

Guidebook of IP/Technology Transfer

Track 1

Entry-level Tech Transfer Professional

Topic 1.12.6

Getting the Deal Done; Tricks of the Trade

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
- Build a “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

License Negotiations: establish a framework

- It's a two-way dialogue between licensor and licensee
- Transparency, honesty, fact-based negotiations
- Licenses must be sustainable – they're long-term relationships, unlike a sale
- Establish lines of communication, be clear on lines of authority and the decision-process

License Negotiations

- Establish valuation assumptions and your ability to justify them
- Do your homework on the technology, its technical and market attributes
- Educated use of assumptions to build a valuation model

License Negotiations :

Consider the “Big Picture”

Optimizing financial return versus:

the technology,

your institution and its reputation,

the inventor,

the public “good”

Framing the license negotiations

- Spend time getting to know the individual on the other side of the table
- Each party explains its goals, needs, in general and for the technology
- Discuss the licensee's business, products, manufacturing, sales, etc.
- Discuss the business realities of the marketplace of the technology
- Explain special circumstances, if any

Initiating the Negotiations

- Licensee explains license policies and practices....non-negotiable issues, needs, expectations, etc
- Licensor does the same
- Licensor shares its license agreement boilerplate and explains its features
- The parties agree on lines of communication, decision-making process, signing authorities

Negotiating The License

- agree on the enabling value of the technology in the future product
- define the product's market characteristics, margins, market size and share
- use the above to arrive at a rational royalty structure and amount
- be aware of royalty-stacking issues and accounting complexities

Negotiating The License

- Agree on the state of development of the technology, what is needed for commercialization, time-line and investment
- Discuss any special development hurdles and commercialization barriers, including costs to overcome and timelines
- Discuss how parties can collaborate on the development process
- Establish the whole development equation
creation -> testing -> development -> commercialization

Negotiating The License

- arrive at rational basis for upfront fees
and milestone payments (do not bargain)
- define each party's obligations and rights
- look for alternative benefits to craft
creative deal-making solutions
- walk away from table with general understanding
(not all issues resolved, of course)
- Establish contacts, protocols and authorities
- Agree on next steps: in particular, the Term Sheet

Negotiating The License: the Term Sheet

(a summary of the key license terms)

- Technology defined **precisely**
- The scope of rights defined
- Territory defined
- License fee
- Minimum fees, if any
- Royalty amount and structure
- Patent expense reimbursement, if any
- Duration of license
- Other, special situations defined, as necessary

Negotiating The License:

“tricks of the trade”

- You’re on the same side of the table – this is a design problem.....not poker!
- Hold firm to your assumptions and valuation....but
be prepared to adjust with persuasive arguments and good data that supports their argument
- Be creative in capturing value
- Be empathetic and understand each other’s risk
- Transparency, full-disclosure, honesty, personal reputation as a “straight shooter”
- Listen more than talking – use info to your advantage

Negotiating The License:

“tricks of the trade”

- Argue for royalty, quietly focus on minimum payments
- Timely responsiveness,
professional demeanor,
sense of humor,
new data, do extra homework
- Strive for “win-win”
- Remember: you are crafting a marriage, not a one-night-stand
- Your job: Get the Deal Done!

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Thank you