

# INTELLECTUAL PROPERTY UTILIZATION AND EXPLOITATION

A world map is centered in the background, overlaid with a network of white dots and lines representing global connectivity. The map is set against a city skyline at sunset, with a man in a suit standing in the foreground with his back to the camera, looking out over the city. The overall color palette is warm, with oranges and yellows from the sunset.

MR. MOSES KURGAT

15<sup>TH</sup> JUNE 2023

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# INTRODUCTION

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- ❑ Intellectual property assets include patents, industrial designs, trademarks, copyrights , plant varieties, utility models, geographical indications, industrial design, computer programs, traditional knowledge and cultural expressions and trade secrets.
- **Legal perspective** : can be defined in terms of particular qualitative characteristics ( such as novelty, originality)
- **Economic perspective**: defined in terms of economic benefit linked to the Intellectual property asset.
- ❑ For example, If an IP asset has not contributed to the production or production of income, it has no economic value even though it has legal existence.

# CONT'D...

- ❑ The purpose of Intellectual Property (IP) rights is to encourage innovation by allowing inventors to reap the rewards of their investments. Additionally, IP plays a crucial role in the generation, dissemination, and utilization of new knowledge for further innovation, as evidenced by the inventions disclosed in patent documents.
- ❑ The dynamics of innovation are evolving, with market globalization, the fragmentation of production value chains, and the emergence of new players reshaping how IP rights are utilized by market participants and understood by policymakers. The current operating context of IP differs significantly from its original conception. IP systems are continuously adapting to optimize the balance between private and societal benefits, aiming to contribute to both economic growth and the well-being of societies.

# DEFINITION OF IP UTILIZATION EXPLOITATION?

- ❑ Exploitation of IP is everything related to the use, sale, marketing, advertising, technology transfer, licenses and other activities that may generate an economic return for the company based on IP.
- ❑ Utilization of intellectual property (IP) refers to the practical application or commercialization of IP assets owned by individuals, businesses, or organizations. It involves leveraging the rights granted by IP protection to derive value and competitive advantage
- ❑ IP rights are valuable if they make money for the business. Even if they are used in the business, a proper exploitation programme may bring additional value.
- ❑ There are different ways to exploit IPR to generate revenue and promote the economy.

There are two methods for exploiting Intellectual property:

1. Direct exploitation
2. Indirect exploitation



# DIRECT EXPLOITATION

# 1. BY OWNER OF THE BUSINESS

The owner has the ability to utilize their intellectual property directly.

The reasoning behind this would be because:

1. The company possesses sufficient marketing capabilities, eliminating the need for a partnership.
2. It lacks the necessary capabilities to establish and execute the partnership.
3. The company hesitates to share information with third parties.

# WHAT TO CONSIDER

## 1. Use of IP database

- The process of consulting the IP database is crucial in confirming the novelty and viability of an idea before pursuing it further. This aids companies and industries in avoiding the unnecessary repetition of inventing, developing, and applying for intellectual property rights for technologies, designs, or brands that already exist.

## 2. Enforcement of Intellectual Property Rights

- It is the owner's responsibility to continuously monitor intellectual property rights (IPR).
- Market and competitor monitoring is essential to identify and address any potential infringement.
- Applying for customs protection is a cost-effective preventive measure against counterfeiting and piracy, enabling the seizure and destruction of fake goods before they enter the market.
- Alternative Dispute Resolution (ADR) mechanisms can be utilized as efficient and cost-effective methods for resolving IP-related disputes.





IN DIRECT EXPLOITATION

# 1. LICENSING

- ❑ This is a contract which the holder of an intellectual property grants permission for the use of the Intellectual property to another person which limit sets by the provisions of the contract.
- ❑ Licensing can include franchising, merchandising, brand extension, co-branding ( e.g Toyota and coach in relation to the lexus “coach” edition cars). There can be huge business benefits in trademark licensing, such as additional revenue streams, territorial expansion and new channels of distribution, the creation of strategic partnerships and increased recognition and advertising.
- ❑ **Types of Licensing**
  - **Exclusive license** – Only the licensee can use the licensed IP or technology.
  - **Sole License** – The licensor agrees not to grant any additional licenses but retains the right to make use of the licensed IP.
  - **Non- exclusive** – The licensee and the Licensor can both use the licensed intellectual property / technology.

# ADVANTAGES OF LICENSING

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## Licensor

- Utilizing concurrently by numerous individuals
- The ability to operate freely
- Enhance production
- Generate income
- Enter new geographical markets
- Penetrate product markets
- Establish licensing agreements
- Establish industry standards.

## Licensee

- The ability to operate without constraints
- Gaining a competitive advantage even in the absence of extensive research and development
- Accessing novel technologies and expertise, fostering the potential for developing innovative products
- Resolving infringement disputes
- Manufacturing standardized products.

# CONT'D...

However, this poses the following risks:

1. Licensee could become a competitor
  2. Licensee could lose control of the licensed product/ service.
  3. Licensor must trust the licensee as a source of revenue. In case of market failure licensee generate no revenues although there may be a minimum royalty clause in the agreement.
- ❑ Licensing IPR helps combat counterfeiting by establishing legal boundaries, monitoring and enforcing compliance, deterring potential counterfeiters, and enhancing the legitimacy of authorized products or services.

## 2. ASSIGNMENT

- ❑ This is a transfer of ownership of an Intellectual property right for example patents, trademarks, designs from one (Assignor) party to another (Assignee).
- ❑ Its useful for commercialization, when the owner of the Intellectual Property asset does not have enough capabilities (Finances, marketing) to market the developed IP asset.
- ❑ Assignments can play a significant role in curbing counterfeiting in Intellectual Property (IP) in the global market.
- ❑ Utilization of IP can create market Entry Barriers for potential competitors. Strong IP protection deters unauthorized copying or imitation of products, reducing the risk of counterfeit goods flooding the market. This fosters a fair and competitive environment, encouraging investment in research and development and innovation.

# ADVANTAGES OF ASSIGNMENT

- ❑ **Clear Ownership:** Assignments establish clear ownership of IP rights. When the original rights holder assigns their IP rights to another entity, it ensures that the authorized entity has the legal authority to protect and enforce those rights. This clarity helps prevent unauthorized use and counterfeiting.
- ❑ **Due Diligence:** Assignments involve a thorough due diligence process, where the assignee verifies the authenticity and validity of the IP rights being transferred. This helps in identifying any potential counterfeit or fraudulent claims and ensures that only legitimate IP rights are transferred.
- ❑ **Enhanced Enforcement:** Assignments provide a stronger legal basis for enforcing IP rights against counterfeiters. The assignee, as the rightful owner, has the authority to take legal action against infringers, file lawsuits, and seek appropriate remedies, such as injunctions, damages, or confiscation of counterfeit goods.
- ❑ **Global Cooperation:** Assignments can facilitate international cooperation in combating counterfeiting. Assigning IP rights to entities with a global presence or collaborating with international partners strengthens the ability to enforce IP rights across jurisdictions, enabling coordinated efforts to combat counterfeiting on a global scale.
- ❑ **Technology Protection:** Assignments can include clauses that protect IP rights against unauthorized replication or reverse engineering. These provisions can safeguard against counterfeiters attempting to reproduce or imitate the protected technology.

# 3. FRANCHISING

- ❑ This is a license whereby the franchisor authorizes a franchisee to use the franchisor's IP asset in exchange for related consideration or royalties.
- ❑ Franchising benefits a business because it is an already established business by the franchisor and investors are likely to secure greater benefits and more willing to invest in a business with an established network, secure brand and effective support structure.
- ❑ Since business concepts include the use of IP allowing the business to be run, franchising has an intrinsic connection with IP based on licensing of intellectual property rights and know-how.

# WHAT TO CONSIDER

- ❑ **Due diligence:** Prospective franchisees are advised to conduct a thorough due diligence audit in order to identify potential risks that may arise throughout the franchise agreement. This audit should encompass verifying the intellectual property (IP) rights associated with the franchise, examining the financial and business information of the franchisor, assessing the adequacy of the goods or services provided, as well as evaluating the training and support offered by the franchisor.
- ❑ **Franchise disclosure document:** It is considered a best practice to create a franchise disclosure document during the negotiation process. This document should include comprehensive details about the franchisor, the franchising system, associated intellectual property (IP), references, and financial figures, among other relevant information.



# 4. JOINT VENTURE

- ❑ These are agreements between or among innovators and entrepreneurs who complement each other in terms of money, human resources, distribution network, technology. For example: Mpesa a joint venture between safaricom and vodafone.
- ❑ Entering such ventures and alliances for purposes of protecting investments or innovations for political and economic risks.

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## Advantages of JV

- Offers a chance to exploit and share IP assets with reduced financial investment.
- Enables companies to access new markets by sharing risks.
- Creates opportunities to leverage existing technologies and patents developed by each venturer.
- Provides companies with the chance to develop new IP with less investment.
- Allows for the utilization of unused IP assets.

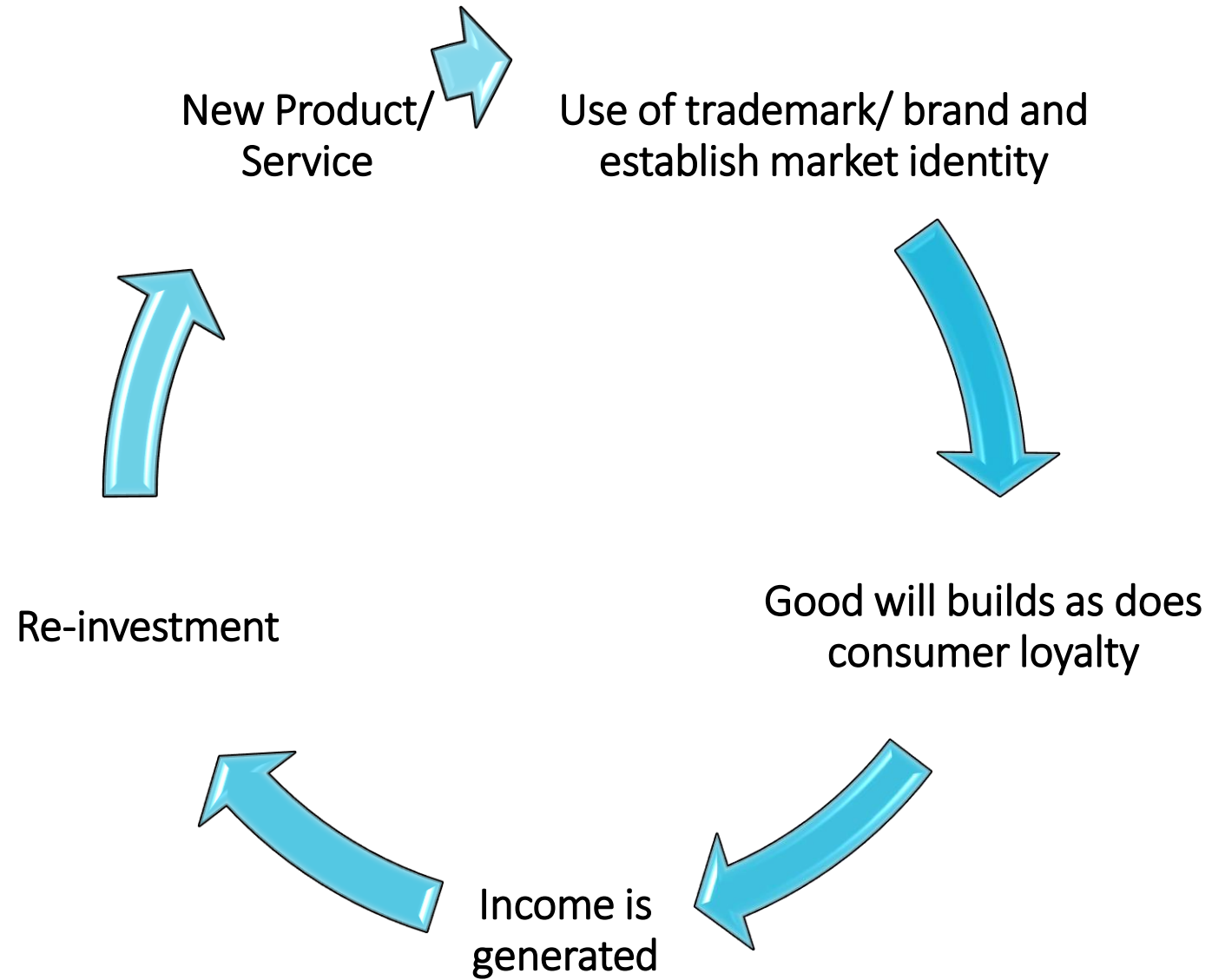
## Disadvantages of JV

- The venturers may bring an uneven distribution of expertise, intellectual assets, and investment into the joint venture, leading to an imbalance.
- Dealing with diverse management cultures in IP management can pose challenges.

# IP AND BRANDING

- ❑ A brand encompasses the sturdy design, logo, name, or any element employed by a company to distinguish their products or services in the eyes of customers. A resilient brand name establishes a reputation or positive perception for a business or company within a competitive landscape.
- ❑ Good knowledge of a trademark is crucial to develop successful branding.
- ❑ A brand includes, Registered trademarks, website designs, content tone , packaging, celebrity endorsements.
- ❑ The trademark and brand often becomes a valuable entity that can facilitate re-investment in new/ improved products or services. This can occur as trademarks can allow consumer loyalty to build which in turn ensures income.

# ILLUSTRATION



# PURPOSE OF BRANDING

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1. It creates associations and expectations among products made by a product.
2. Gives an enterprise a significant edge over the competition. Instills a sense of trustworthiness, dependability, loyalty, empathy, responsiveness, and recognition in the minds of customers.
3. Position the business enterprise as the sole resolution to the customer's problem in their perspective.



# IP AS A TOOL TO SECURE LOANS

# IP AS COLLATERAL FOR LOANS

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- ❑ The Movable Properties Security Act , 2017 under Section 2 provides that an acquisition security right means a security in a tangible asset or intellectual property.
- ❑ Section 14 of the MPSR, provides that a tangible asset with respect to which intellectual property is used. States that a security right in a tangible asset with respect to which IP issued does not extend to the IP and a security right in the intellectual property does not extend to the intangible asset.
- ❑ A company or holder of an IP asset could greatly benefit by securing credit based on its IP, thus receiving substantial boost. This way the company can expand its operations contributing significantly to the economy through job creation and tax payments.
- ❑ The steps are that an innovator borrows money and transfers his IP to the lender. The lender allows the innovator to commercialise the innovation provided that the income goes towards repayment of the loan. Once the loan is fully paid, the IP reverts to the innovator.

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- ❑ As with all security arrangements, however, it is not without risk and it is important to consider the practical impact of a default.

The following are issues and problems concerning IP securitization:

1. **Litigation Risks** - This jeopardizes the process of securitisation if later the IP asset is hit by suits of infringement.
2. **Liquid market** - There is no established liquid market for intellectual property, this poses a challenge for lenders to discover a market price and the disposal of the asset.
3. **Lack of common and unified law regulating IP** poses a risk as there are no definite laws on securitization and enforcement of intellectual property.
4. **Intangible nature of IP asset**- prevents lenders from granting credit to both natural and legal persons, does not provide security in case of default.





# CHALLENGES FACING IP UTILIZATION AND EXPLOITATION

1. **Lack of strategies and understanding of IP.** Such as Use of Technovations in workplaces need to be fostered by acknowledging and rewarding employee inventions where the company gains significant advantages and contributes to the economic growth. The Employment Act has not effectively addressed the growing prevalence of technovations in the workplace, resulting from rapid technological advancement. There is need for the Employment Act to make provision for the same and not to exclude technovations as separate and distinct from other intellectual property rights.
2. Length of negotiations. Licences and Assignments.
3. There are a few number of applications on Industrial designs, utility models and patents being registered. This may be attributed to poor drafting of applications and applications that do not meet the utility models registration requirements for instance not being novel amongst others.
4. There is lack of relevant data making it difficult to conduct a valuation because of lack of specific data on invention costs, advertising costs per IP and other information.
5. Disputes interfere with the successful use and commercialization of IP rights. They may ruin business relationship and reputation affecting its growth.



# RECOMMENDATIONS

1. Identify and evaluate technology for licensing and technology transfer.
2. By recognizing that patents, industrial designs and utility models complement each other, these intellectual property rights should be utilized collectively as a unified package rather than separately. This enhances the effectiveness of the IP system and in turn stimulates economic growth.
3. Engaging in capacity building activities, such as preparing documents for industrial design applications and drafting applications leads to an increased number of registration of the IP assets.
4. Knowing the value of your IP asset can play a role in deciding which method to refer Intellectual Property disputes. Alternative dispute resolutions such as mediation and arbitration. They are attractive options for parties that place a premium on the preservation and enhancement of their business relationship.



# CONCLUSION

- ❑ The utilization of IP in the global market enables businesses to protect their innovations, expand their market reach, engage in licensing and technology transfer, establish market entry barriers, build brand value, enforce legal rights, and foster collaboration.
- ❑ As previously discussed, IPR are not recognized as viable collateral for obtaining financing in Kenya. Moreover, IPR holders have not acknowledged them as assets that can be offered to financial institutions as collateral. The existing law lacks provisions for creating charges on IP or registering an interest in the register, aside from assignments or licenses.
- ❑ Therefore, it is crucial to establish clear legal provisions and policies, specifically targeting financial institutions, to recognize IP assets as independent assets that can be utilized as collateral for loans. This would enable entrepreneurs to secure financing for leveraging their IP assets and, in turn, stimulate economic growth.
- ❑ Furthermore, there is a need to promote the valuation and management of intellectual property, with the goal of fostering industrialization and socio-economic development in Kenya.

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THANK YOU!

