




ABOUT THE MANUAL

The purpose of this Manual is to provide a basic knowledge and understanding of negotiating technology licensing agreements. It is a recognition of the importance of negotiation in finalizing a successful contract which, by definition, is one that meets the interests and is, therefore, acceptable to both parties. Licensing presupposes a continuing relationship between the parties and such a relationship will not be possible if one party or the other is not satisfied with the terms of the contract. A successful ongoing relationship is based on a contract with mutually acceptable terms. In this context, the importance of negotiation cannot be underestimated.

This Manual assumes the reader has little prior knowledge about or expertise in intellectual property and licensing. The material presented in this Manual has been prepared primarily for training purposes and, therefore, is most effective when used in that context. However, it is also intended to provide general guidance in negotiating technology licenses. Thus, it can be of interest to individuals or companies that may be involved in technology matters, lawyers dealing with technology licensing agreements, inventors who may have an invention that they would like to commercialize, students of technology licensing and government officials charged with the task of encouraging, implementing and managing technology licensing issues in a national context.

Given the complexity of licensing agreements, a variety of issues are of relevance. However, an introductory book of this nature cannot deal with, or adequately deal with, many of these issues. Issues such as bankruptcy and insolvency, standards, product liability, insurance, patent misuse and competition, ethics, government licensing, university licensing, taxation, post licensing issues and intellectual property audit, to name just a few, also merit some or detailed discussion. These are, however, beyond the scope of the present Manual. The objective of this Manual is to provide an introduction to some of the basic issues that arise in technology licensing negotiations



and some practical hints as to how they may best be addressed and dealt with. Thus, the first chapter introduces the concept of licensing and why one should or should not consider licensing. The second chapter discusses the importance of diligently preparing for a licensing negotiation. It underlines the importance of being well informed, defining one's business objectives, assessing in advance one's strengths and weaknesses and preparing an appropriate strategy for the negotiation. Chapter three provides guidance on how one may value technology. Chapter four provides an overview of a licensing agreement. It discusses some of the more common issues that arise in licensing agreements and illustrates many of them with examples of clauses. Chapter five then highlights the importance of negotiation and emphasizes that it is through negotiation that an agreement that satisfies both parties may be reached and the importance of reaching such a "win-win" agreement. In the annexes are some additional materials that will illustrate further the ideas discussed in the Manual. Annex I provides an introduction to intellectual property, Annex II A an example of a "Heads of Agreement", Annex II B "Structure of a Licensing Agreement", Annex III a "Rate the Negotiator" questionnaire, which can be used in a training program on negotiation, Annex IV some useful tips on achieving agreement, Annex V examples of agreements, Annex VI some case studies, which have been used in training potential negotiators in the art of negotiating license agreements and, finally, Annex VII a suggested schedule for a five-day workshop in which the material in the Manual could be used.

Each licensing situation is unique. The principles explained in this Manual should be applied keeping in mind the particular circumstances of the situation at hand. Licensing of technology is a complex and serious process involving technical, financial, legal and other matters. While the Manual has been written in an easy-to-read style with as many of the technicalities as possible provided as examples for further reference, the simplicity in presentation should not mislead the reader into expecting simplicity in negotiating a licensing contract. Anyone entering into negotiations of this kind is, therefore, well advised to engage a competent professional,



preferably a lawyer with licensing expertise. The basic purpose of the Manual will be served if it enables the reader to develop an appreciation of the key issues in a licensing negotiation, the importance of preparation and of the negotiation process and that no deal is concluded until the paper work is done. The reader will also see that a successful licensing negotiation requires a “win-win” situation, that is, a conclusion that meets the business expectations of both parties.

As this Manual is for educational and training purposes, using the material contained in it, subject to the conditions indicated in the disclaimer section, is encouraged. National customization of this material is particularly encouraged for it would serve to make the subject even more relevant and practical for its users.