LICENSING STRATEGY

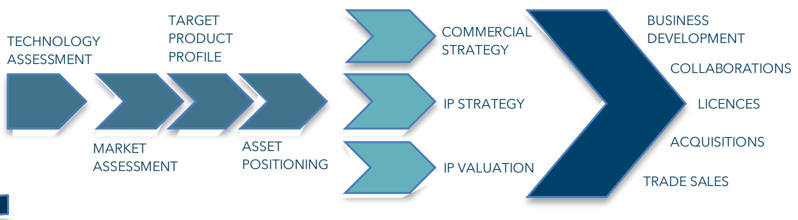
MURRAY
INTERNATIONAL PARTNERS

MARKETED ANTI-ALLERGY PRODUCT

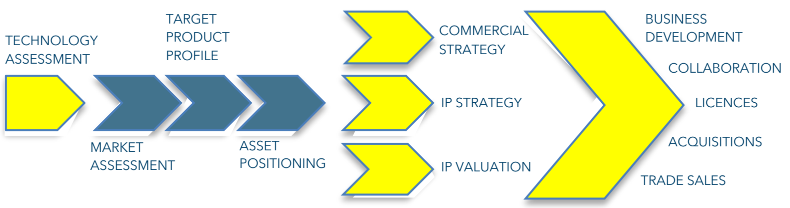
Many businesses under-estimate how much IP they own, especially if it is not patented IP. Our client held a patent covering the composition of a marketed anti-allergy product. Their business model is to manufacture the product and to sell it through distributers in key global markets. Their largest international distributer approached them to explore negotiating a licence to manufacture the product in Europe.

We were engaged to assess and advise on the mooted licensing deal. First, we visited the manufacturing plant and rapidly identified three new patent positions, a wealth of know-how and an extremely valuable trade secret. The client had not previously recognised this group of intellectual properties. Second, we designed a licensing structure and scale of fees based on our appreciation of the totality of the client's IP. Third, we produced a valuation for all the company's IP as it was not unlikely that the large distributer involved in the negotiations might change the focus from licensing to an outright acquisition of our client's business. Prior to our valuation, our client believed its corporate value to lie between 3X and 5X its product inventory.

Our IP valuation indicated a company valuation 9 times greater than the owners' expectations (based on inventory). This was also reflected in draft Heads of Terms we created for the mooted licence. However, given the considerable value of the trade secret our advice guided the client not to proceed down the licensing route. They maintained and expanded their distribution model – and preserved their very valuable trade secret.



The workplan:



CASE STUDY NOTES

Patents cast a protective shadow 20 years into the future. The monopoly right brings great commercial value. Trade secrets can sometimes eclipse the value of patents. Commercial decisions need to recognise the relative value of these parameters. A licence deal would have required a valuable trade secret to be divulged.

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