is the area of change. A very common question to competition lawyers is what information can companies exchange, what discussions are permitted and what anonymised data may trade associations exchange. Until now only the UK OFT's Guidelines for Trade Associations and case law had provided assistance; but now the revised horizontal guidelines contain a section on information exchange for the first time. In addition the guidelines amend the section on standards setting. The commission says that *“The Guidelines promote a standard-setting system that is open and transparent and thereby increases the transparency of licensing costs for intellectual property rights (IPRs) used in standards. The revised standardisation chapter sets out the criteria under which the Commission will not take issue with a standard-setting agreement ('safe harbour')”*. That section gives detailed guidance on standardisation agreements that do not fulfil the safe harbour criteria, to allow companies to assess whether they are in line with EU competition law.

Standard-setting organisations may wish to provide for their members unilaterally to disclose, prior to setting a standard, the maximum rate that they would charge for their IPRs if those were to be included in a standard. The Commission says *“Such a system could enable a standard-setting organisation and the industry to take an informed choice on quality and price when selecting which*

technology should be included in a standard. The revised rules clarify that such a system would normally not infringe EU competition rules”.

On R&D the Commission has extended the scope of the R&D Block Exemption Regulation, which now not only covers R&D activities carried out jointly but also so-called 'paid-for research' agreements where one party finances the R&D activities carried out by the other party. In addition, the new Regulation gives parties more scope jointly to exploit the R&D results. Examples of horizontal agreements recently investigated by the Commission include Oneworld, Ship Classification and IPCom . The issue of 'patent ambush' was investigated by the Commission in the Rambus case.

Further Information

The new legislation is on line at <http://ec.europa.eu/competition/antitrust/legislation/legislation.html> and will be published in the Official Journal in the next month or two at which point the two new block exemption regulations will be given a regulation number, not yet known at the date of writing.

Susan Singleton

Singletons Solicitors, www.singlelaw.com, Member LES EU Laws Committee

Follow Susan Singleton's legal tweets on twitter.com (singlelaw).

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Knowing Your True Value

Valuation is a controversial topic when it comes to intellectual property – the so-called ‘intangible assets’ of a company. Is it really possible to value something that you can't really see? We believe that it is. Whilst many companies profess to value these intellectual assets, very often that valuation is based on a historical perspective. However, it is important to look at quality, future market conditions, as well as financial factors when it comes to valuing an organisation's assets, and that anyone planning to invest in a company, as well as the owners and managers of an organisation who may be looking for additional funding, or a company sale, needs to be as clear as possible about the important role that intangible assets play. In addition, identifying valuable assets can help when building the future direction of the company thus determining which assets should be the focus for commercialisation. Other reasons for needing to know the value of a company include preparing for licensing negotiations where an inventor wants to know the value of their IP; buying and selling IP portfolios; for insolvency practitioners, where the value of the IP remaining in the company needs to be known; and for probate – when the deceased is the author of a book for example, and a valuation of his or her estate, including the value of any IP, needs to be made.

We believe that firms engaged in IP valuation should offer not only commercial evaluation of intellectual property and inventions but also provide firm professional opinion as to their legal and commercial robustness. Opinions should be clearly stated; and clients should not be left to interpret legal jargon.

All very well, but how is an accurate valuation actually made? These assessments require an analysis of all intangibles, particularly patents in the context of the global competition and range from summary assessments to more in depth studies . Getting to the right valuation often depends

on the way the problem is understood and analysed, which may not always be clear cut - and it also depends on the effectiveness of choosing a method appropriate to the situation at hand. In nearly every case, consultants will use a combination of tried and tested methodologies or tools coupled with the skills they have built up over time from working on similar problems both to get to the core of the issue and to interpret and enhance market research findings. It certainly helps to have patent attorneys who understand the specific field of operation of the company whose IP is to be valued in order to assess strength and robustness.

Organisations that can provide real IP valuations usually use a proven set of analytical tools and methodologies. Of primary importance is the need to discuss with each client the purpose for the valuation and to develop sufficient knowledge of their need and carry out market research to support the analysis.

Much of the market research that is required to underpin valuations is based on published information, in particular patents, which provide a good source of technical & commercial intelligence. Analysis of the potentially thousands of publications necessitates the use of software based tools.

One of these tools permits the visualisation of search results. The landscape maps produced by the software provide an understanding of the underlying themes in an IP landscape. Further analysis can be based on amongst others key words, named companies or individuals, or particular areas of a map, and these help companies to understand the value of the IP in question compared to the global competition.

Specific conclusions can be reached about the value and robustness of an organisation's IP, which can be clearly and concisely reported, highlighting important implications about the impact these have on the business going forward.

Jackie Maguire
CEO, Collier IP

Collier IP is a specialist in commercial IP management and valuation

Collier IP's website is at <http://www.collierip.com>

Pictures are available on request.

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Ignore quality standard licensing obligations at your peril...

The Scottish Court of Session has recently demonstrated again its pro-IP stance by awarding £4.25m damages in a hard-fought dispute relating to brand value diminution (*Tullis Russell Papermakers Limited v Inveresk Limited* [2010] CSOH 148).

Background

The parties to the dispute were Tullis Russell (the Pursuer/Claimant) and Inveresk (the Defender). Both companies manufactured high quality board for use in applications such as product packaging and phone cards. Tullis purchased Inveresk's GEMINI brand in June 2005. The purchase was structured so that for a period of 5 months after the acquisition (known as the "services period"), Inveresk would continue to manufacture and distribute GEMINI products under licence from Tullis.

Licence terms

Inveresk had various contractual obligations during the services period aimed at preserving the goodwill in the GEMINI brand, including:

To use all reasonable endeavours to maintain existing levels of customer service and promote a successful integration of the GEMINI brand into Tullis; and

Not to sell any GEMINI products which failed to comply with quality standards, and to comply with all relative and statutory and regulatory requirements.

Inveresk's breaches

During the services period, the GEMINI products manufactured by Inveresk contained 3½ times the historic average number of defects, and Inveresk had adopted an antagonistic attitude in response to customer complaints.

Tullis sued, seeking compensation for Inveresk's actions, which they argued had diminished the value of the brand.

The court held that Inveresk was in breach of its contractual obligations to Tullis. The value of the GEMINI brand and its goodwill lay in the likelihood that customers who had purchased or considered purchasing GEMINI products would do so in the future. By failing to manufacture products of a satisfactory quality and then dealing with the resultant complaints poorly, Inveresk damaged the brand.

Calculating the loss to Tullis

Tullis argued that Inveresk had caused in a dramatic fall in GEMINI orders during/after the services period and led detailed evidence on this, including from former customers. The damage to the brand's value was assessed based on the degree to which revenue generation was impaired by Inveresk's actions.

The loss was quantified by selecting appropriate portfolios of GEMINI customers and establishing the drop in sales to each portfolio, using a selection of accounting methodologies. The judge rejected the defender's alternative approach, which would have involved customer-by-customer analysis of the resulting losses.

Commentary

This judgment is a salutary warning for licensees that a failure to adhere to terms relating to product quality and customer service can result in a large financial penalty. It also provides useful detail on the method used to value the brand.

© **Susan Snedden**

Associate, IP & Technology, Maclay Murray & Spens LLP

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What next for the Digital Economy Act 2010?

The Digital Economy Act 2010 (the 'Act') has found a home on the front pages and homepages of most UK media outlets in the last year. A recent decision of the High Court to agree to an application made by BT and TalkTalk for judicial review of certain provisions of the Act has kept it there.

Media and public scrutiny of the Act has, in the main, focused most keenly on the provisions concerning online copyright infringement. BT and TalkTalk's application sustained that focus; relating as it did to various obligations imposed on ISPs aimed at stifling online copyright infringement.

Specifically, BT and TalkTalk's application centered on the provisions requiring ISPs to notify their customers if their IP address is reported by copyright owners as being used to infringe copyright. If a customer receives three notifications then they are included on a copyright infringement list which ISPs are required to provide, on an anonymous basis, to copyright owners. Using this information, a copyright owner can apply to court to obtain the names and addresses of the customers on the list and raise a court action directly against them.

BT and TalkTalk contended that these provisions were incompatible with European legislation and were disproportionate in their effect. They expressed concerns in relation to their customers' privacy. The High Court held that BT and TalkTalk's position was arguable and the judicial review to consider these points is expected to take place between February and April 2011. The outcome of the review could see the Act amended or even scrapped.

The responses from those in the opposing trench have varied. The Culture, Media and Sport Select Committee extended its deadline for submissions into its inquiry into the protection of intellectual property rights online. Ofcom – the body tasked with preparing the code of practice setting out how the Act will operate in practice - quietly continued with its work. Meanwhile, copyright owners have been more openly defiant in the face of the High Court's decision with Chris Marcich, managing director of the Motion Picture Association Europe, rallying against BT and TalkTalk saying that they appeared to be trying to 'avoid or delay playing their rightful part in tackling online privacy'.

So, what next for the Act? The UK Government will fight on two fronts; against the challenge of the judicial review on one and a perception that the Act is an Orwellian nightmare on the other. The fate of the Act should be watched closely; both for the specific impact it will have if it remains legislation and also as part of the wider story of the UK's approach to the protection of intellectual property in future.

Stephen Taylor & Seona Burnett

Technology and Commercial Team, McGrigors LLP

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LES B&I Meeting News...

Chatham House - Licensing Executives Society Seminar

“Beyond Copenhagen: The Role of Intellectual Property Rights (IPRs) in Technology Transfer of Climate Related Technologies”

25th October 2010, Chatham House, London

On 25 October 2010, the LES held a joint seminar with the Royal Institute of International Affairs (Chatham House) titled ‘Beyond Copenhagen: the Role of Intellectual Property Rights (IPRs) in Technology Transfer of Climate Related Technologies’. Discussion topics looked at the key issues and obstacles for technology transfer of climate related technologies, with a focus on how intellectual property practices might facilitate and support this process.

The potential of intellectual property rights and practices to act as a framework for facilitating technology transfer has featured in various policy debates, both within and outside of the Climate Change arena. In particular, under the United Nations Framework Convention for Climate Change (UNFCCC) framework, the importance of technology transfer of climate-related technologies from developed to developing economies has been major point of discussion. Intellectual property rights are a significant factor that can facilitate and accelerate technology transfer and development. Industries such as telecoms, and more recently healthcare focused on neglected diseases, have found that IP-based mechanisms accelerate technology diffusion and access. A logical starting point for addressing this climate change technology transfer issue would be to conduct further studies of the relationship between licensing and technology transfer to identify best practices.

Several speakers agreed that that input from the IP practitioner community is crucial to achieving a strengthened understanding of the technology transfer process not only at the policy level, but on a functional, practical level. Another participant emphasized that policy makers and the business community together need to agree upon objectives for the sector, with intellectual property practices being designed and implemented to help attain these goals. Once long-term objectives and investment targets have been identified, efforts should focus on achieving effective technology and knowledge transfer, the success of which is dependent upon adequate technology training, management, financing and marketing.

Speakers came from a range of organisations, including Chatham House’s Energy and Environment Programme, the UNFCCC, the Energy Technology Institute, and a Cleantech Private Equity group. On the LES side, the event was led and organised by Ilian Iliev (CEO, CambridgeIP and Head of Renewables Committee, LES) and Mark Wilson, Chairman of LES.

Ilian Iliev

CEO, CambridgeIP and Chair, LES Renewables Committee

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A joint seminar presented by ITMA and LES
How to build a branded business by licensing IP

16th November 2010, Royal Institute of British Architects, London

The Licensing Executives Society and the Institute of Trade Mark Agents held their first joint seminar on 16 November 2010 titled "An update on legal and practical issues in licensing IP rights". The event proved to be highly informative for members of both organisations, and resulted in a strong attendance.

The first presentation was titled "Drafting Licence Agreements: Legal Considerations and Good Practice" by Jeremy Dickerson of Burges Salmon LLP. Jeremy provided a very helpful overview of the key issues of licence agreements, together with a consideration of core case studies and suitable example clauses.

Jeremy discussed a few well-known and highly relevant decisions, which highlighted the importance of careful drafting. The cases discussed provided valuable guidance with respect to overlapping grants to licensees, changes in technology, the importance of future proofing agreements for potential changes in circumstances, the issue of quality control where a licensee sells to a discount store, as well as a licence granting use of trade marks but ignoring goodwill.

The second presentation was titled "Brand Licensing: Competition Law and Sub-Licensing Issues" by Simon Chalkley of Redd Solicitors LLP. Simon provided a very insightful analysis into sub-licensing arrangements, and raised many points which can often be overlooked. Firstly, Simon considered the role and responsibilities of the sub-licensee and what licensing issues could arise, and then provided an overview of necessary licensor approvals and conditions.

Simon then discussed what types of clauses would be necessary in a sub-licensing arrangement, so that the licensor had sufficient control over both the licensee and the sub-licensee. Following this, Simon provided a helpful summary of competition law concerns, and discussed where licence agreements could come within a block exemption.

The third presentation was titled "Licensing of Image Rights...Lessons from Entertainment Marketing" by Tim Collins of DC Thomson & Co. Tim provided an in-house perspective, and drew upon his experience from working in numerous entertainment companies. Tim emphasised the importance of generating royalties from sales of products using trade marks, which involved a process of creating the intellectual property, and then expanding it into other media. Once this had been achieved, then the exploitation phase would involve the development of consumer products. Tim provided personal experience with regard to the comic brand THE BEANO, and how this brand had been expanded into consumer products and the digital world.

The final presentation was titled "Red Moon Rising: Manchester United Brand Licensing 1994 to 2008" and was presented by Tom Howgate, former Head of Licensing, Manchester United FC. Tom worked for many years at Manchester United and then afterwards at Nike in the area of football merchandising and licensing. He provided a highly insightful summary of Manchester United's brand development from its early stages through to collaboration with Nike and the subsequent globalisation of the Manchester United brand.

Tom then provided a humorous but highly informative "licensing line-up", which summarised how an effective licensing programme should be organised using a football team as an analogy. In goal

would be brand protection, with style guide. legal contract, financial controls and manufacturer compliance in the defence. In the midfield would be accounts management, licensee selection, systems and process and commercial ability, while in attack would be strategic planning and team performance. With this team in place, the result would be brand exposure and revenue growth.

The seminar was very well attended and feedback has been enormously positive. We look forward to further collaborations focusing on the world of brand licensing.

Colin Sawdy

Edwards Angell Palmer & Dodge UK LLP

Future Meetings...

3rd February 2011

North West Group Meeting

"Do banks really value IP?"

Manchester 235, Manchester

17th February 2011

London Evening Meeting

'Management of Licenses'

Linklaters LLP, London

9th February 2011

LES (Scotland) Burns Supper

"Wee Tweet'rous Beasties" (with apologies to Burns!)

Burns, Brands and Social Media'

The Grand Central Hotel, Glasgow

16th March 2011

London Evening Meeting

'European Subsidy Opportunities for Research and Development and R&D Tax Credits'

Bristows, London

April 2011

Half Day Meeting

'Technology talk in conjunction with the IET and Institute of Physics'

Speechly Bircham LLP, London

4th May 2011

London Evening Meeting

Design Talk

Charles Russell LLP, London

9th May 2011

LES (Scotland) Meeting

TBC



3rd – 8th June 2011

LES International Conference

'Licensing in the 21st Century – better, faster, smarter'

Park Plaza Westminster Bridge Hotel, London

Please visit www.les-bi.org for further information and registration details

Members...

Dr Ceri Mathews

LES B&I member Dr Ceri Mathews recently left Ploughshare Innovations Ltd, the technology commercialisation company owned by the Ministry of Defence's research agency, Dstl. Ceri joined Ploughshare at the time of its formation in 2005, having been Dstl's Acting Head of Technology Transfer and Investments previously. His focus has been on evaluating, marketing and out-licensing patented technologies to biopharma and industrial clients principally but he has also been nominated to non-exec director roles for a number of companies spun out of Dstl/Ploughshare. Ceri currently seeks a new role in the field of new technology business development and licensing and would welcome contact and suggestions from the LES community.

Vacant Positions

Intellectual Property Strategy Manager

A fast growing European electronics company, a global leader in its field, wishes to appoint an IP Strategy Manager. Reporting to the Senior Engineering Director, Advanced Engineering, the job is to develop and drive the strategies that protect the company's IP as it grows its product range.

The job holder will be a graduate electronics engineer or have a legal background, but must offer at least three years' experience of executing a strategy to identify, protect, grow and maintain an IP portfolio including licensing-in or acquiring external IP. A track record as a goal-orientated manager able to command the respect of the company's engineering teams, and work with patent and legal advisors is essential.

The company offers a competitive package including bonus and a range of generous benefits including relocation assistance if required. Preferred location SW England.

For further information on this excellent career opportunity contact Peter Kirby International at pkintsearch@gmail.com or call 44(0)7767 240505.

Members on the Move...

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New Members...

LES B&I are delighted to welcome the following new members:

Ms Gill Grassie, Maclay Murray and Spens
LLP

Mr John Pryor, ICAP OT

Ms Maureen Kelly, Keystone Law
Maureen is interested in Healthcare,
Biotechnology, and Computer Software

Mr Michael Bilewycz, Decisis Limited
Michael is interested in Consumer Goods,
Computer Software, and The Internet

Ms Helen Johnson, Law Library

Mr Colin Fowler, Rouse

Ms Sinead McCluskey, DIT
Email: matin@koreanpartners.com



LICENSING EXECUTIVES SOCIETY
BRITAIN AND IRELAND

"Advancing the Business of Intellectual Property Globally"

Moving Company/ Changing Address?

Please remember to tell our administrator, Jennifer Kirkcaldy, if you change your office address so that we can continue to send you LES information.

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Please also remember to change your contact details in the membership directory on the LESI website (www.lesi.org). As a service to our members the editor will print any change of company and location in newsXchange™. Please contact Jennifer Kirkcaldy, les@northernnetworking.co.uk

Membership

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The membership application form may also be found on the LES B&I website: www.les-bi.org