



Crafting a License Agreement

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Sometimes It's Hard Getting Started



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The Process

- Complete evaluation of technology
- Identify potential licensees(ors)
- Determine interest of potential licensees
- Sign non-disclosure agreement
- Begin informal discussions
- Evaluate potential licensees
- Begin formal negotiations
- Sign license agreement
- Do the money dance



Evaluation of Technology

- Strength of patent
- Stage of development
- Technical Advantage
- Number of applications
- Fit with current technology
- Cost of commercialization
- Size of markets
- Market Advantage
- Competition
- Production Costs vs. Selling Price



Potential Licensees

- Companies within the industry
 - Manufacturers
 - Distributors
- Entrepreneurs
- Company you create



Increasing IP Value

- Create attractive Presentation
 - Technical advantage
 - Market opportunities
 - Social needs met
 - Potential for external funding
 - Potential profit margins
- Maintain Discussions
 - Potential licensees
 - Companies in which you have no interest



Increasing IP Value (cont'd)

- Research potential licensee
 - Financial position
 - Management
 - Physical facilities
 - Marketing capabilities
 - Strategic partners
 - International presence
- Separate negotiator and decision maker
- Do not divulge your financial position
 - Never let them see you sweat



Parts of a License

General

- Recitals
- Definitions
- Grants (including sublicensing as option)
- Royalties and Financial Reports
- Disclaimers
- Patent Infringement and Prosecution
- Term of Agreement/Termination
- Assignment
- Force Majeure
- Notices
- Miscellaneous
- Signatures



Parts of a License (cont'd)

Government Additions

- U.S. Manufacturing
- Export Control
- March-in Rights
- Government Retained License
- Commercialization Reports
- Indemnification of the Contractor, DOE and the U.S. Government



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In every license, there is a “crisis” ...



- Begins as “danger” – both parties are at disadvantage
- Each party presents their “win” position which contains both “must haves” and “nice to haves”
- Negotiation begins, offering the “nice to haves” first, often as exchange for a “must have”
- The minds meet when agreement is reached and each party feels it won

Danger becomes Opportunity!

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Pricing Methods

- **Industry average**
 - Simple to understand
 - Difficult to compare
- **Discounted cash flow rate of return (DCFRR)**
 - Relies on forecast out 10 years
 - Factors in sunk costs and investments
- **Monte Carlo**
 - A variety of DCFRR which incorporates probability



Pricing Methods (cont'd)

- **Ranking**

- Great for planning strategy
- Very subjective

- **25% rule**

- Can be very arbitrary as relies on an estimation of licensee's profits



Pricing Methods (Cont'd)

- **Auction**

- Useful when there are many bidders

- **Fire sale**

- Recovers percent of investment in technology
- Useful for clearing out portfolios



The Process



- Remain flexible
- Listen and attempt to understand the “other side of the table”
- Use creativity and don’t be afraid of “it’s never been done”
- Focus on the areas of agreement to bring consensus
- Know your strategy and keep an “ace” in your pocket
- Manage, but never attempt to control.
- Remember that both parties must feel like they got a good deal!



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Don't Give Up!



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The Last Word

A Rule for Success:

**If at first you succeed, try
not to be astonished.**

There is no failure!

