

Bird & Bird & Corporate Structure & IP & Key Points

What:

- (a) Registrable IP includes trademarks, patents and design registration or patents.
- (b) Non-registrable IP includes unregistered trademarks, unregistered design rights, copyright (mostly), trade secrets, goodwill, and know how.

Why: A group restructure for the purpose of IP assets may be desirable because:

- (a) better risk allocation can be achieved on a group level. Ownership of IP assets can be separated from operational risk and risk of investor claims.
- (b) tax savings may be possible. IP assets may be held by an IP Hold Co that is formed in a tax neutral or tax favourable jurisdiction for receiving royalties or licensing fees.
- (c) M&A activity has occurred or is contemplated. The disposal of a business line may require IP to be consolidated, owned, licensed and cross-licensed. Post-acquisition integration may require newly acquired IP rights to be transferred.

How: A group restructure for IP assets will usually involve:

- (a) the formation of a company in a favourable jurisdiction to act as an IP Hold Co;
- (b) the transfer of IP assets to the IP Hold Co by assignment, with recordal in local registries as needed;
- (c) the licensing of IP rights from the IP Hold Co to other group companies.

Decisions: Key decisions to make are:

- (a) What business form should the IP Hold Co take?
- (b) Where should the IP Hold Co be formed?
- (c) Which group entity should be the shareholder of record of the IP Hold Co?
- (d) Who should the officers of the IP Hold Co be for corporate and tax residency purposes?
- (e) How will the IP assets be transferred? [Options include consolidation of IP assets into an entity that is then acquired in a share acquisition, or simple IP asset transfer]

Issues: Common issues that arise include:

- (a) identifying the IP assets in existence;
- (b) identifying the ownership of existing IP rights;
- (c) identifying the use of existing IP rights;
- (d) valuation of IP assets to be transferred;
- (e) pricing of IP rights to be licensed;
- (f) effect on third party contracts;
- (g) third party consent rights;
- (h) complications in enforcement.

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Documents:

- (a) Asset Transfer Agreement
- (b) IP Assignment in Employment Agreements
- (c) IP Assignment in Services / Contractor Agreements
- (d) Confirmatory IP Assignments
- (e) IP Licences
- (f) Approval documents (Board and shareholder resolutions)
- (g) Ancillary documents (third party consents, contract novations, registrations and recordals)

Drafting licences: Pitfalls in drafting IP licenses include:

- (a) failing to clearly identify and define the IP being licensed;
- (b) failing to value the IP and royalty rate correctly according to proper transfer pricing policies;
- (c) failing to ring fence confidentiality properly;
- (d) enforcement complications arising from licensee and licensor enforcement;
- (e) failing to consider governing law issues in cross-jurisdictional agreements.

Enforcement: Holding IP in an IP Hold Co separates IP ownership and use. Issues may include:

- (a) Will the licensor and the licensee have standing to sue?
- (b) Who has incurred a loss? Is it the same entity as the entity with a right to sue?
- (c) Are claimed damages computed with reasonable royalty rates?
- (d) Will injunctive relief be possible? Can the entity with the right to sue show irreparable harm?
- (e) If the licensor is the entity suing, the defendant may seek security for costs.

Countries	Must an exclusive license include all rights to make, use and sell?	Can an exclusive licensee sue without patent owner?
Hong Kong	No	No, the patent owner has to be made a party
China	N/A	Yes
US	No	No, unless exclusive licensee holds all substantial rights
UK	No	No
Germany	No	Yes, if the exclusively licensed parts are infringed
Australia	Yes	No
Japan	No	Yes, unless an injunction is sought