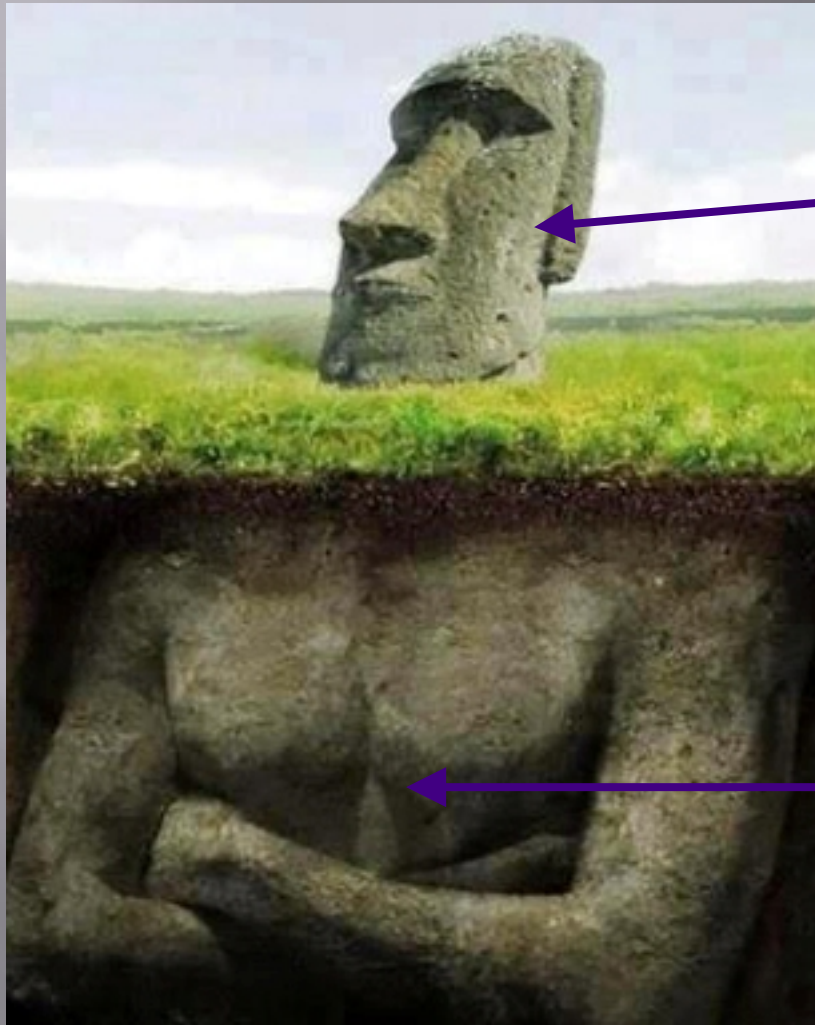


INTELLECTUAL PROPERTY VALUE AND PROTECTION

3 Mar 2020

Rich Weite

What Makes Up IP?



- ▣ Patents
- ▣ Copyrights
- ▣ Trademarks
- ▣ Service Marks
- ▣ Trade Secrets

- Know-How
- Training Materials
- Processes
- Marketing Data
- Sales Leads
- Tools
- Non-Product Software

Intellectual Property is Much More Than Patents

What is a License ?

- ▣ A License is a written authority granted by the owner of a patent or other intellectual property (Licensor) to another party (Licensee) empowering the latter to make or use the article for a particular application.

Allows the Licensor to manage and profit from its IP, rather than allowing it to be misused by others.

Ownership v. Use Rights

- ▣ Ownership in the IP gives a party the right to:
 - Prevent others from using/misusing the IP
 - Obtain damages for another's misuse
 - Grant others the right to use the IP (license rights)
 - *Participation in US or Foreign Gov't programs may complicate the issue

- ▣ License Rights gives a Licensee the right to:
 - Use IP for certain purposes
 - May be limited to application, product, field of use, or territory

The Party That Develops IP Owns the IP*

IP Ownership In Government Contracting

- ▣ IP developed in the performance of a Government contract:
 - Standard principle – the developing party owns the IP
 - Solely developed IP owned by developing party; Jointly - owned by both parties
 - All Gov't IP rights must be precisely flowed down to your company
 - Unless expressly restricted by contract, developing party may reuse IP for other applications
 - A Gov't (or Prime subcontract from Gov't) does not automatically give the Gov't unlimited or Gov't Purpose Rights!
- ▣ Deliverable items may be subject to license rights to the Government
 - Scope of license rights depend upon:
 - Commercial Item v. Non-Commercial Item (origins & funding)
 - Type of Intellectual Property – subject invention, technical data, or software
- ▣ Rights to Prime Contractor
 - Contract language is important to ensure that your company retains ownership of IP developed in performance of subcontract
 - Grant prime contractor the flowed down rights to use IP
- ▣ Non-US Contracts (Commercial or Military)
 - Standard Principle – your company owns the IP

Protect your IP through clear contract terms!

STRATEGIES FOR MAXIMIZING IP VALUE

Why License?

- ▣ Licensing revenue is generated at a typical margin of $\approx 90\%$
- ▣ That means, for example, that \$10M in licensing revenue the equivalent (assuming a 15% margin) of between \$75M-\$80M in sales
- ▣ At Extremely Low Risk



Licensing Protects Competitive Advantages and Drives Revenue to help Recoup your R&D and Engineering Investments

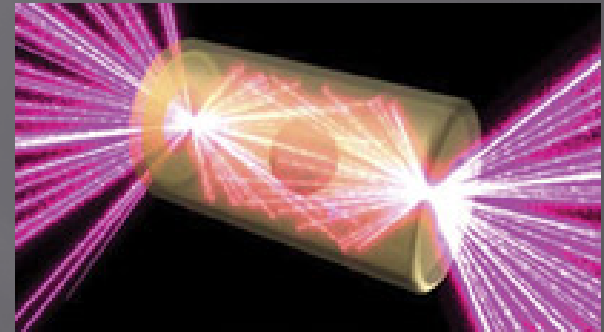
How to generate licensing revenue

- ▣ Non-core or mature technology or patents
 - Through organic development
 - Gained through acquisition
- ▣ IP that can be applied outside your markets
- ▣ Entry into new market segments or territories
- ▣ Licensing of existing technologies, products or procedures (core or non-core)
- ▣ Struggling businesses or products (new or mature)
- ▣ Non-strategic businesses or products (new or mature)
- ▣ Trademarks
- ▣ Audits of Existing Licensees
- ▣ Enforcement and IP Assertion

Licensing is a Tool to Generate Extra Revenue for your Enterprise

IP Licensing: Licensee Benefits

- ▣ Reduce development cost
- ▣ Shorten development time
- ▣ Gain entry into otherwise protected industries
- ▣ Enhance quality of products and processes
- ▣ Build competitive advantage
- ▣ Increase sales revenue
- ▣ Expands existing business capabilities
- ▣ Participate in licensor summits to improve services



Inbound Licenses Create Opportunities for the Licensee

The Licensor Sets the Rules

...and can limit the licensee's use of the licensed material by:

- Market
- Geography
- Time
- Specific Application
- Grant of Rights Usage
 - Make, have made, repair, sell, market, sublicense, etc.
- Restrict Licensees to your company materials usage
 - Only your parts, manuals, procedures may be used
 - Document revision control
 - Improve quality of licensed service offering through control of procedures



You set the rules to protect your core markets

Valuation

- ▣ Value Modeling Methods
 - Cost-Based (Replacement Value)
 - Simple
 - Ignores Time Value of Money (NPV), Maintenance Costs
 - Income-Based
 - Present Value based on Future Income
 - Requires accurate forecasting
 - Market-Based
 - Based on competitive and market data
 - Requires solid info on market, T&Cs
 - Royalty Relief
 - “What would I pay to license my own IP”
 - Sanity check
 - Discounted Cash Flow (DCF)
 - Incorporates Income, Market, and Royalty Relief Models
 - Incorporates risk premium (will the licensee be successful?)



Intellectual Property: A Team Effort

- Generate IP!
- Support licensing opp'ty ID
- Identify IP leakages
- Engage Business Development and Legal with opportunities
- Support business case generation
- Approve deals
- Support negotiations and drafting agreements.

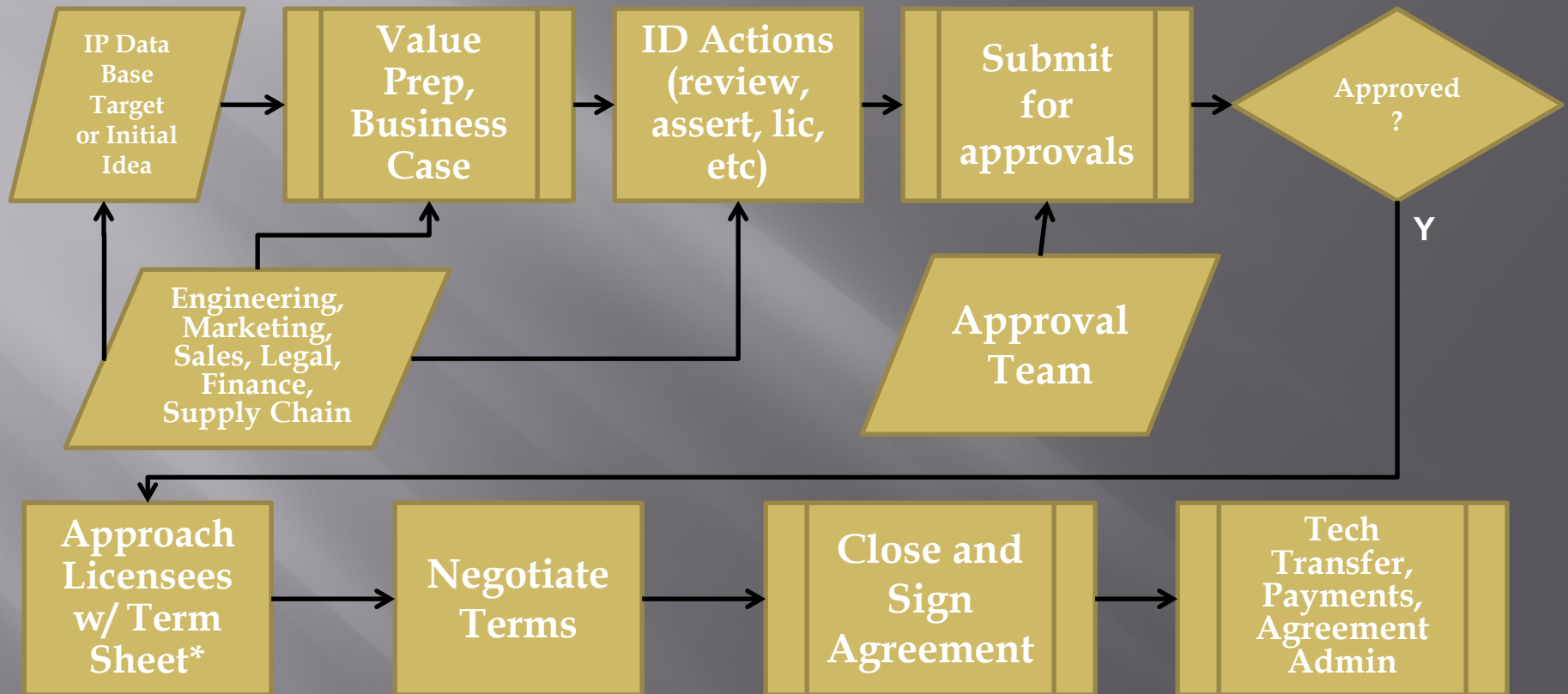
- Generate initial IP Database
- Lead licensing opportunity
- Drive opportunity validation
- Manage opp'ty valuation
- Champion licensing activities within business
- Lead deal negotiations
- Manage business approvals
- Educate within and outside company



- Generate initial IP Database
- Support enforcement and audit activity
- Champion IP protection
- Audit existing licensees
- Approve agreements
- Review deal structure
- Educate within and outside your company

Verticals Works Hand-in-Hand to Accomplish the Goal

Mature Revenue Generation Process:

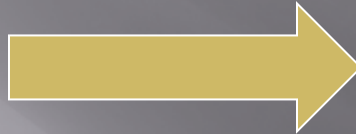


Timing for Mature Process: ~6 months (with firm initial and final/BAFO positions)

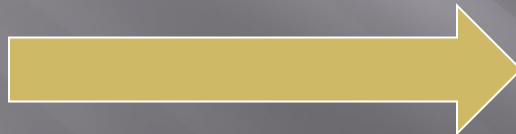
Complementary Engineering and Licensing Efforts

Engineering Effort

1. Roadmap, prioritize and align corporate technologies with our customer's future needs



2. Open Innovation



3. Competitive Technology Analysis



Licensing Strategy

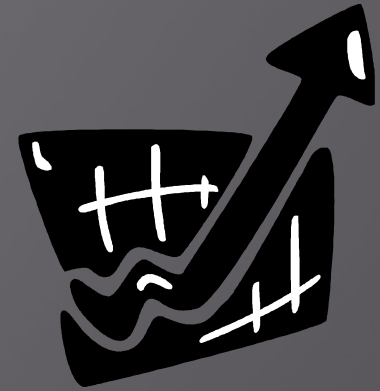
1. a) Understand the market drivers and technologies within and outside of company's markets.
b) Understand the options considered to resolve technical problems

2. a) Generate in-bound licensing interest to augment company's current technology
b) Launch joint development agreements

3. Share technology value propositions to reduce duplications & educate

Collaboration Between Engineering & Licensing Creates Stronger IP

The Value of IP

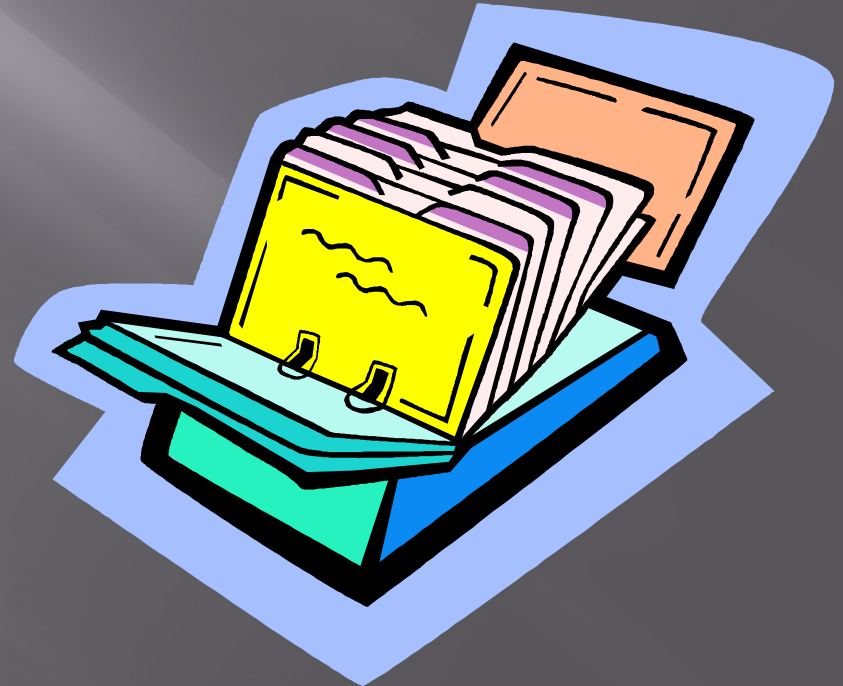


- ❑ Re-coup company's significant investment in R&D and IP protection with minimal expenditures
- ❑ Discourage third parties from using company's IP without authorization
- ❑ Preserve company's competitive advantage and product differentiation
- ❑ Ensure quality of company-authorized training center output
- ❑ Grow the market for upset training through training center authorization
- ❑ Recognition for company; "Made Here"
- ❑ As the organization matures, IP enforcement and existing licensee audit proceeds are credited back your business and towards your income targets

IP is a Resource to Execute your Market Capture and Op Income Growth Strategy

Contact Info – and Thank You!

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- ▣ +1.480.432.0494



Appendices

Protection Objectives

▣ What IP assets do we have?

- Training Materials
- Instruction Manuals
- Customer/Client Lists
- Flight or Sim Data
- Software

▣ Who has access?

- Legitimate (licenses, customers)
- IP exposure or theft

▣ What is the IP's value?

- To whom?
- For what purpose?
- Competing IP

▣ How is the IP protected?

- IP Filing
- Current agreements
- Risk

▣ How can the IP be exploited for its value?

- New Agreements or Amending/Modifying Existing Agreements
- New Markets/Territories
- IP Audits/Assertion/Defense

Item or Feature	Critical? (1-5)	Patent (Utility or Design)	TM or Trade Dress	Copyright	Trade Secret	Territory

Repair Shop Licensing: Benefits



- ▣ Royalties on shop repair sales
 - Royalties can be % gross sales, flat rates, royalties and guaranteed minimum payments, or combination
- ▣ Control part sales to licensees – reduce unauthorized part sales
 - Any discount offered would be crafted to improve OI due to sales volume increases
- ▣ Required level of parts inventory improves accuracy of sales forecasts
 - Tool for Supply Chain to use for beneficial price negotiation with suppliers
- ▣ Contractual control of quality of repairs and turnaround times
- ▣ Brand exposure association with improved repair quality
- ▣ Protection of IP
- ▣ Market penetration in territories currently unserved by your company
- ▣ Your company can host periodic product summits to review service procedures



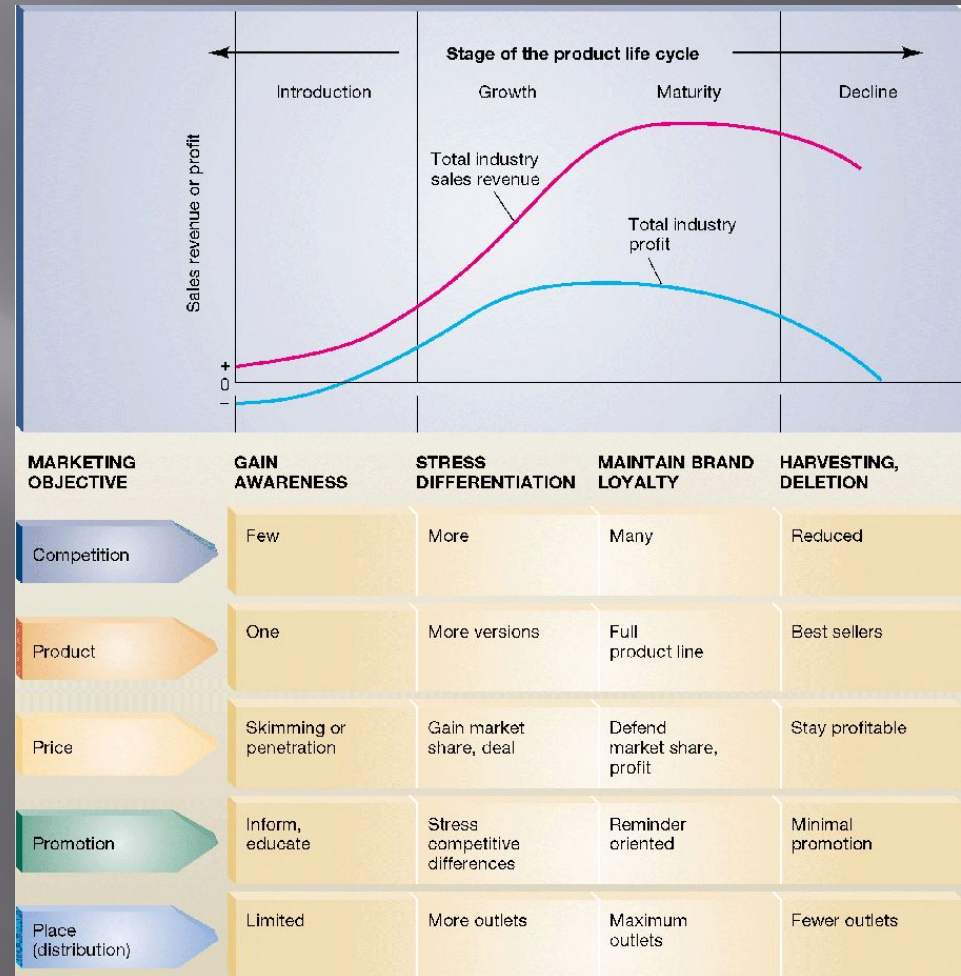
Repair Shop Licensing: Distributor/Repair Shop Benefits



- ❑ Receive negotiated pricing and discounted aftermarket parts
- ❑ Use of company brands to market their business (i.e. authorized dealers or repair centers)
- ❑ Receive the latest, updated company authorized product service manuals and parts lists
- ❑ Receive guaranteed service levels and parts availability for contracted parts.
- ❑ Potential for exclusive agreements in certain markets or territories
- ❑ Can participate in company product summits on a periodic basis

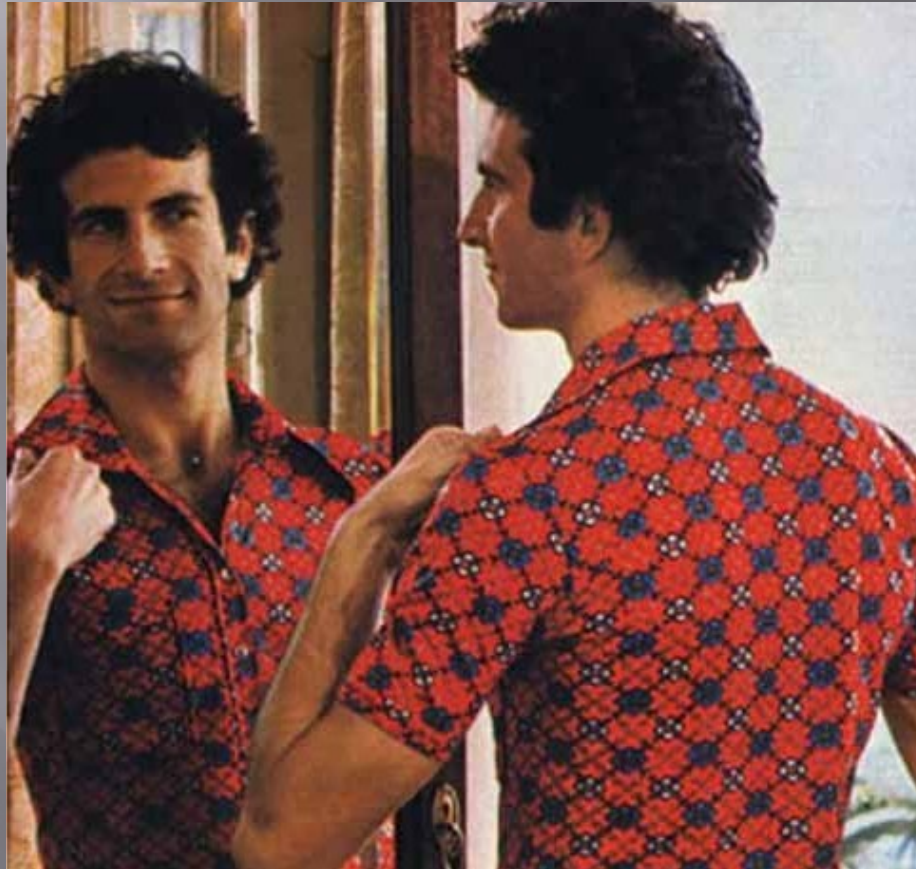
Product Line Licensing

- Products in maturity and harvest life stage
- Uneconomical for company to manufacture
- Objective – find partner that can match or beat OI
- Many firms of this type exist and look for these opportunities as their business model



Challenge: Right Time, Right Product, Right Partner

Finally, an annoying
autobiographical pause...



Some Stuff about Rich

- ▣ Started out as an aero engineer,
- ▣ 25+ years of management experience,
- ▣ 20+ years as a program and project manager, some of that as an intellectual property(IP) licensing PM;
- ▣ Where I've been:
 - Honeywell
 - Collins
 - Meggitt
 - Air Products
 - Independent Consultant
 - ▣ Oshkosh Co.
 - ▣ Rainbow Loom(!)
 - ▣ Multiple small businesses
 - Other places, too.

