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Win-Win License Negotiation and Getting the Deal

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Purpose of license as seen from licensor side

- Acquisition of royalty income

  A licensor makes royalty income as one of the main revenue sources of the business.
  In some cases, a licensor may cover R & D costs with royalty income.

- Establishment of a favorable position in the market

  Instead of monopolizing by patents, we will open up our new patented technology widely and conduct it by a third party, aiming to standardize our own technology in that field.

Purpose of license as seen from licensee side

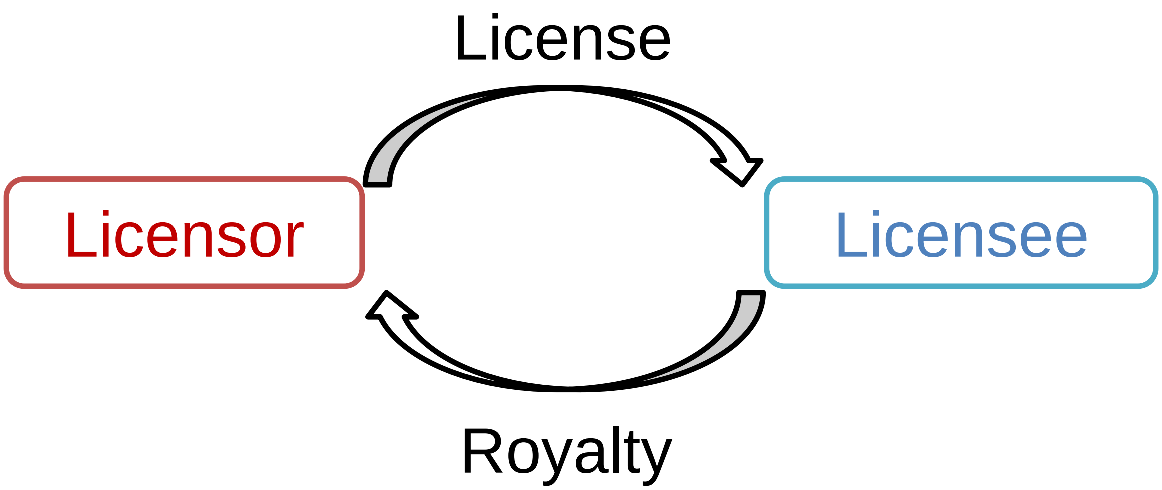
- Prevention and resolution of patent disputes

  The patent owner concludes a license agreement as a means of dispute.
  From the infringer side, apply for a license agreement to prevent infringement, implemented pay for royalty.

- Reduction of R & D risk

  Reduction of time, costs and risks from invention to commercialization.

Basics of license agreement



consideration	Contents
Interested party	who is the interested party?
Target	What is the target patent?
License	What kind of license do you grant?
Royalty	How much will you pay as a royalty?

What kind of license do you grant?

- License

  Non-exclusive license (Japanese patent low, Article 78)
  Exclusive license (Japanese patent low, Article 77)

- Sublicense

  Whether to grant authority to grant license to third party.
  In Japan, Exclusive license(Article 77) has the authority to grant license, but the patent holder can not implement the patent.

- Cross-license

  Give one party a license to use patented material in return for a similar license.

How much will you pay as a royalty?

- Cost approach

  Royalty is determined based on the cost of research and development. It is the most conservative approach.

- Market approach

  Royalty is determined based on industry customs and royalties of similar technology. It can be the most timely and secured value of the royalty when it is a product that has a market is established.

- Income approach

  Royalty is determined based on the future value. This approach is probably the most intrinsic evaluation method.

Income approach

Amounts and royalty rate are subject to negotiation. Therefore, we need to negotiate flexibly with consideration of the following items.

- Exclusive or Non-exclusive
- Region and period restriction
- Initial payment
- Running Royalty

Inventions resulting from joint research

Handling of the inventions resulting from joint research differs dependent on whether the partner is a company or university.

- Joint Research with a company

  Negotiations to be settled without problems

- Joint Research with a University

  "Non enforcement Indemnification" which universities require sometimes causes a problem.

Joint Research with a company

Company A ⟷ Joint Research ⟷ Company B

⇩

Invention

⇩

File a patent

As a general rule…

Cost	Company A : Company B = 50% : 50%
Equity	Company A : Company B = 50% : 50%
Implement	Company A and Company B can implement the patent freely
Royalty	No need to pay the royalty to the partner company

Since it is an equal condition, negotiations are easy to settle

Joint Research with a University

Company A ←Joint Research→ University C

⇩

Invention

⇩

File a patent

As a general rule…

Cost	Company A : University C = 100% : 0%
Equity	Company A : University C = 50% : 50%
Implement	University C can not implement the patent Only the company A can implement the patent so…
Royalty	If the company A implement the patent, the company should pay the royalty fee to the university C.

This is so called "Non enforcement Indemnification", it sometimes hinders joint research between a company and university.

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Thank you for your attention