

Nestlé SA

Case Study Company **Nestlé SA**

Regions Involved **H.Q. at Vevey, Switzerland. Worldwide Brands**

Case Study Date **March, 2007**



“One of the first things I realised was that it was essential that the lawyers involved in creating and protecting our intellectual property should become part of the business teams.”

*Paula Nelson
General Counsel – Intellectual
Property for Nestlé SA.*

Lessons Learnt

Recognise the value of brands and patents.

One of the significant differences between the value of a company on its accounting books and the value of a company as determined by the market can be the value of intangible assets. For Nestlé, a key element of these intangible assets is the value of its registered Intellectual Property (IP). Therefore at Nestlé, IP is valued and guarded to the same extent as other valuable assets within the business.

Legally register the company's IP and be prepared to defend brands and patents by every legal remedy available.

This means the business should allocate adequate financial resources to do so. These resources should be applied both at the outset in terms of putting the right personnel and legal protections in place and also when defending any infringements. Nestlé always prosecutes unauthorised use of its intellectual property rights. This may be costly but it is far less expensive than diminishing the value of the brand in the marketplace.

Background

Nestlé is the world's largest food and beverage company and employs around 265,000 people worldwide. In 2006 Nestlé's sales, at \$80 billion, accounted for 1.5% of the total global food market. The company has a diverse range of product lines including:

- Soluble Coffee**
- Infant Nutrition**
- Confectionery**
- Dairy**
- Chocolate Milk Beverages**
- Bottled Water**
- PetCare**
- Ice Cream**

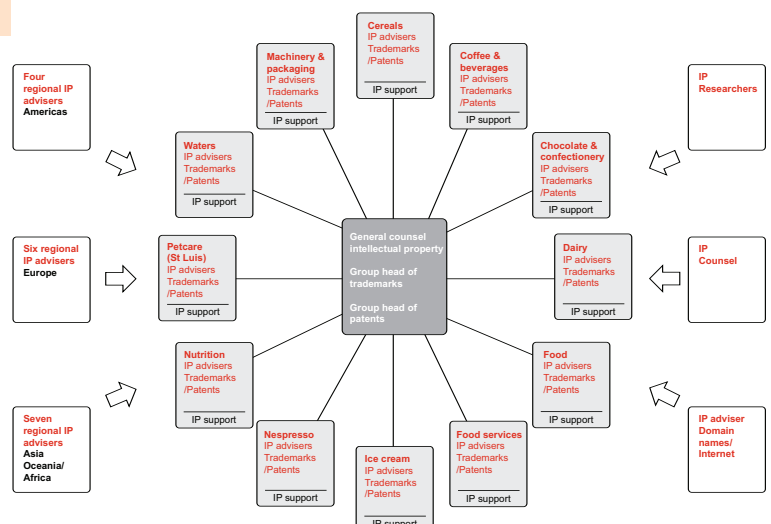
In each of these food ranges, Nestlé aims to be the market leader and to provide at least one leading brand for each product line. In this context, the company's brands and patents are critical. Nestlé market their products under six strategic global brands: NESTLÉ, NESCAFÉ, NESTEA, MAGGI, PURINA and BUITONI. Local trademarks are also registered to accommodate the diverse cultural nuances around the world.

Nestlé has a long established history of carrying out extensive R&D with dedicated Product Technology Centres across the globe. Also an increasing trend has been the licensing-in of innovative technology from external sources and this complements the R&D work being carried out internally. The legal process for licensing-in technology needs to be carefully managed as the technology itself can become a critical element of Nestlé's products and processes.

Corporate Structure Considerations

With 6365 trademarks and 9500 patents the need for effective management of Nestlé's IP portfolio is clear. Acknowledging the growing importance of Nestlé's IP the company recognised the need for a strategic overhaul of its corporate structure in this area. An experienced legal expert was needed to implement the necessary organisational changes and to advise on best practice regarding the protection of brands and patents. Ms. Paula Nelson was appointed General Counsel –

Organisational Intellectual Property Department



Intellectual Property for Nestlé SA. Paula says *“One of the first things I realised was that it was essential that the lawyers involved in creating and protecting our intellectual property should become part of the business teams. I organised the IP department so that I had at least one patent lawyer and one trademark lawyer in each area of the business”*

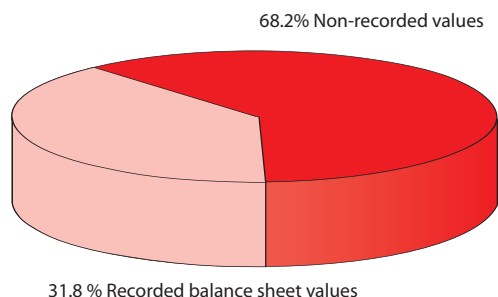
This was made simpler by the fact that all businesses are managed by the management team in Vevey with whom the IP lawyers can easily interact. 17 Regional IP Advisers based in different countries around the world and reporting in to Paula’s team in the Vevey HQ give local and regional input.

The Nestlé Approach

The re-organisation of the company’s internal IP legal structure has allowed Nestlé to control and defend its patents and trademarks in a centrally co-ordinated manner.

Nestlé places high value on its IP and recognises it as a major financial asset. Paula notes that traditionally the difference between a company’s balance sheet value and the value of a company as determined by the market is the value of its intangible assets and especially its brands. The legal protection of IP is a key element in maintaining this value.

Illustrative split of Nestle Value (as % of market capitalisation)



Paula has the last word; *“Historically IP has not been recognised as an asset on the balance sheet. However companies like Nestlé recognise that although intangible, IP is critical”*