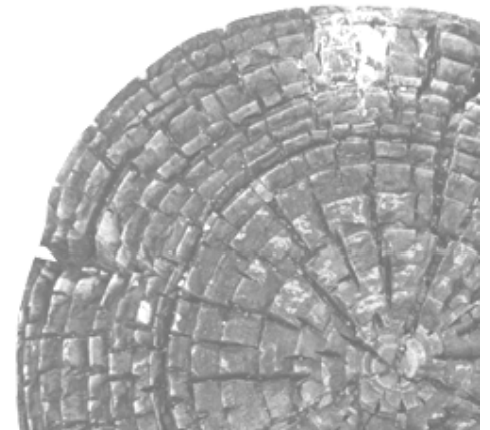




How to Negotiate a Licensing Contract

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The 24ip law group

- Law Firm specialised exclusively in IP
- Offices among others in
 - Berlin
 - London
 - Munich
 - Paris
 - Washington DC
- Active LIMA member for more than 10 years
- Dedicated Licensing Competence Group
 - Licensing Contract drafting and review
 - Negotiation Assistance
 - Dispute Mediation





ITEMS:

- Introduction
- Terminology
- Preparation
- Strategy
- Mistakes





INTRODUCTION

- Why talk about Contract Negotiation?
 - It's at the heart of the Licensing business
 - Too many contracts go wrong too many times





TERMINOLOGY

What is Licensing?

- It's not just putting other people's pictures on T-shirts and pay money
- The regulation of the exchange of rights of use for:
 - Copyrights
 - Know-How
 - Trademarks
 - ...
- The regulation of compensation
 - How are proprietors of rights compensated for allowing others to use the results of their creativity?
- Conclusion:
 - It is pretty legal! Talk to your lawyer!!





TERMINOLOGY

- To grant a License:
 - To give permission to someone to use something, what is not rightfully his in the first place
 - in this connection here ideas, know-how, names, etc.
- The License:
 - The word license refers to that permission, as well as to the contract regulating that permission, in which a license may be granted by a giving party, i.e. the licensor, to another receiving party, i.e. the licensee.
- In short:
 - Granting a license to someone is nothing else than the promise by a party holding intellectual property rights of whatever kind to another party, not to use them, even so they would have the means to do so.





PREPARATION

- Contract negotiation, whether it is business or personal requires careful planning and execution.
- Information about the What, Who, Where and When are indispensable prerequisites





PREPARATION

What? Where?

- Absolutely essential is the existence of well documented Intellectual Property Rights in the markets that you intend to cover with the contract
- Remember: No rights, no contract!!
- What Trademarks, Copyrights, Designs do exist where and are they still alive?
- A licensor can only allow the licensee to do something, if, without such an allowance, the licensor has the right to take action against the other party using his ideas, names, technology, know-how, etc. and stop them from doing so.





PREPARATION

Who?

- Get to know as much about the party you are negotiating with as possible
- Is it a credible company, do they have a history of successful deals in the area you intend to enter with the contract?
- Talk to other people that have done business with your potential contract partner
- Find out who owns the rights in question?





PREPARATION

When?

- For how much time are you willing to bind yourself to the other party
- Remember: Signing a contract is very much like getting married
- You're going to be in the same bed for as long as the contract holds





STRATEGY

- List Rank Your Priorities Along With Alternatives
- Develop your contract negotiation strategy
- You will not be able to negotiate effectively all areas of the contract at once.
- You want to be sure that what is most important to you is discussed and agreed upon before you move to less important items.
- In addition, you may want to refer to the least important items if you have to give up something to get your top items.





STRATEGY

- Know the Difference Between What You Need and What You Want
- Review your priorities frequently throughout the contract negotiations planning process
- Be sure to ask the hard questions:
 - "Is this really a priority for our company, or is it a 'nice to have'?"
 - "Was this priority a result of some internal political jockeying, or is it for real?"





STRATEGY

- Know Your Bottom Line So You Know When to Walk Away
- Is there a cost or licensing fee that your company cannot exceed?
- Have you come to realize that one or two of the top priorities are truly non-negotiable and you will be better to walk-away from this contract if the other side does not agree to it?





STRATEGY

- Define Any Time Constraints and Benchmarks
- In any substantial project you will want to set performance measurement standards that you will expect from your contract partner.
- If these are essential to your business, then you will want negotiate a fair and equitable penalty when they are not met.
- For example:
 - project completion dates,
 - approval deadlines
 - delivery date for first batch of parts,
 - start date for the sales, lead times, etc.





STRATEGY

- Assess Potential Liabilities and Risks
- What is the potential for something to go wrong?
- What if unforeseen costs are encountered?
- Who will be responsible if government regulations are violated?
- Who is responsible if other party's rights are infringed
- Who is responsible to keep rights alive?





STRATEGY

- Determine If You Will Need Legal Counsel
- If you feel the least bit uncomfortable reviewing contract "legalese", do not hesitate to retain a lawyer specializing in contract negotiations
- On-Site or Teleconference
- Agree upon where the negotiation session(s) will take place.
- If the distance is too far to travel cost effectively, set up a teleconference to accomplish the negotiation session.
- Make sure it is a video conference because body language speaks louder than words.





STRATEGY

- Make sure the person representing the other party has authority to negotiate
- It would be a huge waste of time to hear at the end of a long negotiation session "Well, let me get back to you after I hear what my boss has to say about this."





STRATEGY

- Do the Same for Your Opponent (i.e. Walk a Mile in Their Shoes)
- Now that you have completed the contract negotiations planning process for your business, repeat the same process as if you were the other party.
- What area do you think is most important for them?
- What risks or liabilities will they want you to assume?
- Your list won't be perfect, but it will succeed in putting you into a frame of mind to look at things from their perspective.
- This is how great partnerships between contractual parties are built.





MISTAKES

- The smallest mistake can kill an otherwise productive contract negotiation process.
- Avoid these contract negotiation mistakes so that you and your partner will come to an agreement that will benefit both parties





MISTAKES

- Thinking The Yard is Fenced In
 - Don't assume that only a certain subset of resources or conditions can be negotiated.
 - The sky is the limit and finding creative and original alternatives that can benefit both parties will result in a better negotiated contract.
 - Do not propose ridiculous or insulting alternatives that will destroy your sincerity and integrity.





MISTAKES

- Failure to Study Your Opponent
 - Don't approach the contract negotiation process with the "It's all about me!" mentality.
 - Try to understand the other party's market and what other influences control the environment.
 - The larger the contract, the more time you should spend on this.





MISTAKES

- Too Aggressive
 - You need to be certain that your company's interests are at the forefront of your priorities
 - At the same time you need to be mindful and sensitive regarding the person representing the other party
 - Going "on the attack" will only succeed in raising his/her defensive mechanisms and negotiations will turn out to be fruitless





MISTAKES

- It's All About Price
 - Of course nobody wants to pay too much for their goods and services
 - But there is a lot more on the table than just money
 - Look for alternatives that are high on your priority list and low on the vendors
 - Then you both win





MISTAKES

- Jumping Too Quick
 - No matter how low the opening price is, offer lower or ask for something more.
 - If you jump too quickly at the first offer, the other side will feel like they made a stupid mistake.
 - You want the vendor to leave the negotiation table feeling good.





MISTAKES

- Terminology Not Defined or Understood
 - Don't assume that everyone who will read the contract will understand every technical term or complicated provision.
 - Insist that every area of the contract that has the possibility of being misunderstood is clearly defined





MISTAKES

- Inconsistencies Within the Contract
 - Look for inconsistencies within the contract that can come back to haunt you in some form of arbitration.
 - If necessary, have a third party review the contract in order to uncover any inconsistencies





MISTAKES

- Avoid Redundancies
 - Stating the same thing twice in different section of the contract will not reinforce their value, but make it confusing and may create contradictions
 - In most instances lawyers and the courts will come up with a reason to differentiate and justify both areas; usually with an interpretation that neither party anticipated.





MISTAKES

- Concern in One Area Will be Overridden by Another Area
 - Do not assume that a perceived weakness or apprehension in one area of the contract can be compensated by strength in another area.
 - Be specific and direct in all areas.
 - Once the contract is contested in a court of law, all control is removed from your hands





SO.....

- Have a Strategy
- Be Prepared
- Be Informed
- Avoid Mistakes
- **TAKE YOUR TIME!!!!**





Thank you!

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