

MODULE 2.1 VALUE OF PATENTS



UNIVERSITY OF
TORONTO

This presentation is adapted from the IP foundation series on the Canadian Intellectual Property Office (CIPO) website.



Why are patents important for a company?

Are patents only used to sue other companies?

In this module, we will explore the value of patents and their importance as assets in business for commercialization and attracting investment.

LEARNING OBJECTIVES FOR VALUE OF PATENTS

By the end of this section, you will be able to:

- Describe how patents can be a valuable business asset
- Explain how to use patents strategically



UNDERSTANDING PATENTS

VALUE ADDED BY PATENTS

Holding a patent can **boost investor and stakeholder confidence.**

It makes it easier for small and medium-sized businesses to **attract financing** from investors in order to take their business to the next level.

UNDERSTANDING PATENTS

VALUE ADDED BY PATENTS

Patents can also give you a **competitive edge** and ensure market exclusivity by acting as a barrier for your competitors.

Remember: The patent holder is the sole person with the exclusive right to use, sell and manufacture the innovative technology for up to 20 years (and sometimes longer with extensions and patent term adjustments).



UNDERSTANDING PATENTS

VALUE ADDED BY PATENTS

Patents can also be a **revenue source**.

You can use your patented technology for the purpose of:

Exploiting

You can use, manufacture or sell your inventions directly to consumers in the marketplace.

Licensing

You can allow another party to exploit your patent for monthly royalties.

Assigning

You can sell or transfer your patent ownership to another party for an immediate lump sum of money.



USING PATENTS STRATEGICALLY

COMMERCIALIZE YOUR INVENTION

Turn your patent into dollars!

Getting legal rights to your invention through a patent gives you **proof of ownership**.



USING PATENTS STRATEGICALLY

COMMERCIALIZE YOUR INVENTION

Holding a patent may open up opportunities for business growth and job creation.

Consider a **licensing agreement**. For start-up businesses, licensing is typically the fastest way to generate cash flow.

Licensing allows the transfer of certain rights to your patents to another party for commercialization in return for economic considerations, such as rights in a specific field of use, for a defined period of time in a specific country.



USING PATENTS STRATEGICALLY

COMMERCIALIZE YOUR INVENTION

What are some of the benefits of licensing your patent?

Leverage existing manufacturing deals and distribution channels

Access existing markets and benefit from established names

Reinvest in further research and development

Use revenues earned from monetizing your patent to finance further research and development for your company

Deter competitors from copying your potential product or service



USING PATENTS STRATEGICALLY

EXPORT YOUR INVENTION AND COMPETE GLOBALLY

You must obtain a **separate** patent for each country or region where you seek protection.

Consider strategically filing for patent rights in countries or regions:

- Where you plan on doing business—to sell or manufacture products
- Where you will license your technology or assign your IP to another party.
- Where your main competitors also do business



CHECK FOR UNDERSTANDING

A company was recently granted a patent in Canada. However, most of their business is conducted in China. Will their patent protect their invention in China?

- A. Yes
- B. No

CHECK FOR UNDERSTANDING

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- B. No

Answer: B. A granted Canadian patent protects your invention only in Canada, you must apply for a patent in the jurisdiction(s) where you want protection.

CASE STUDY

I4I vs MICROSOFT

Video Description: The following presentation is a clip from the IP Education Launch Event on November 12, 2020.

The presenter, Natalie Raffoul, is a lawyer & registered patent agent presenting a case study on how patents can level the playing field, even against giant companies like Microsoft.

PATENT CASE STUDY: I4I vs MICROSOFT

CASE STUDY: DAVID VS GOLIATH (I4I VS MICROSOFT)

PATENTS CAN LEVEL THE PLAYING FIELD!

A small Toronto-based company, i4i, obtained a US patent in the late 1990's

Claimed an improved method for editing computer documents, wherein a document's content was stored separately from metacodes associated with the document's structure

- i.e., covered a specific method of using XML for document editing

i4i approached Microsoft to discuss the method, but Microsoft turned them down

Microsoft began using a very similar XML method in Word 2003 and Word 2007



CASE STUDY: DAVID VS GOLIATH (I4I VS MICROSOFT)

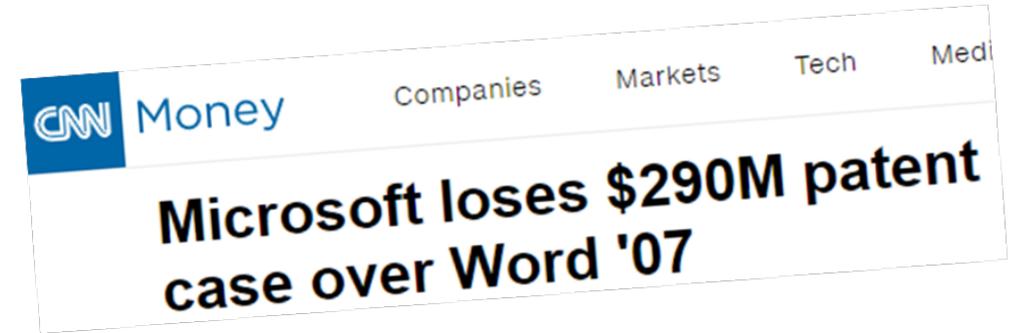
PATENTS CAN LEVEL THE PLAYING FIELD!

i4i sued Microsoft for wilful infringement of the patent, and the judge agreed

Microsoft appealed all the way to the US Supreme Court, but was unsuccessful

Microsoft was ordered to pay i4i nearly **\$400 million USD** (accounting for interest and other penalties, as well as an initial \$290 million US in damages)

Microsoft was also ordered to stop all sales of software that relied on the claimed XML method



SUMMARY OF LEARNING OBJECTIVES FOR VALUE OF PATENTS

You should now be able to:

- Describe how patents can be a valuable business asset
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