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Advanced Licensing

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I. Preparing for Negotiation

- **Summarize Key Terms.** Prepare a summary of the key commercial issues and the interests of the parties on each such issue.
- **BATNA.** Establish the maximum (or best) position and the minimum (or worst) position. What is your and the other company's best alternative to a negotiated agreement (BATNA)? What course of action will be taken by each party if the negotiations fail and an agreement cannot be reached?
- **Champion.** Gain the support of an internal champion. If you don't have a champion, evaluate the odds of success.
- **Coordinate Communications.** Ensure that everyone from your team is reading from the same script; otherwise you stand to be sabotaged by your own colleagues.
- **Win-Win.** Aim for a "Win-Win" outcome.
- **Aim High.** Aim high, but not so high that the offer is not realistic and jeopardizes your credibility.
- **Options.** Generate variables/options to achieve a better deal.
- **Research.** In preparation for the initial negotiations, you should conduct competitive intelligence:
 - What are the other company's interests? How much pressure are the other company's executives under to meet these interests?
 - What is the importance of timing for concluding a deal? Can more favorable deals be completed before quarter or annual end?
 - How are decisions made by the other company? Do the negotiators have authority?
 - What terms has the other company accepted in other deals?
 - What is the negotiator's style?

II. Negotiating

- **Term Sheet.** Negotiate all the major issues at the term sheet stage. Even “legal” issues, such as representations and indemnities are business issues because they reflect a balance between risk and reward. Each term is a function of every other term, so deal with as many key terms as possible early. It is much more difficult to raise issues during negotiation of an agreement after a term sheet has been agreed.
- **Don’t be a Lone Ranger.** Don’t negotiate alone. Include an experienced business person. Negotiated provisions are more likely to stick if there is more than one witness.
- **Options, Again.** Finally, nothing is cast in stone. Everything is negotiable. Consider whether there are other means to realize your interests.

III. Key Terms - Subject Matter

- **Don’t Leave Out Needed Subject Matter.** Obtain rights in all subject matter that is needed in order to utilize the technology -- patent, copyrights, know-how, access to materials and to personnel to provide related consulting and training.
- **Identify Subject Matter with Particularity.** Quote the patent number or attach the patent specification giving a detailed description. Clarify whether the license is to use software, documentation, a drug formula, a protocol, a text, a musical score, etc.
- **Remember Distinction Between Technology and Intellectual Property.** Failure to make a distinction between “technology” and “intellectual property” leads to ambiguity in the meaning of contractual provisions. For example, the licensor may only have intended to grant the right to use its software inventions. However, by granting rights under a definition of “Inventions” that also includes patents, the license includes anything covered by the patent, even software that did not come from the licensor itself. “Technology” should refer only to tangible and intangible things, for example, processes, techniques, know-how, algorithms, software, content, data, databases, protocols, manufacturing processes, business or legal plans, etc. “Intellectual Property” should refer only to legal rights, such as patents, copyrights, trade secrets & trademarks; and registrations of, applications to apply for & priority rights based on, the foregoing.

IV. Key Terms - License Grant

- **Subject Matter of Grant.** Clarify subject matter of grant: (1) a pure technology grant; (2) a pure IP grant; or (3) a composite grant.
- **Define Statutory IP Rights to be Licensed.** Specify all statutory rights to practice under the rights in specified IP/technology or one of [make, have made [certain product], use, import [into the U.S.], offer for sale, and sell products [for

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