#3

LICENSING INVENTIONS
(INNOVATION SEMINAR)

I. NOW YOU'VE MADE YOUR INVENTION, WHAT ARE YOU GOING TO DO WITH IT?

- A. MAKE PRODUCT YOURSELF
- B. LICENSE OR SELL INVENTION TO SOMEONE ELSE FOR THEM TO MAKE, USE OR SELL THUS RELY ON SOMEONE ELSE

II. TO LICENSE OR SELL -

- A. LICENSEE - LICENSOR
- B. PERMISSION TO USE YOUR PROPERTY
- C. HAVE TO CONVINCE SOMEONE ELSE THAT HE WILL MAKE MONEY BY MAKING AND SELLING THE PRODUCT
- D. LICENSEE MUST MAKE INVESTMENT
  1. TO FINISH DEVELOPMENT OF PRODUCT
  2. TO MAKE PRODUCT (TOOLS, MOLDS, ETC.)
  3. TO SELL PRODUCT
- E. YOU HAVE TO MARKET YOUR TECHNOLOGY AS IF IT WERE A PRODUCT

III. SELECTION OF POTENTIAL LICENSEES

- A. WHO IS IN THE BUSINESS OR RELATED BUSINESSES
  1. TRADE JOURNALS
  2. TRADE SHOWS
  3. PATENT SEARCHES (SHOWS WHO IS DOING RESEARCH IN THE FIELD)
  4. CHECK WITH DISTRIBUTORS OF SIMILAR PRODUCTS

IV. CONTACTING AND SELLING POTENTIAL LICENSEES

- A. PERSONAL CONTACT AT HIGH LEVEL IS BEST
- B. OFTEN INITIAL MEETINGS WILL HAVE TO BE NON-CONFIDENTIAL
- C. PRESENT AS MUCH ON COST FIGURES AS YOU HAVE AVAILABLE

D. GET LICENSEE'S PEOPLE EMOTIONALLY INVOLVED, IF POSSIBLE

E. AFTER GETTING LICENSEE'S INTEREST, ASK FOR HIS ESTIMATES OF WHAT HE CAN DO WITH THE TECHNOLOGY IN THE MARKET

V. THE LICENSE AGREEMENT

A. GENERAL

NO FORM AGREEMENTS

WIDE ~~ARRANGEMENT~~ OF POSSIBLE BUSINESS DEALS

USE LICENSING EXPERT

(MUST BE ABLE TO APPRECIATE LONG-TERM PRACTICALITIES OF ARRANGEMENT)

MUST BE GOOD DEAL FOR BOTH SIDES

NEGOTIATION NOT CONTEST TO DETERMINE WHO IS SLICKEST LAWYER

LICENSING LIKE MARRIAGE

1. CAN'T TELL IF GOOD ARRANGEMENT UNTIL TOO LATE
2. NEED CONTINUING RELATIONSHIP

B. WHAT TO CHARGE?

~~A.~~ BOTH PARTIES HAVE TO MAKE MONEY

~~B.~~ IS THERE INDUSTRY PRECEDENT

~~C.~~ LICENSEE TAKES MORE RISK. THEREFORE HE SHOULD GET LION'S SHARE OF PROFIT

~~D.~~ ROYALTY ON SALES, LUMP SUM, SPECIFIED FEE PER UNIT

~~1.~~ LUMP SUM, SINGLE PAYMENT

~~2.~~ LUMP SUM, MULTIPLE PAYMENT

~~3.~~ DOWN PAYMENT PLUS RUNNING ROYALTIES

4. RUNNING ROYALTIES

A. % OF SALES

I. CONSTANT

II. VARIABLE

B. FIXED AMOUNT PER ITEM

I. CONSTANT

II. VARIABLE

III. INFLATION CLAUSE

5. DOWN (INITIAL PAYMENT)

A. PART OR ALL MAY BE CREDITED AGAINST FUTURE ROYALTIES

I. FOR SOME SPECIFIED PERIOD

6. STOCK OF LICENSEE

A. PART OR ALL OF ROYALTIES

7. MINIMUM ROYALTIES

E. FOR GOOD TECHNOLOGY AND GOOD PROPRIETARY POSITION SHOULD GET 15-35% OF PROFIT ESTIMATE, PAYABLE AS A PERCENTAGE OF SALES -- DON'T HAVE % OF COST OR PROFITS

F. EXCLUSIVE - NON-EXCLUSIVE - SEMI-EXCLUSIVE

FIELD

TERM

1. PATENT LIFE

I. WATCH "LAST PATENT TO EXPIRE."

TERRITORY

SUB-LICENSEE

VI. WHAT ARE YOU LICENSING?

A. INVENTION - PATENT

1. INVENTION -- SOMETHING THAT WAS NOT THERE BEFORE
2. RIGHT TO EXCLUDE OTHERS
   NO RIGHT TO DO ANYTHING
   NOT MONOPOLY
   BELL TELEPHONE EXAMPLE
   EUROPEAN COPIER COMPANY EXAMPLE
3. U.S. AND FOREIGN -- NO EXTRATERRITORIAL RIGHTS
4. PATENT APPLICATION -- NO RIGHTS UNTIL ISSUED
5. PATENTS DISCLOSE INFORMATION AVAILABLE AT TIME OF FILING PATENT APPLICATION
   DETAILS WHICH ARE NEARLY ALWAYS DEVELOPED AFTER PATENT APPLICATION IS FILED, AS PATENT APPLICATION SHOULD BE FILED IN U.S. PATENT AND TRADEMARK OFFICE AT AN EARLY STAGE OF DEVELOPMENT.
6. WHAT PATENTS COVER
   EDISON PATENT -- CARBON FILAMENT
   FERMI & SZILARD ATOMIC REACTOR PATENT
7. LIFE OF PATENT
   U.S. -- 17 YEARS
   FOREIGN -- MAINTENANCE TAXES
8. COSTS
9. WHY PATENTS?
   A. SECRECY VS. DISCLOSURE
   B. SOME PROTECTION OF R&D EXPENDITURES
   C. HELP SMALL COMPANY VS. BIG COMPANY.
      POLAROID
   D. USEFUL IN LICENSING AND JOINT VENTURE BUSINESS ARRANGEMENTS