

IP Assets: a Business Lawyer's Perspective

What They Did Not Teach You in Law School

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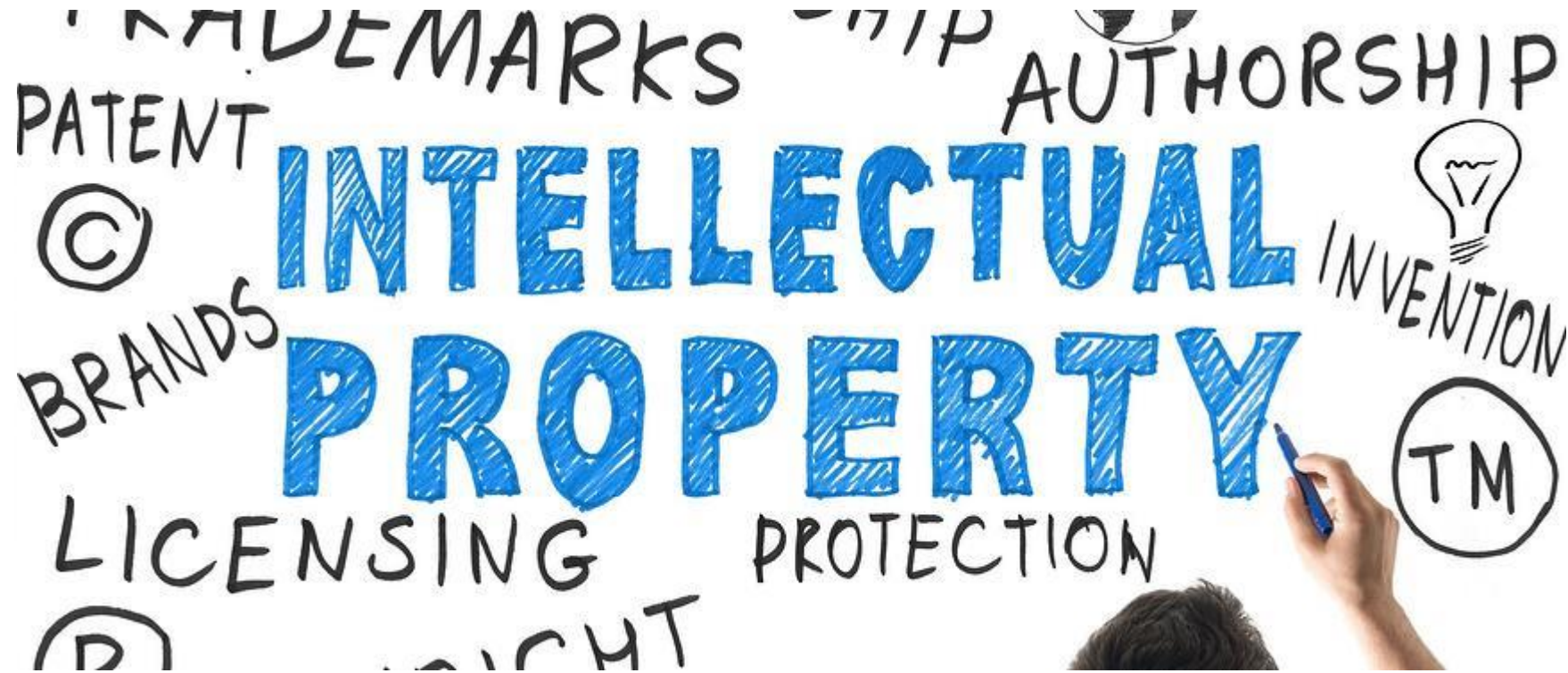


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WHAT IS . . .





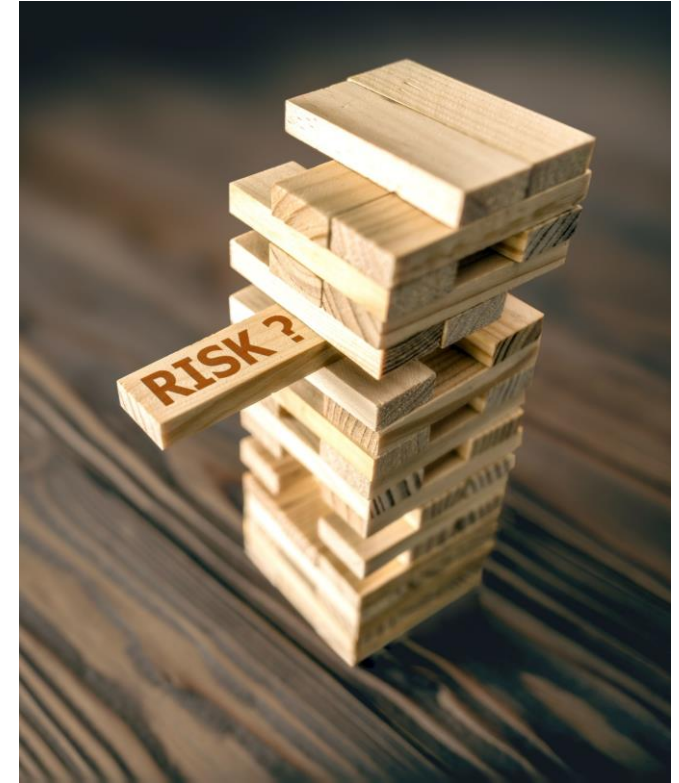
Intellectual Property (Basics)

- Intangible (born of and exists only in the mind)
- Characterized in the law as Personal Property
- Value is based almost entirely upon perceptions of current and future value
- Rights of owners and users are exclusively based upon man made law and agreements (such as statutes, contracts, treaties, etc.)
- Product of Innovation and imagination
- Content Creator is now the key actor



Risk

- Any factor, event, or occurrence that has the **potential** to interfere with the **desired outcome**.
 - Typically expressed in terms of probability (i.e., 80% probable that the outcome will be achieved).
- Declare and **value** desired outcome.
- Probability is typically based on **information** and **past experience**.



Understand Positions of the Parties



Deal Motivations

- + Risk Profiles of the Parties
- + Industry Norms
- + Potential Silent Partners

= **LEVERAGE**



Business Lawyer as Field General

- Take charge.
- Solid game strategy.
- Assessment of strengths and weaknesses.
 - Your client and its permanent interests.
 - Adversaries.
- Environmental factors (time, venue and jurisdiction).
 - Identify avenues of exit or retreat.



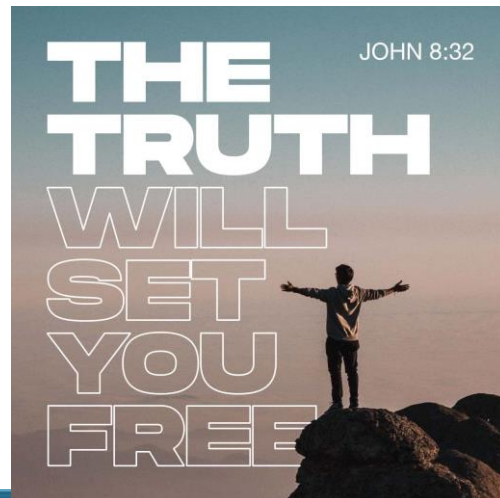
**Parabellum –
Be Prepared**



Absolute Clarity in Analysis of Your Client's IP Claims



- Lying to business partners or the government is unethical and, in many instances, unlawful.



Lying to yourself if just plain stupid.





Five Basic Principles

- Assist Client in identifying, quantifying, and assessing **risk**.
- Document the deal in a manner that identifies rights and obligations of each party and can be enforced under the rule of law.
- Charge reasonable fees and be promptly paid for services.
- Be a steward of the commercial law, statutes, and regulations.
- Maintain high ethics and integrity.





Being Clear on Your Client's Terms & Tolerances





Types of Intellectual Property

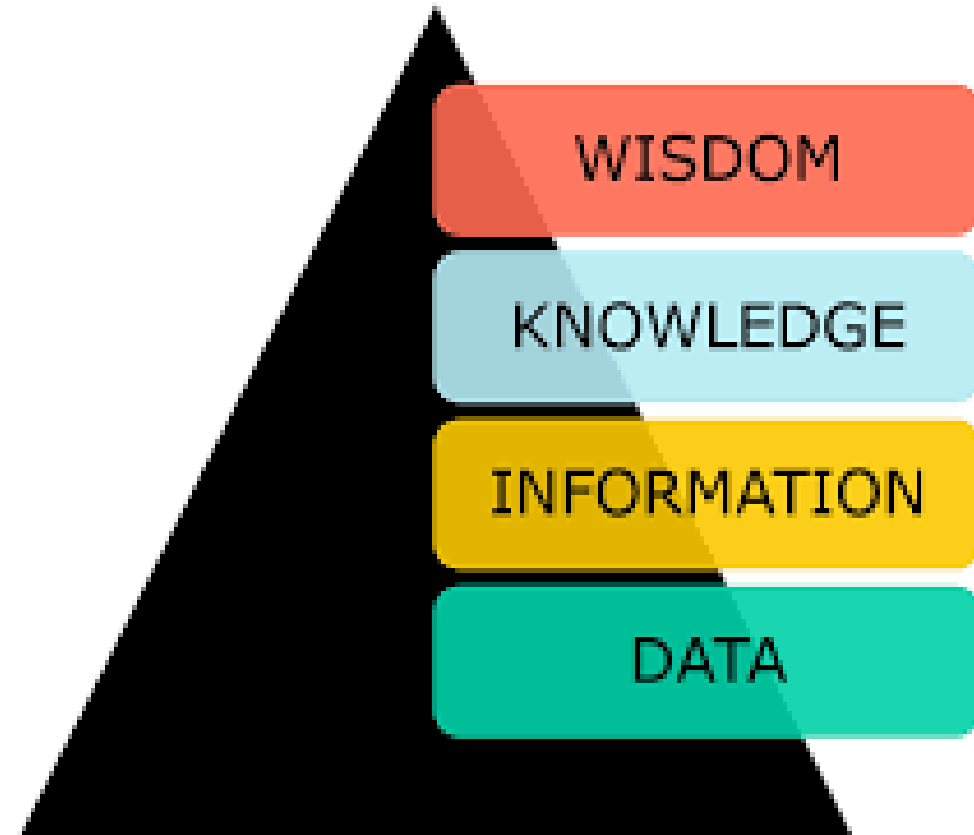
- **Trade Secrets**
- **Patents**
- **Trademarks**
- **Copyrights**
- **Data**
- **New, Reimagined and Emerging as IP Classes**
 - **Domain Names**
 - **Followers and Friends**
 - **Name, Likeness and Image**



“The future ain’t what it used to be”

Yogi Berra
New York Yankees, 1974

The Future: Information and Data to AI





Changing Face of IP in Financial Markets

- (IP) is now the most valuable asset class on the planet
- Today, 80 percent of a company's value is probably made up on intangibles.
 - **Alibaba**, the world's largest retailer, owns no stores
 - **Uber**, the world's largest "taxi business", owns no taxis, cars or other vehicles for hire.
 - **iTunes** only supplies digital recordings of music.
- Some types of intellectual property, such as patents, copyrights, industry knowledge, and trade secrets are considered capital assets and may be recorded on a company's balance sheet. Because such assets are often intangible, their market value is often difficult to determine.



Trade Secrets

Processes, methods, protocols, designs, formulas, mathematical expressions (including algorithms), compilations of information, etc. that are **not generally known or readily ascertainable by others** and which ***the owner takes reasonable precautions to protect from disclosure.***



Patents

The term is a derivative of the term *pater*, which means to lay open. A patent is a grant from a government authority that gives its owner the legal right to exclude others from making, using, or selling an invention for a limited period of years in exchange for the owner publishing an enabling public disclosure of the invention.

Trademarks



A word, phrase, symbol, and/or design that identifies and distinguishes **the source of the goods or services so as not confuse the end-user (primarily the average consumer)**.

Trademark rights don't expire but can be lost or challenge if owner abuses the right.

Copyrights



the exclusive legal right to print, publish, perform, film, or record literary, artistic, or musical material, and to authorize others to do the same. In the US the right is automatically created in the author upon the author's first publication of the work. Under US federal law the right lasts for the life of the author plus 99 years.



Data

A system, application output file, document, database, web page, etc. that represent data on various events, observations, information and transactions.

Currently considered to be "facts" under **U.S.** law. As such, Data are not copyrightable because they are discovered, not created as original works. But, the compilation of the data may be copyrighted or treated as trade secrets.



Business Lawyer as Field General

- Define Your Objective

- G1 – What personnel and skills needed to achieve objective
- G2 – Operational Assessment
- G3 – Intelligence
 - Strengths and Weaknesses Assessment of all parties
- G4 – Logistics (Resources to Support Operations)
- G5 - Media Optics

Packages

Option A – Retreat (Primary)

Option B- Retreat (Secondary)

Option C – Achievement of Objective





A Business Lawyer's Perspective

If My Client is the Buyer of IP

- All of the IP and all other assets required for the IP to be fully deployed.
- Full rights, title to and interest in that IP.
- IP is free of claims from third parties.
 - Inventors
 - Business Partners
 - Employees
 - Directors
 - Shareholders
 - Contractors
 - Divorced Spouses
- The price being paid is fair.

If My Client is the Owner of IP

- All of the IP and all other assets required for the IP to be fully deployed.
- Full rights, title to and interest in that IP.
- IP is free of claims from third parties.
 - Inventors
 - Business Partners
 - Employees
 - Directors
 - Shareholders
 - Contractors
 - Divorced Spouses
- The IP meets the requirements of lenders/investors

IP Valuation Considerations

1

Define the IP

- What is it?
- How does it work?
- How is it distinguished from similar IP?
- Does it infringe on existing IP?
- Does it operate alone or does it require something else to make it work?

IP Valuation Considerations

2

Purpose of the IP

- Is it for revenue generation via royalties or fees charged to third parties or for internal use ?
 - Ownership structure
 - Tax considerations
 - Governing Law
 - Enforcement Consideration

IP Valuation Considerations

3

- Valuation Methodologies
 - Income Method
 - Future Cash flows generated by the IP
 - Market Method
 - Based on observations of actual 3rd party transactions of comparable IP

IP Valuation Considerations

4

- Independent Appraisals
 - Balance Sheet
 - Tax
 - Transfer Pricing Regulations
 - Transactions with Third Parties
 - Goal is to Determine a pricing process and valuation that is fair to each party and is defensible if questioned by taxing authorities

Protection of IP

5

PROVENANCE IS THE BEST PROTECTION



- Don't the cheap route
- Start and Keep a Due Diligence File from the Start
- Be the historian for your client
- Document as much as possible
- Be the custodian for key ownership documentation
- Use checklist
- Keep solid financial records on costs associated with creating and protecting the IP

Professional Etiquette – Do's and Don'ts



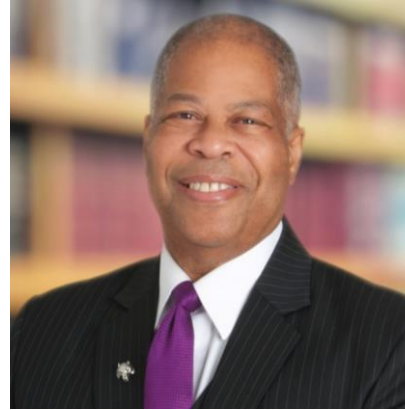
- Treat clients, counterparties and opposing counsel with respect.
- Promptly return phone calls, emails and faxes.
- Give your contact information and assistant's contact information.
- **Mark all changes you make in a transaction document.**
- Check email addresses before sending.
- Declare and explain your client's positions and needs. (Do not fake this as it will only breed distrust.)



- Lie, cheat or steal.
- Try to prove that you are the smartest person in the room.
- Put your ego ahead of the deal.
- Unnecessarily hide the ball in negotiations.
- Disparage counterparties or their counsel.
- Present document drafts that you would never have your client sign.



Asante Sana



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