

## Seven Somewhat Non-Standard Suggestions For Negotiating University IP Rights Agreements

By Michael Alvarez Cohen

This year (2015), I completed my 100th intellectual property (IP) rights agreement for UC Berkeley (UCB). My most recent agreement is an exclusive license to a UCB spinout for three sensor-related technologies. That agreement was completed in about 30 days. About half of my UCB agreements were with startups; and the technologies that I've licensed include battery technologies, biofuels, medical devices, nano materials, photovoltaics, sensors, semiconductors, software, and biomimetic technologies. In reflecting on these agreements, I offer the following seven slightly non-standard suggestions for negotiating university IP rights agreements.

### 1) Mindset: This is Not an Adversarial Relationship

When ramping-up a discussion with a company on an IP rights agreement, I like to diplomatically establish the mindset that the company and university are entering into a partnership, not an adversarial relationship. I often clarify that, our objective is to establish relationships and agreements that get the University's technologies commercialized fast and broadly, for the benefit of society, to fund research and education, as well as to reward the researchers for their ingenuity. Frequently, I emphasize that, "we want you (the company/licensee) to succeed with our technology and thereby be a success story for the University."

Prior to working at UCB, I negotiated many relatively adversarial agreements. So I empathize with how this non-adversarial tone can resonate with companies.

### 2) Proposal: IP Rights are a Fraction of a Successful Product

I co-founded three technology-based companies, and I product-managed several new computer systems for established companies. In reflecting on what made those endeavors successful, I know, first-hand, that IP rights are just a fraction of what it takes to establish a successful product. I apply this realization to the financial terms of IP rights agreements, and companies appreciate this perspective in action.

A corollary to this realization is that the so-called, "25% rule" of thumb (the licensee pays the university 25% of the operating profits from the products that incorporate the IP) is not reasonable.

### 3) Process: Respond at the Speed of Business

Many people expect universities to respond slowly in negotiating agreements. I like to surprise (and delight) people by responding quickly. I call this, "working at the speed of business (not bureaucracy)." In achieving this, I focus on the cadence of the negotiations: the time between each response. I don't like to be on the critical path of the next step in the process. So, I try to respond within one business day, and when possible, within one business hour.

When I was negotiating agreements that were relatively adversarial (prior to my role at the University), I knew that if the other party had a looming deadline, then sometimes it was advantageous to stall the pace of a negotiation in order to leverage that time constraint. However, I like to demonstrate the University's partnership mindset, by explicitly respecting any deadlines that the other party might have. That respect helps build credibility, and in turn, helps with suggestions #4, #5 and #6 below.

### 4) Counter-Proposal: Say Why, Not Just What

When I'm responding to a counter-proposal that won't work for the University, instead of focusing on the terms alone, I like to explain the logic of why the counter-proposal is problematic for the University. This approach is based on my premise that, when the parties in a negotiation establish common core assumptions, then they will more readily come to agreement on the terms of a contract.

Explaining "why" can take more of my time, but companies appreciate the insight, and develop more respect for the University – especially because many companies enter into negotiations with a skeptical assumption that many university policies are unnecessary or too rigid.

### 5) Negotiations: Take the Lead on Compromise

I like to receive and respond to a company's counter-proposals in their entirety, instead of serially negotiating

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each counter-proposed term—item by item. That enables me to review all the items and look for opportunities to show leadership on compromise (on terms for which the University has some flexibility). In the spirit of mutual compromise, I condition the University's flexibility on the company showing reciprocal flexibility (on terms for which the University is constrained).

Furthermore, I like to distinguish between business terms and legal terms, because often, the University has more discretion on the former, and less flexibility on the latter.

## 6) Deadlocks: Shine Perspective on Risk Management

When negotiations seem deadlocked—especially on a legal term, I like to give the company perspective by observing that most of the legal terms are related to scenarios that are unlikely to occur, and therefore they are rarely key success factors for the technology under license. After the company concurs, then I observe that a lot of new technology development is about managing risks (not taking risks). In the context of risk management, the legal term that we are deadlocked on is so unlikely to occur that it's not worth the company's time and money to belabor (and consequently escalate to a policy exception that will take lots of time to review).

Also, when deadlocked on legal terms that, (1) don't material impact the success of a technology, and (2) deal with scenarios that have a low probability of occurring, I also like to observe (wisdom that I learned in my first agreement with Internet pioneer, Judy Estrin), that it's

prohibitive to try to author a contract that details every conceivable scenario—especially rare scenarios. So instead, ultimately you have to rely on the reasonableness of the parties. This advice is especially effective when dealing with university alumni—because there is inherently mutual goodwill between alumni and their alma mater.

## 7) Litmus Test: The Chancellor's Office or Wall Street Journal

In the end, the litmus test that I use to evaluate an agreement (including the process as well as the terms) is, if I was called into the Chancellor's office or by the *Wall Street Journal* to explain the agreement, could I credibly defend it? Accordingly, before I agree (on behalf of the University) to compromise on a term, or accept an anomalous condition, I ask the company to explain the situation – via e-mail so that it's in writing. Then I can use that written explanation as evidence in my hypothetical justification to the Chancellor or newspaper.

Speaking of e-mail, I like to conduct negotiations via e-mail because I find that it minimizes ambiguity, misunderstanding and scheduling, and thereby expedites the process. In fact, I've completed some licenses entirely via e-mail.

Those are my seven slightly non-standard suggestions for negotiating IP rights agreements. I welcome your feedback, and additional non-standard suggestions. ■

**Editor's Note:** If you have some interesting and effective negotiating techniques that you would like to share, please send them to me at [editor@lesi.org](mailto:editor@lesi.org).