

# Tips and trends in cleantech licensing



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Efforts in Canada and around the world to reduce greenhouse gas emissions are leading to a surge in innovation in clean technologies — everything from electric vehicles and biofuels to next-generation batteries, solar and wind power. Worldwide, the cleantech sector generated a record \$8 billion in venture-capital investment in 2008, and in 2009, Canada has joined other governments in providing significant stimulus investments in the cleantech industry.

As that research money bears fruit, and cleantech inventions go to market, there are some significant IP issues and trends to watch for.

## Pre-licence preparation

If a cleantech invention is a good candidate for “out-licensing,” it is important to prepare in advance. Clean up any loose ends before the licensing negotiations begin by clarifying intellectual property ownership, reviewing employment, contractor or joint-research agreements, reviewing non-disclosure agreements and determining eligibility for patent or other IP protection.

This preparation process is often completed when the company undergoes the scrutiny of significant investors, but is commonly overlooked in companies that develop licensable technology without venture capital funding, or where existing technology may be repurposed as a cleantech product. Completing an IP audit before licensing can be a simple and significant risk mitigation strategy.

## Licensing

Cleantech licensing will be appropriate in many cases: where the inventor specializes in IP development and creation but

needs a partner to launch distribution and commercialization; or where a company has a distribution or sales network to commercialize cleantech inventions but lacks research and development capacity.

In cleantech sectors such as solar or wind-power, a licence will often comprise a bundle of rights that may include hard assets such as a patented process, coupled with physical devices or equipment such as a turbine, blade design or generator, as well as soft assets such as know-how and trade secrets. Counsel must work closely with the inventor to define the licensed technology.



**Not only is the technology evolving rapidly, but the legal and regulatory framework is shifting...**

## Improvements and enhancements

As in IT and software licensing, cleantech is in the middle of a changing landscape. Not only is the technology evolving rapidly, but the legal and regulatory framework is shifting, requiring constant improvements and enhancements to the technology.

In the cleantech licence agreement, the parties should consider how to reap the commercial benefits of improvements and determine questions of ownership and the terms of any licence back. Remember that joint ownership of improvements is tempting but can be very problematic. Creative solutions may be required; for example, licensees can contribute

improvements into a licensing pool, which can then benefit the licensor and other licensees.

## Joint ventures and strategic partnering

For many cleantech companies, “in-licensing” from a partner can be an efficient way to obtain the technology needed to vault a business concept or product to the commercialization stage. For a small niche company, partnering with a bigger player can secure critical technology and funding and accelerate the research and development process.

Where the licensor and licensee engage in the project cooperatively as joint venture partners, the combined force can provide a powerful competitive advantage, since well-matched joint-venture partners will complement each others’ strengths.

Licensing will often be a central part of a successful joint-venture vehicle. Remember that each joint venture partner contributes something — time, money, technology, expertise, lab-space — but the contribution of technology must be well documented through a licence agreement. Unfortunately, it is common to see technology contributed to a joint-venture partner without any details on intellectual property rights, non-disclosure obligations, use restrictions or ownership of improvements.

## The regulatory environment

In North America, a patchwork of regulatory schemes currently governs the cleantech sector — from the reduction of carbon dioxide and greenhouse-gas emissions and the trading of offsets and credits to the regulation of biofuels and the siting of wind power facilities. Even light bulbs are being regulated. Cleantech companies must contend with regulations at the municipal, provincial, federal and state levels.

This presents unique challenges for the sector, since marketing of cleantech products and processes will often be directly linked to regulatory requirements and permissions: Cities set



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Cleantech sectors such as wind power often require licensing.

requirements for the installation of wind turbines, vehicle fuel-efficiency standards change from state to state and provincial greenhouse-gas emission and trading markets differ across borders.

Licence agreements must take these into account, and licensors should carefully review any representations and warranties about a particular technology’s compliance with federal, provincial or state environmental standards. This requires careful coordination with counsel who can provide strategic advice on this evolving landscape.

## Patents and litigation

If you thought that green companies were friendly and cooperative, think again. Competition will increase as the field becomes more crowded, so think “green with envy.” In the area of cleantech licensing, two points should be noted:

■ Licensing agreements should anticipate the potential for litigation,

with appropriate intellectual property indemnities and protocols for handling third-party patent infringement claims;

■ A strategic patent portfolio can be a very useful asset for an emerging cleantech company. While big idea inventions are attractive to investors, it may be more realistic to pursue patent protection for narrow, incremental improvements to existing inventions. A collection of improvement patents can provide a company with an advantage in the marketplace, as well as a potential negotiating tool in the event of patent infringement claims by a competitor. ■

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## Board rejects ‘one-click’ patent application

The Patent Appeal Board has said no-go to the Amazon “one-click” patent application. The patent was based on a technique that allows customers to make online purchases with a single click.

The reasons for turning down the application are non-statutory — and they may have implications well beyond this one application, said Alexandra Daoud, a partner with Swabey Ogilvy Renault in Montreal.

In her article, *Repercussions of the Amazon Decision on BIO-IT Patents in Canada*, Daoud pointed out that the board has determined certain types of



subject matter are not patentable. “Bioinformatics, which addresses biological problems using computational techniques and makes the rapid organization and analysis of biological data possible, is at risk of being classified as excluded subject matter,” she said.

Two other at-risk areas, she noted, are pharmacogenomics and genetic testing.

In the *Amazon* decision, the board emphasized that if the substance of the claimed invention is not “an act or series of acts performed by some physical agent upon some physical object and producing in such object some change either of character or of condition,” it is not an “art” under s. 2 of the *Canadian Patent Act*.

“To an extent,” Daoud wrote, “the Board’s decision is consistent with a trend recently observed in the United States.” — *By donalee Moulton*

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