

Successful Technology Licensing

Chapter II: How to Prepare

Chapter IV: Conducting the Negotiation

Part I - Chapter II

**How to Prepare for Successful
Technology Licensing**

In technology licensing, the most important indicators of success are bargaining leverage and preparation

How to Prepare?

- Define the team
- Define business objectives
- Assess bargaining power
- Fix time frame
- Gather documents

- Write the Term Sheet
- Chose negotiating strategy
- Select any preliminary agreements
- Evaluate the other party
- Meet with the Team

1. Select the Team

- Who will negotiate?
- Who will speak?
- Who will have authority to decide?
- Technical consult?
- Marketing consult?
- Business/financial resource?
- Involve legal counsel early.
- Who will draft the agreement? Sign?

2. Define Business Objectives



- What is the **business reason** for the license?
- What must you gain in order for this agreement to be **worthwhile**?
- What is the **best result** that can be obtained?
- What outcome do you want to **avoid**?
- From a business perspective, is the best result a license to IP rights only ("**pure IP license**") or a broader set of related agreements ("**business partnership**")?
- In what specific ways will this license **make money** for your business?

3. Assess Bargaining Power

- Why does the other party want this agreement?
- Based on the advantages of terms or on something else? (e.g. the terms of another agreement, possible investment, threat of litigation)
- Are there technical/competitive alternatives?

4. Fix the Time Frame

- Event driven time frame? (product launch, R&D start, press release, manufacturing start, investment deadline)
- Never start work on development project before license agreement is signed.
- Can the agreement be in stages? Interim agreements?
- What is a realistic schedule?


5. Gather Documents and Data

- Documents and data about the technology
 - specifications, schematics, prototypes, early versions
 - press clippings, correspondence, data sheets, etc;
- Information about the other party
- Information about alternative parties and technologies
- Contract forms

6. Write the Term Sheet

- What is a Term Sheet and how does it help?
- The Key Terms are the important business/legal agreements in the license
- Internal and External Versions
- Not MOU or Letter of Intent
- See Form in Appendix of SLT

The Term Sheet: A Solid Foundation



- Clarifies issues
- Shows problem areas
- Communicates to Team
- Clears positions
- Keeps track of goals
- Use business language
- Is not signed

7. Chose Negotiating Strategy

- Is “negotiating style” a myth?
- What is your “bottom line”?
- What is your “first line”?
- Think about the other party’s bottom line.
- What are the alternatives (BATNA= best alternative to a negotiated agreement)?
- Note: See discussion in Chapter IV of SLT about how to assess your positions on the Key Terms.

8. Select Preliminary Agreements

- Confidentiality
- Evaluation
- Interim (letter agreement)
- Prototype
- Feasibility study
- Avoid MOUs, Letters of Intent, Standstill or other agreements restricting your ability to seek alternatives.

9. Evaluate the Other Team

- What strong points?
- Does the negotiator have authority?
- What are the likely positions on Key Issues?
- What is your assessment of the Win-Win?
- If you do not know at this stage, what do you need to know to find out?

10. Meet with Your Team

- Before start of negotiations, meet to discuss ALL of the foregoing
- Review in detail each of the Key Issues
- Use the Term Sheet to forge agreements in house and identify open issues
- Failure to communicate effectively with the Team causes negotiation failures
- Keep lawyer in the team

Part II - Chapter IV

How to Conduct a Licensing Negotiation

The Advantage Continuum

- The negotiator has the difficult task of constantly assessing the way the key terms affect the business objectives of the license
- The goal of the negotiator is to stay as much as possible on the right side of this continuum with respect to each key term



Fall-back Positions and Compromise



- You may decide to accept a compromise with respect to a certain key term, that is, take a position that is not advantageous (a negative number in the above continuum), but that is acceptable in the context of positions taken on other key terms



Failure Can Mean Success

- When the parties' bottom line position on key terms conflict the best outcome of a negotiation, it may withdraw from the negotiation.
- Withdrawal from negotiation is not equivalent to failure.



Write Down Progress and Take Notes

- When you make progress - restate and write down the parties position.
- When it is a real agreement - write this down in **note form**.

The Role of Lawyers

- Communicate frequently with legal counsel.
- Use the term sheet.
- Have thorough legal review before and during the drafting process.

How to Close the Deal and Draft the Agreement

- Do not sign the term sheet.
- Make sure that you have reached agreement on key terms.
- Both parties have to sign the agreement.

Using the Signed Agreement

- The agreement is only the beginning.
- All executives and managers involved should be aware
- Identify key terms that require follow up
- Assign responsibilities



Thank you !