

IP Allocation Strategies in Joint Ventures, Spinoffs & Spinouts

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IP Allocation Mechanisms

- √ The magic of IP:
 - υ You can keep it and give it away at the same time!!

- √ IP Allocation Tools
 - υ Assignment
 - υ Licenses
 - υ Covenants not to sue
 - υ Non-competes

IP Allocation Mechanisms

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

IP Allocation Mechanisms

√ License

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

IP Allocation Mechanisms

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

IP Allocation Mechanisms

v Non-competes

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

Example - Technology Development JV

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

Example - Technology Development JV

- v Rights in Foreground IP
 - v Default rule for joint development
 - => **Joint Ownership!!**
 - v Beware J.O. under U.S. law
 - v Exploitation: each J.O. may
 - τ 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)

- υ Enforcement of J.O. IP under U.S. law
 - τ Both J.O.s must join
 - τ May result in inability to enforce!!

- υ Exploitation and enforcement of J.O. in U.S., U.K, and Japan all different!

Example - Technology Development JV

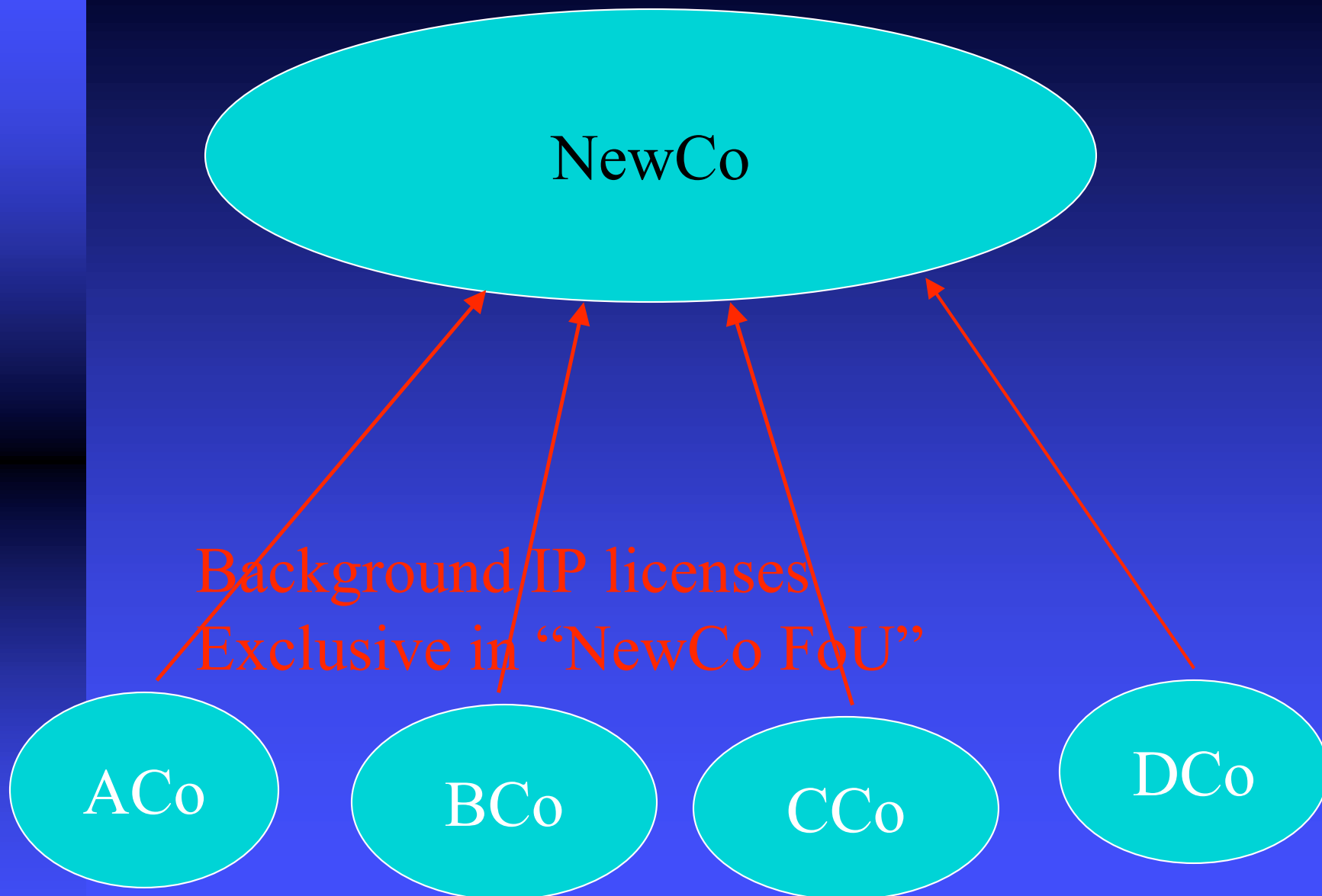
- v Treatment of Background IP
 - u Ownership
 - τ Venturer/Creator
 - u Licenses
 - τ Each Venturer licenses BG IP to NewCo only
 - τ Exclusive within “NewCo FoU”
 - = JV investment + \$ maybe

Example - Technology Development JV

Background IP (cont'd)

- u Enforcement

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



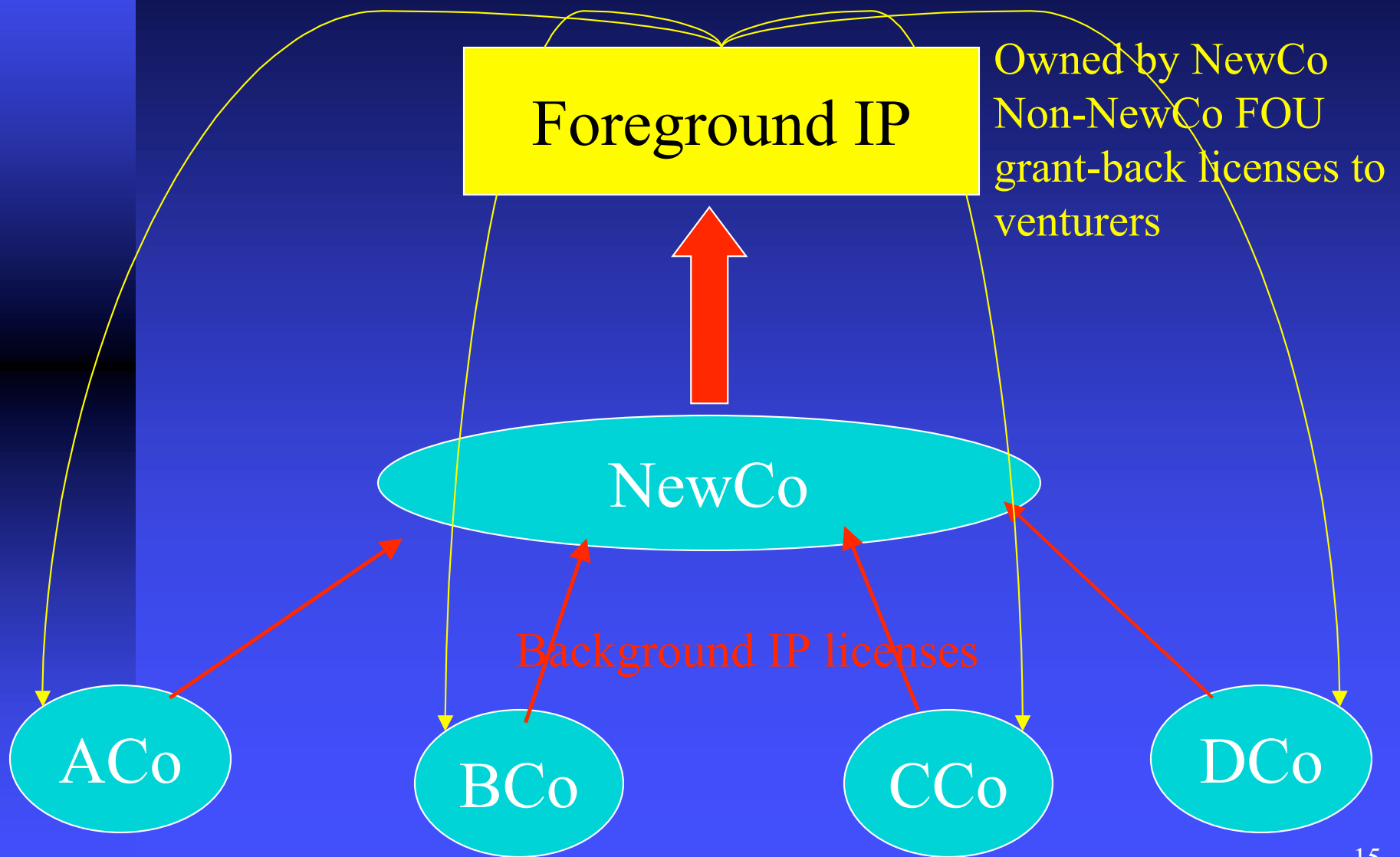
Example - Technology Development JV

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

Example - Technology Development JV

Foreground IP (cont'd)

- υ Enforcement
 - τ Always NewCo's right
- υ Patent prosecution
 - τ NewCo



Example - Technology Development JV

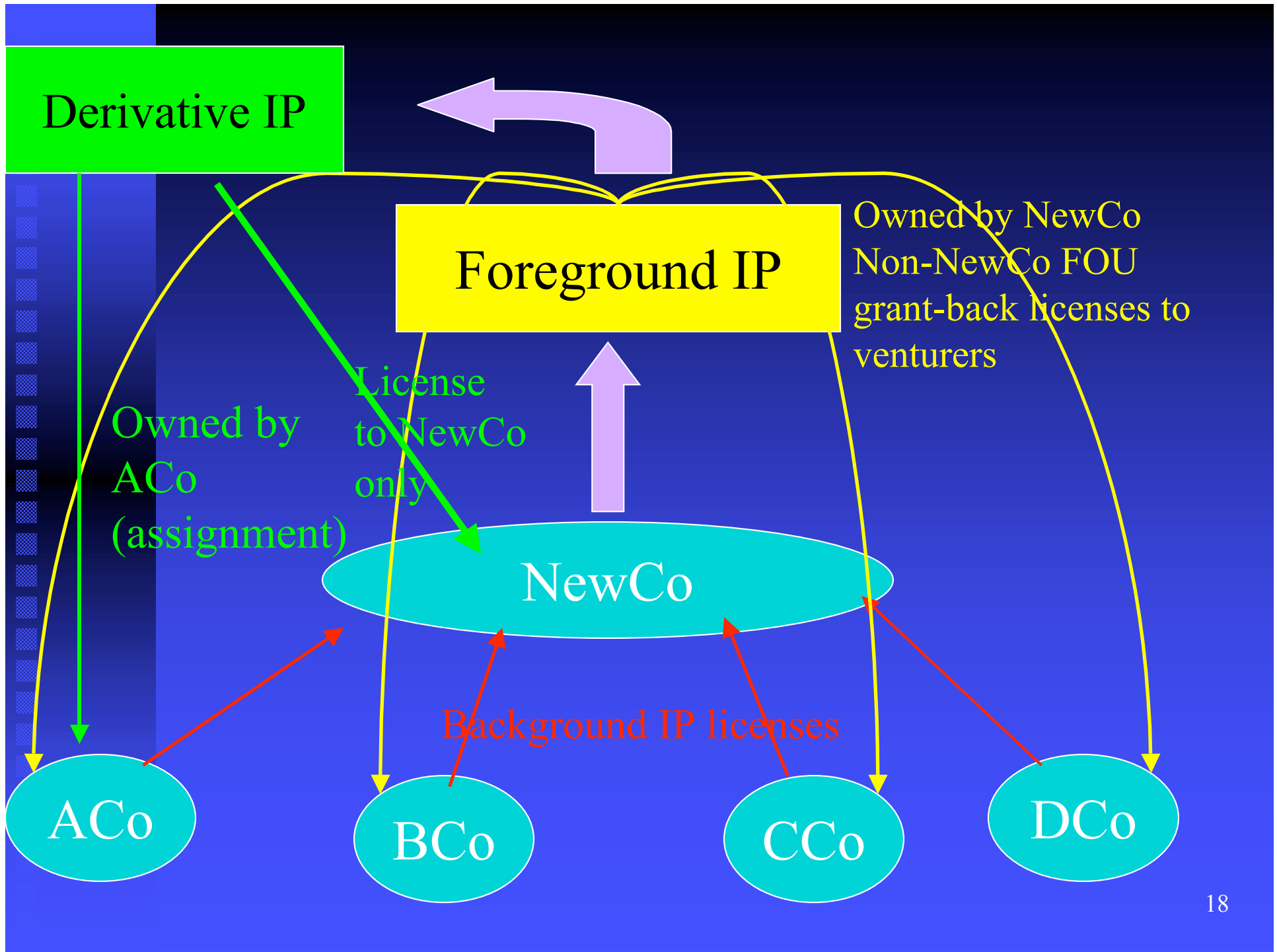
√ Derivative IP

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

Example - Technology Development JV

Derivative IP (cont'd)

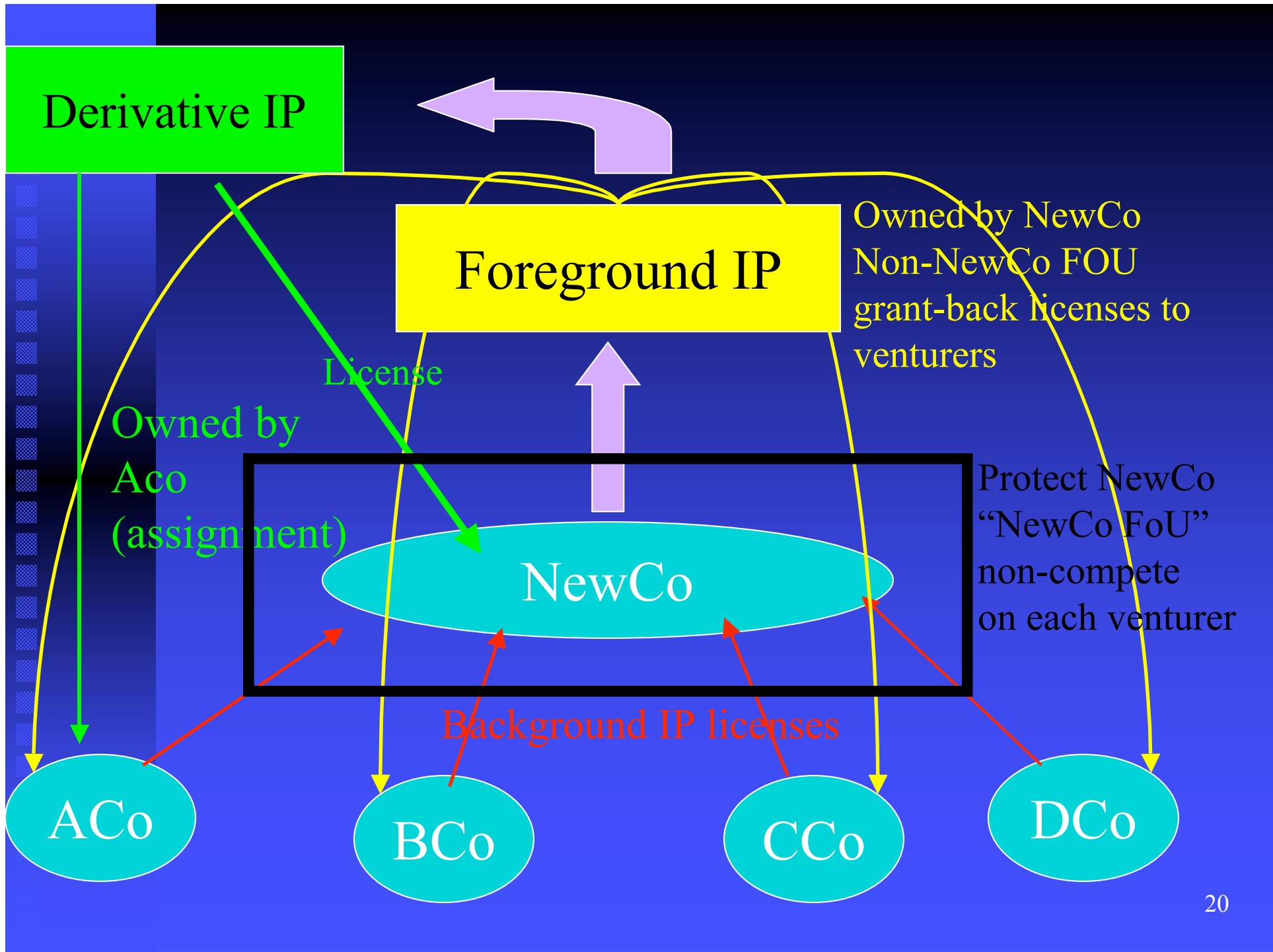
- u Enforcement
 - τ First Venturer, if not NewCo
- u Patent prosecution
 - τ First Venturer, if not NewCo
- u Protects core technology of each Venturer from other Venturers
- u Encourages openness with Newco re “core” technologies (crown jewels)



Example - Technology Development JV

✓ Non-Competes

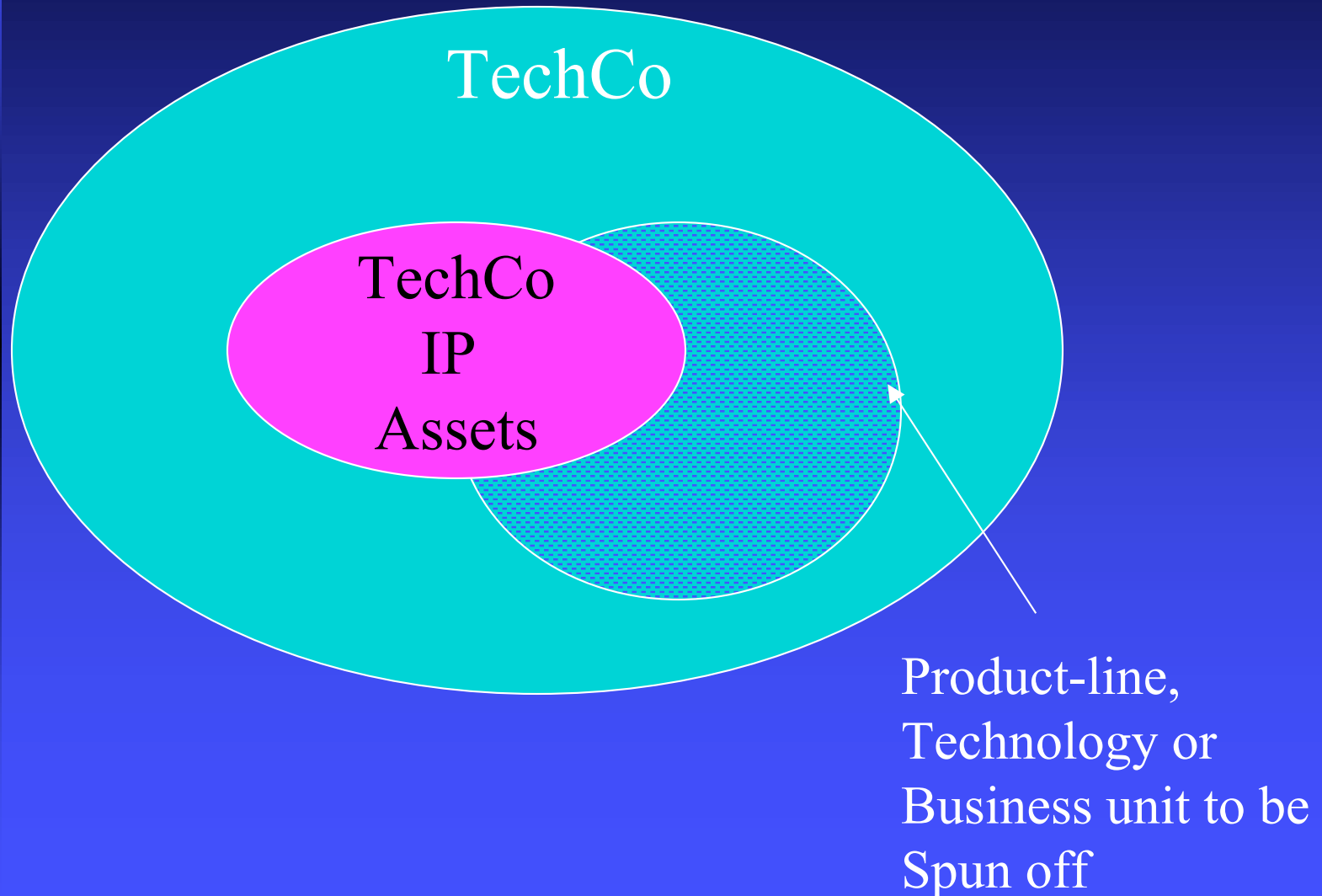
- ✓ Venturers subject to “NewCo FoU” non-compete
- ✓ In addition to Exclusive NewCo FoU license
 - Prevents development of non-infringing but competing technology (i.e. design around technology)

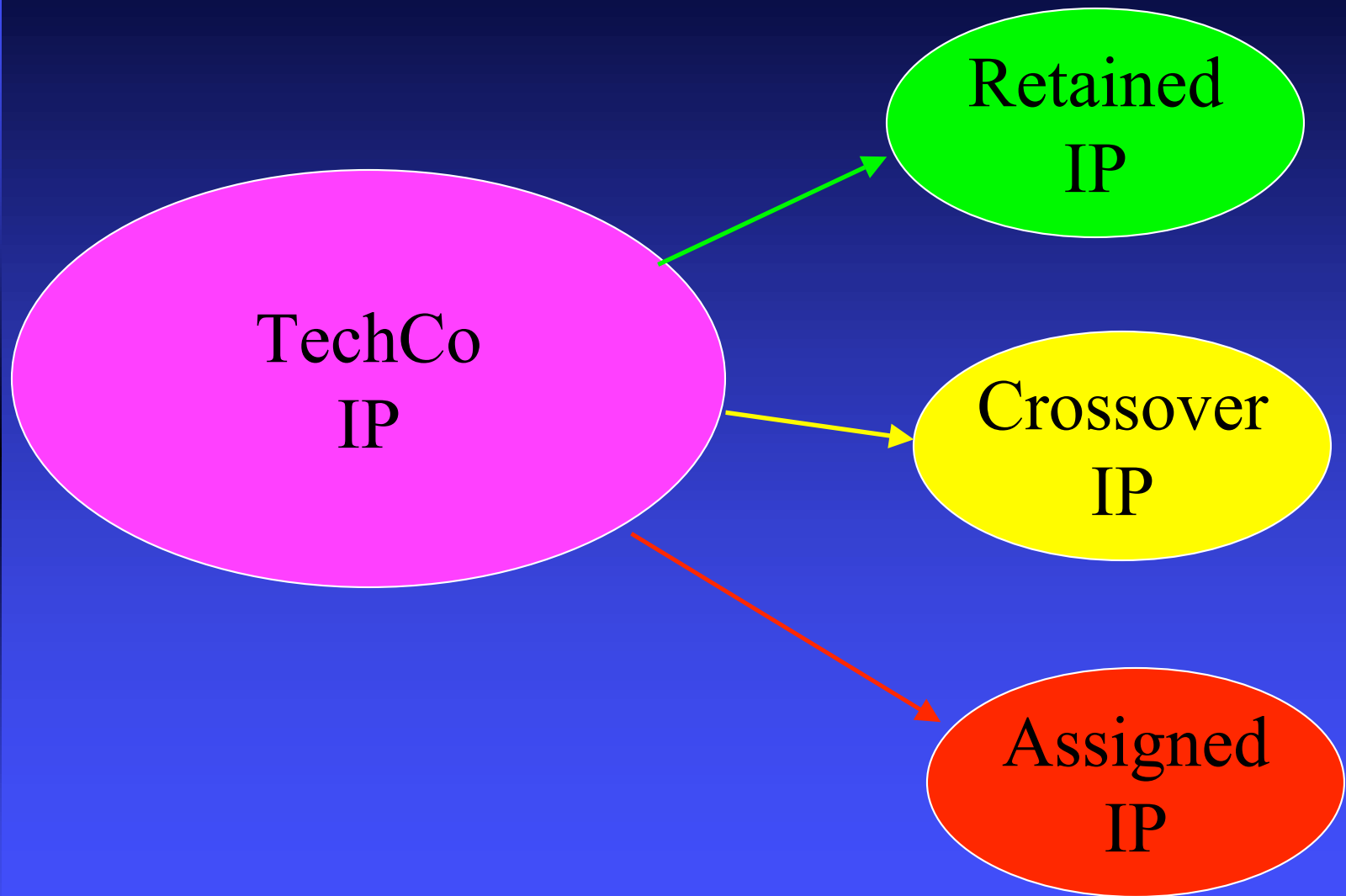


Example - Technology Development JV

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

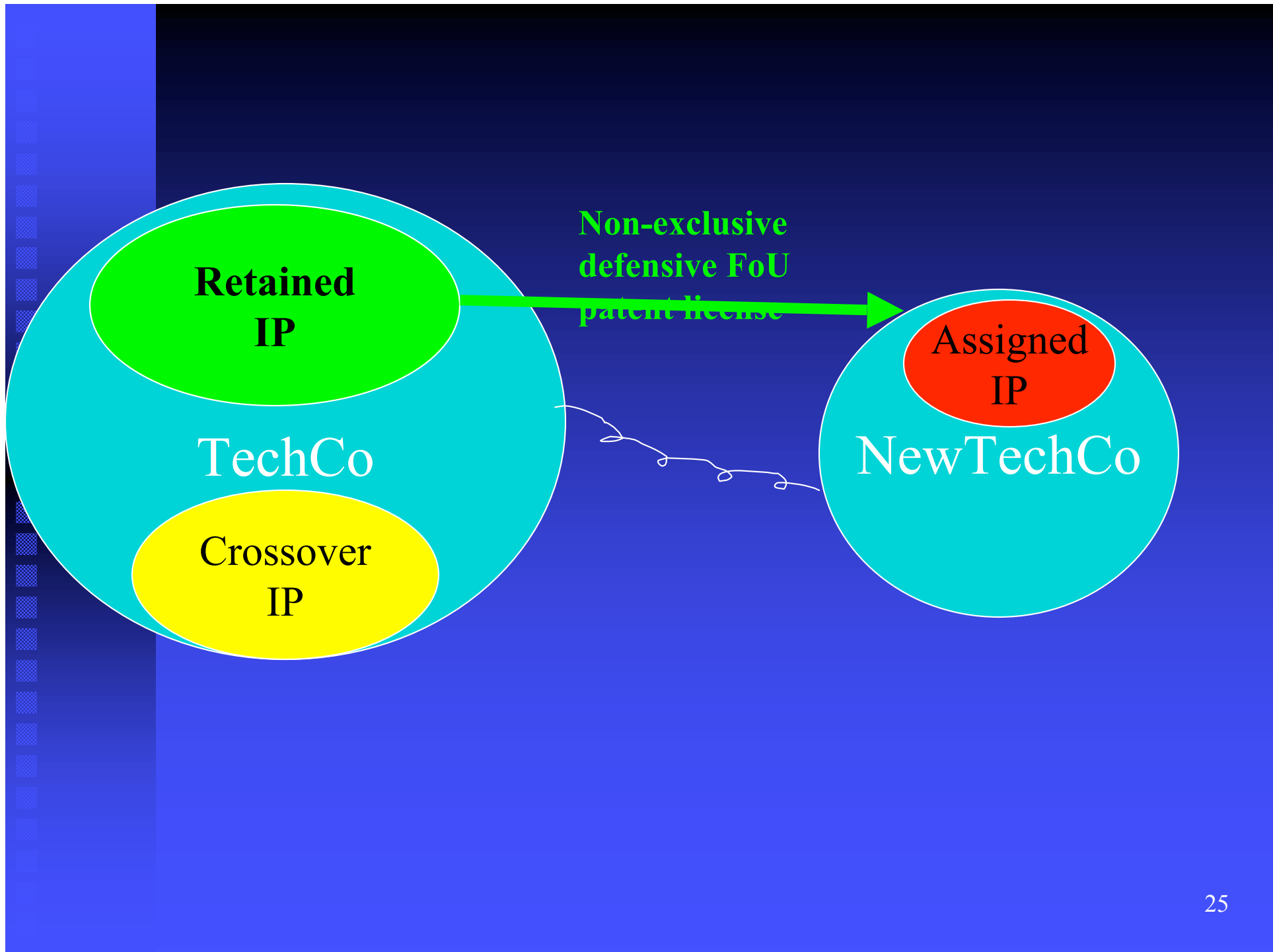
Example Product line, Core Technology or Business Unit Spin-Off





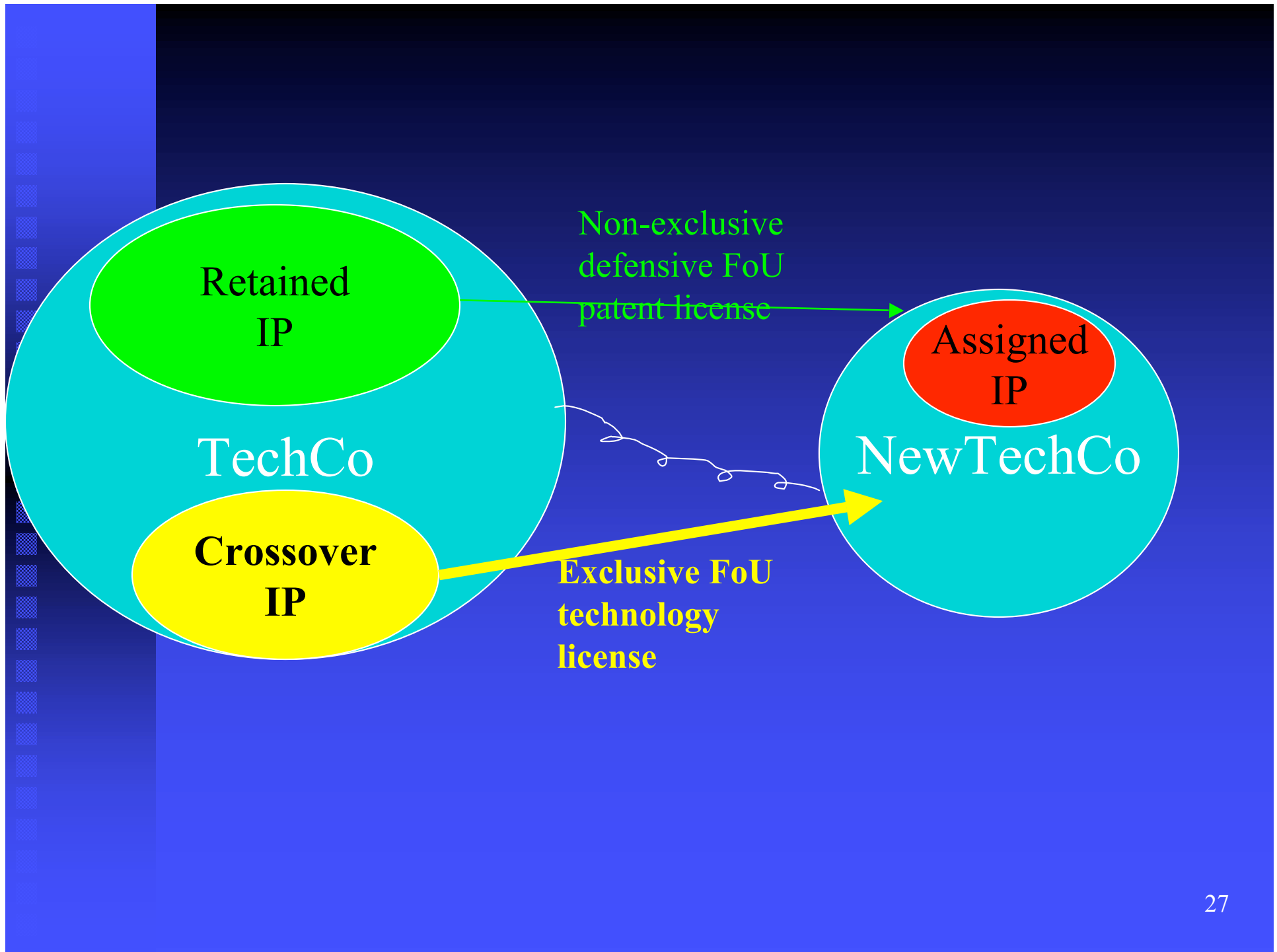
Example - Product line, Core Technology or Business Unit Spin-Off

- √ Retained IP
 - ∪ Definition
 - τ Primarily/exclusive to TechCo businesses
 - ∪ Ownership
 - τ TechCo
 - ∪ Licenses
 - τ non-excl. FoU license to NewTechCo
 - τ Usually defensive only



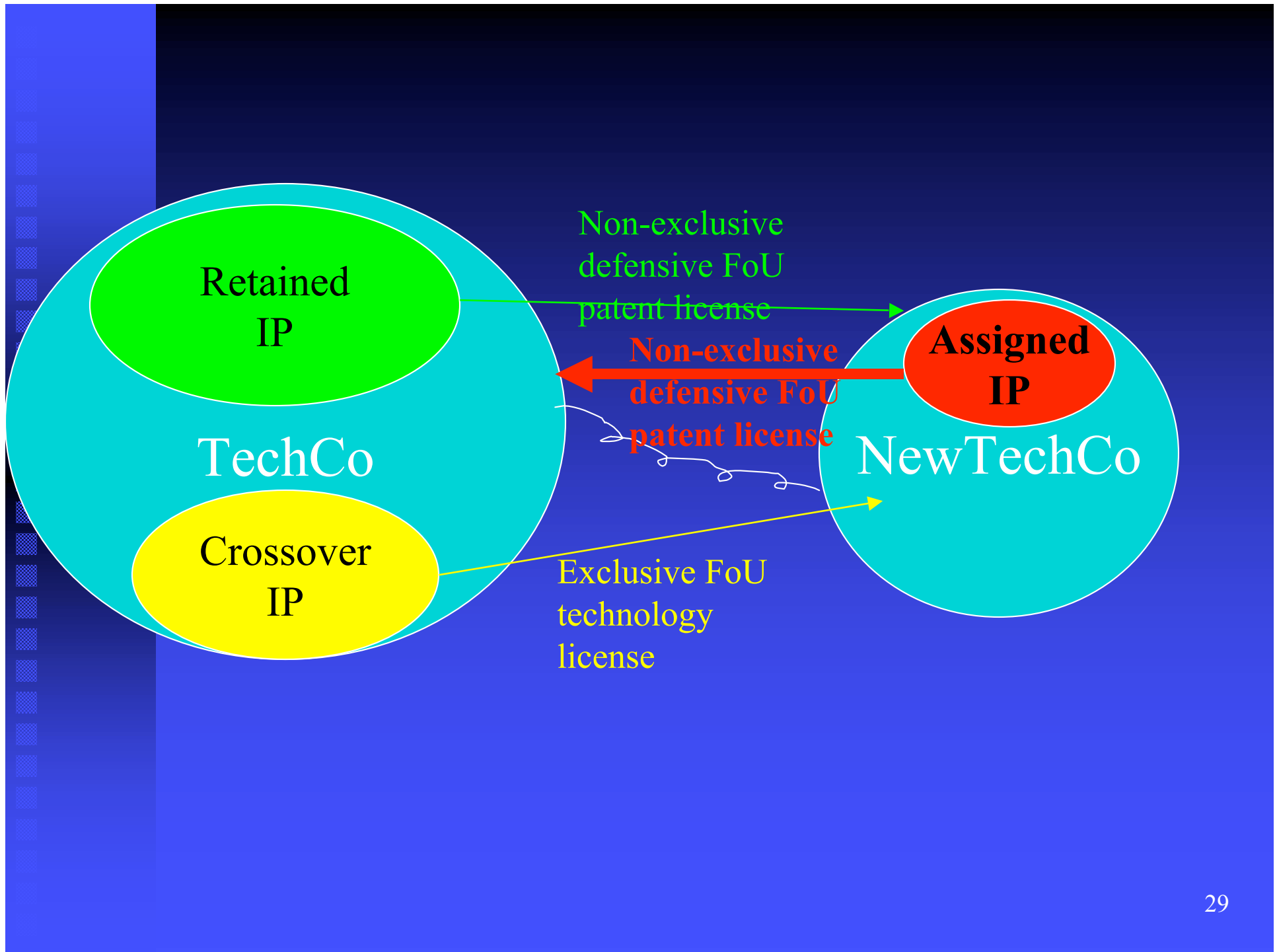
Example - Product line, Core Technology or Business Unit Spin-Off

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



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

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



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

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