

Guidebook of IP/Technology Transfer

Track 1

Entry-level Tech Transfer Professional

Topic 1.12.1

Preparing for License Negotiation

Preparing for License Negotiation

Know your own IP/invention well

- Clearly understand all its inventiveness
know its unique features and how those features confer some performance advantage(s)
- Do your homework on the market applications and relevance of your invention to those applications
- Have at least some preliminary estimation/description of a Value Proposition:
$$\text{Value} = \text{Benefits} - \text{Cost}$$
- Know the development stage of your IP/invention and have some sense of the investment needed to develop it
- Know the Tech Readiness Level of your technology

Technology Readiness Level (TRL)

TRL 9	System proven in operational environment
TRL 8	System complete and qualified
TRL 7	Integrated pilot system demonstrated
TRL 6	Prototype system verified
TRL 5	Laboratory testing of integrated system
TRL 4	Laboratory testing of prototype component or process
TRL 3	Critical function, proof of concept established
TRL 2	Technology concept and/or application formulated
TRL 1	Basic principles are observed and reported

Preparing for License Negotiation

Know your own IP/invention well

- Know the Tech Readiness Level of your technology
- Understand the different types and levels of risk that the potential licensee will be assuming
- Know – and be prepared to discuss – the disadvantages/flaws, and hurdles faced of your IP/invention

Preparing for License Negotiation

Know something about your potential licensee, their business, and their market

- Where are they headquartered? Where are they in business (countries, states?)
- How long have they been in business? What is their history?
- Are they privately or publicly-owned?
- Understand their products and/or services
- Find someone in the industry of the potential licensee – talk to them about the industry and its dynamics and key factors

Preparing for License Negotiation

Do a Pre-negotiation Valuation of your IP/invention

- Don't focus on absolute financial amounts, instead:
get a “sense of value” of your IP/invention

Getting a Sense of Value

At its core, Value is ultimately based on

INVENTIVENESS

MARKET RELEVANCE

VALUE PROPOSITION

Getting a sense of Value

Value is ultimately based on

INVENTIVENESS

Inventive = Unique performance characteristics

These unique performance characteristics

confer certain advantages/superior attributes

Getting a Sense of Value

Value is ultimately based on

MARKET RELEVANCE

In what application(s) does the invention solve problems?

or create new opportunities?

How important are those problems?

What are the economics of those problems?

Would solving the problems enhance profitability?

How will the invention enhance profitability?

Incremental improvement?

Paradigm shift?

Disruptive?

Getting a sense of Value

Value is ultimately based on

Quality of the Property Control Position

- Is it patented? Patent pending? Where?
- How effective are the claims?
 - Are they easily enforceable?
- Is there Trade Secret? Will the TS be difficult to discover by others?
- Bioproperty? Is it valuable?
- Copyright?
- Trademark possible and valuable?

Pre-negotiation IP Valuation

Remember, it is not the job of the TTP

to calculate an absolute value of a new technology and then negotiate hard to get it..... (i.e., the “take it or leave it” approach)

Keep in mind... it is the job of the TTP

to facilitate the market’s determination of the value of a new technology through a flexible and transparent negotiation process and a dynamic “value-capture/risk-sharing mechanism”
(i.e., a well-drafted license agreement)

IP Valuation, New Technology Commercialization

- One of the most misunderstood concepts
- The inexperienced place much too much emphasis on analyzing a new tech and its IP, to find its “price”
- Conversely, the inexperienced typically don’t spend enough time developing “a sense of value” for the new tech/IP
- This “sense of value” is usually multi-faceted, combining quantitative and qualitative factors
- The sense of value requires analytical and creative skill, and both “big picture” and “micro-analyses” thinking

License Negotiations: the approach

- Establish a framework for negotiation
- Know your “BATNA” (Best Alternative to No Agreement)
- Establish valuation assumptions and your ability to justify them
- Start thinking of the “value-capture envelope”
- Consider the “big picture” *vis a vis* your technology, institution, inventor, society
- Have a license template ready....and understand its provisions
- Understand and appreciate the needs of your partner

Pre-negotiation IP Valuation and Commercialization

- A common misperception: it is necessary to determine an absolute value of a new tech/IP in order to negotiate a license agreement
- Fact: it is **impossible** to accurately determine an absolute value of a new technology (and its related IP)
- The goal: develop a **flexible** value-position that is the basis for a win-win negotiation

- How?

Understand the technology, its market context, and potential benefits

Understand how the technology will be profitable for the licensee

Pre-negotiation Patent Valuation

Understand the Property Control Position

Intellectual Property (IP)

- Patent (scope? enforceability? issued or pending? where?)
- Trade secret
- Copyright
- Trademark

Tangible (bio)property

- Seeds, plants
- Cell lines

Is the property position feasible and effective?

Technology Valuation: some basics

- Your unilateral valuation is only a starting point of a two-way dialogue to create real technology value (in the marketplace)
- Since it is practically impossible to predict the future value of a technology, the best you can do is create a “system” for capturing future value and sharing risk
- The “system” is embodied in a flexible and multi-faceted license agreement

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Thank you