

# **Challenges & frequent misconceptions** in licensing, securitization and other uses of IP portfolios by start-up companies

**(a European litigator's perspective)**

**Nora Kessler**



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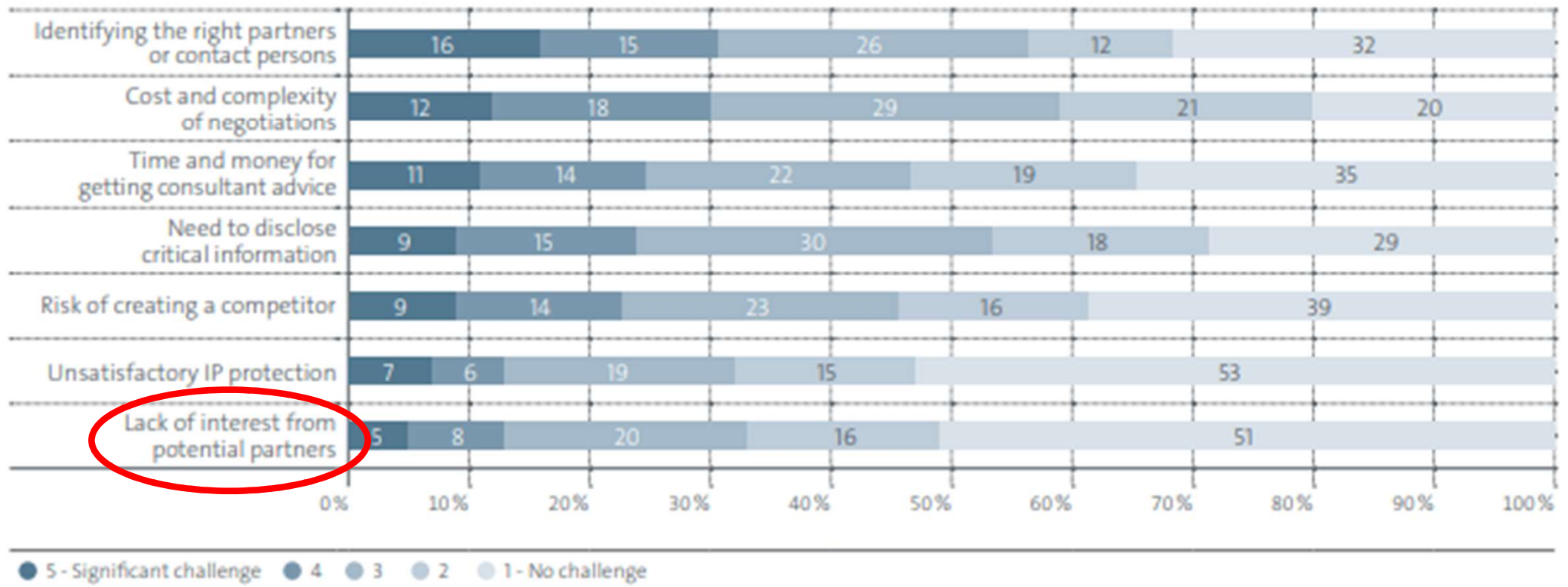
- IP litigator based in Frankfurt, Germany
- Ranked by Legal500, Chambers Global, IAM Patents 1000, IAM Patents 300 Global Strategy, WTR
- Lecturer at Frankfurt University since 2018 for Patent Law in Pharma MBA program
- Work mostly for pharmaceutical, medical devices, automotive, construction, life sciences, cosmetics and luxury goods industry
- Started career at Jones Day in 2004 in team of Friedrich Klinkert. Since 2010 at KLINKERT Partners; equity partner since 2013
- KLINKERT Partners is a highly specialized boutique law firm focused on IP, sports, media, litigation and arbitration - 16 lawyers (6 partners, 10 associates & counsel)

# Challenges

## ➤ Challenges

Figure 5.9

### Challenges in collaborative exploitation



Basis: number of interviews unweighted N=285, of which 4% Don't know and 3% No statement.

## ➤ Challenges

### ➤ Lack of interest

- inefficient to deal with individuals and small companies
- long and difficult route to decisions
- unsolicited offers are viewed skeptically
- fear of litigation from inventors who claim IP theft
  - Some companies have strict delete-policies for unsolicited licensing offers

## ➤ Challenges

### ➤ Keeping interest alive

- The dance of what to say / what not to say
- Killing the mood with NDAs
  - NDA are important to safeguard confidentiality,
  - protection as Trade Secret requires adequate measures (e.g. NDA);

but

- insisting on NDA might complicate / end negotiations
  - filing patent applications before approaching investors / partners
  - as a minimum: documenting what has been disclosed to whom and when

## ➤ Challenges

- **How much you can disclose also depends on how well you are protected**
  - method patents more difficult to enforce than device patents
  - know-how misappropriation more difficult to enforce than patent infringement
    - Obtaining evidence can be difficult (no discovery in many countries)
    - Costs of litigation (in Germany a fraction of the costs of US litigation, but still costly for many start-ups)

## ➤ Challenges

- **Don't be seduced by the prospect of money to say too much**
  - If an offer is too good to be true, it is not true



## ➤ Challenges

- **Who gets custody?** (allocation of IPR ownership)
  - Incubator programs / investors can have very different approaches
    - Some insist on getting sole ownership of all IP
    - Some leave ownership to the start-up
    - Some require perpetual, royalty free license
    - Joint ventures: shared ownership
      - who gets to decide what?
  - Don't give in to temptation to postpone discussion and decision on difficult topics in negotiations (*„the parties shall at a later point in time negotiate in good faith on the allocation of the ownership of IP“*)

# Misconceptions

## ➤ Misconceptions

- A patent does not guarantee commercial value
  - Positive signal that
    - start-up has done its homework
    - carved out and defined its niche
  - But: a patent (even granted) is no guarantee for success and not a proof of concept
- Relevant factors for success: Contacts, track record/reputation of team, proof of concept/prototypes, market

## ➤ **Misconceptions**

➤ A patent does not guarantee freedom to operate

➤ **Case study**

## ➤ Misconceptions

- Small but relevant differences in national IP laws
  - Extent of examination of patents not necessarily the same everywhere
    - Germany: novelty & inventiveness
    - France (until 2020): only novelty
    - Belgium: patents granted regardless of outcome of examination
  - Thoroughness of examination / quality of patents
    - German Federal Court of Justice: only 25% of patents (German and European) survive nullity action
      - 47% full invalidation
      - 28 % partial invalidation
    - Industry Patent Quality Charter – aims to increase quality of patents

## ➤ To end ...

### ➤ **A few thoughts about the UPC and European Patents with Unitary Effect**

➤ Start of UPC on June 1, 2023

➤ Jurisdiction within territory of UPCA for infringement and validity actions concerning EP-UE and traditional EP patents (unless “opted out”)

➤ Costs of prosecution/maintenance:

- less for EP-UE compared to EP, if protection is sought for a greater number of EPC states,
- but higher, if protection is sought for only few states

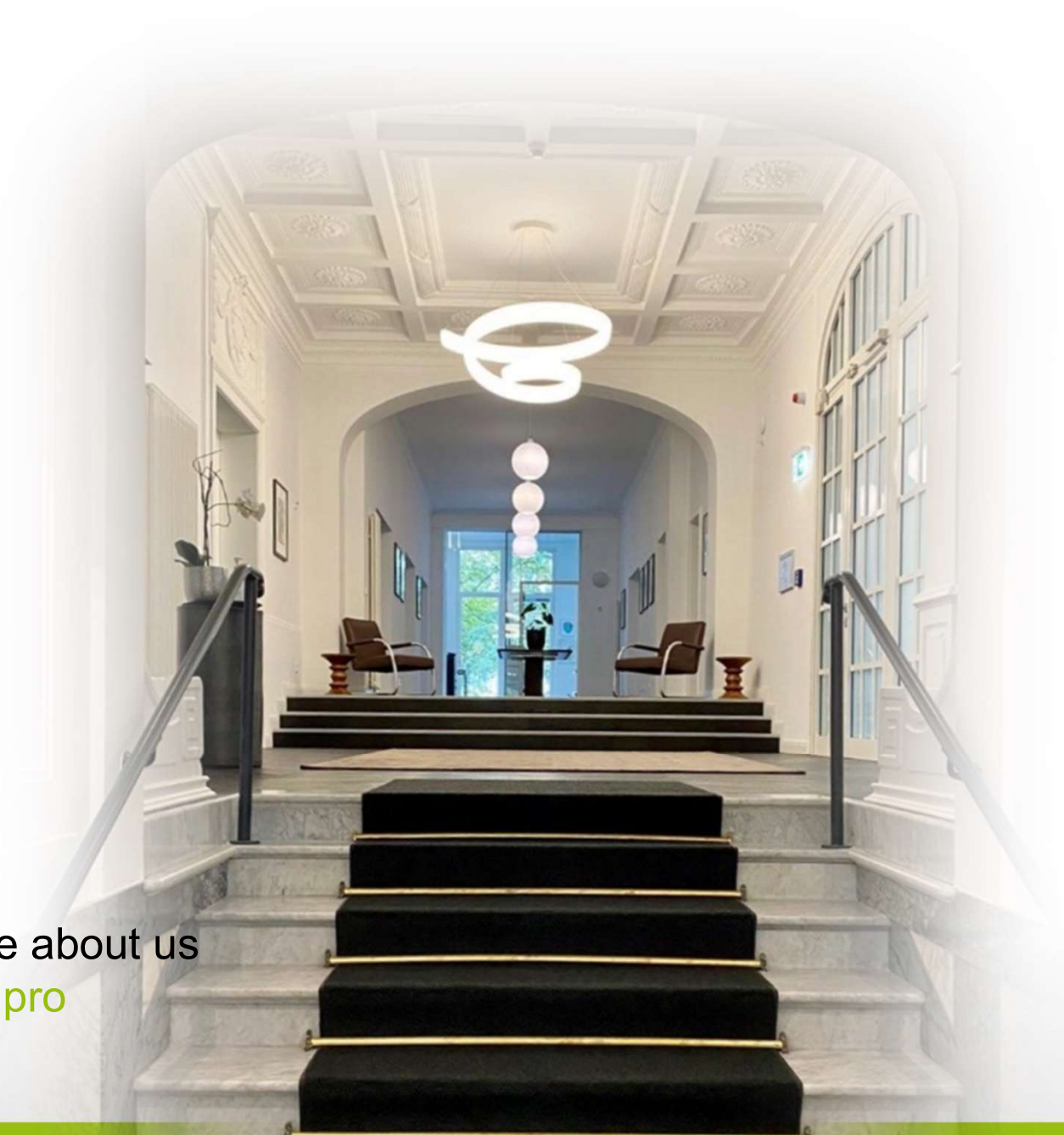
➤ Costs of litigation:

- lower compared to parallel litigation of EP in several countries
- but higher compared to litigation in only one country

➤ Procedure at UPC will be very efficient

➤ Exposure is higher (invalidation for entire territory)

➤ Uncertainty because new court will operate under new rules of procedure



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