AMA/LES

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ACQUISITION OF TECHNOLOGY: THE IMPORTANCE OF LICENSING IN VS. LICENSING OUT

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I. PRESENT STATUS

A. MOST U.S. CORPORATIONS HAVE MORE LICENSES-IN THAN LICENSES-OUT

B. MANY U.S. CORPORATIONS PAY MORE MONEY OUT IN ROYALTIES THAN THEY TAKE IN

C. BOTH ARE TRUE AT ITEK

II. LICENSING IN

A. ADVANTAGES

1. MAY PERMIT RAPID ENTRY INTO MARKET USING COMPLETELY DEVELOPED TESTED TECHNOLOGY OF OTHERS.
2. MAY BE CHEAPER THAN DEVELOPING OWN TECHNOLOGY
3. MAY ELIMINATE NEED FOR EXTENSIVE RESEARCH
4. MAY PROVIDE RELATIONSHIP PROVIDING ACCESS TO ADDITIONAL TECHNOLOGY
5. MAY ACQUIRE TECHNICAL SERVICES AND BACKUP TECHNOLOGY AS WELL AS PROBLEM SOLVING
6. MANAGEMENT ASSISTANCE
7. MARKETING ASSISTANCE
8. LICENSE MAY ~~BE~~ START OF CLOSER RELATIONSHIP, SUCH AS PARTIAL OR TOTAL ACQUISITION
9. LICENSE GIVES LICENSEE OPPORTUNITY TO EVALUATE TECHNOLOGY WHICH IT MAY WANT TO PURCHASE ITSELF AND LICENSE OTHERS
10. POTENTIAL PRESTIGE FACTOR
11. VEHICLE TO ACQUIRE PRODUCTS TO MARKET

DON'T HAVE OPPORTUNITY TO DEVELOP OWN NEW PRODUCT DEVELOPMENT ABILITIES

B. DISADVANTAGES

1. DOWN PAYMENT MAY NOT BE RECOVERABLE BECAUSE TECHNOLOGY IS NOT ADEQUATE OR IS NOT SUITABLE FOR LICENSEE'S MARKET

INVESTIGATE KNOW YOUR OWN ABILITIES & SKILLS. CAN YOU MARKET PRODUCT? DEVELOPMENT REQUIRED.

2. BY ACCEPTING LICENSE FROM ONE LICENSOR MAY REMOVE ACCESS TO OTHER LICENSORS - LICENSEE MAY CHOOSE WRONG TECHNOLOGY OR WRONG LICENSOR

3. LICENSOR MAY NOT BE ABLE OR WILLING TO RENDER ADEQUATE ASSISTANCE

4. LICENSEE MAY BE HARMED BY UNLICENSED COMPETITION IF LICENSOR'S PATENT PROTECTION IS WEAK

5. LICENSE MAY BE TOO EXPENSIVE AND THUS PROFIT ON LICENSEE'S OPERATION UNDER LICENSE MAY BE INADEQUATE

BE CONSERVATIVE IN CALCULATING PROFITS

6. LICENSED TECHNOLOGY MAY NOT BE SUITABLE FOR LICENSEE'S MARKET (OBSOLETE, TOO HIGH OR TOO LOW QUALITY, TOO EXPENSIVE, ETC.)

STRUCTURE OF ORGANIZATION — MARKETING OR PURCHASING OF TECHNOLOGY

III. CASE HISTORIES VARIETY - CREATIVITY

MIX OF KNOWLEDGE & BACKGROUND ACQUIRED

A. ITEK QUADRITEK PHOTOTYPESETTER

1. EQUIPMENT

2. TYPEFACES

a. US — NO COPYRIGHTS

b. EUROPE — COPYRIGHTS

B. MAGNETIC EYEGLASS CASE

C. BRONZINI EYEGLASSES

TM / NOTECH

D. JAPANESE PLATE CHEMICALS + EQUIPMENT

FORMULATION FEW PAT

IV. FUTURE STATUS

A. WILL BE EVEN MORE LICENSING-IN

1. CONTINUING INFLATIONARY PRESSURE ON COSTS IN GENERAL AND NEW PRODUCT RESEARCH IN PARTICULAR

2. INCREASE OF FINANCIAL PEOPLE IN GENERAL MANAGEMENT

WESTERN ELECTRIC

3. INCREASING COMPLEXITY OF TECHNOLOGY

4. INCREASED LEVEL OF DEVELOPMENT OF FOREIGN TECHNOLOGY, ESPECIALLY JAPAN AND GERMANY

5. EVEN MORE DIFFICULT IN FUTURE FOR A COMPANY TO DEVELOP ITS OWN NEW PRODUCTS IN ALL FIELDS IN WHICH IT OPERATES

HOW MANY COMPETITORS DO YOU HAVE IN EACH OF YOUR PRODUCT LINES IN THE WORLD?