
The LESI GUIDE to LICENSING BEST PRACTICES

Strategic Issues and
Contemporary
Realities



LICENSING EXECUTIVES SOCIETY INTERNATIONAL

LICENSING BEST PRACTICES

**The LESI Guide to Strategic Issues and
Contemporary Realities**

Robert Goldscheider,
Editor



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About LESI

The Licensing Executives Society is one of the most dynamic professional organizations in the world. It was born in 1965 when 10 corporate executives and lawyers who were involved in some way with licensing recognized a common need to educate one another about the burgeoning fields of licensing and technology management. They met in Hollywood, Florida, and set up an infant group at that time.

It immediately became obvious to many people that the existence of LES meets real needs. The Society has rapidly and regularly grown in its number of members and geographical presence. As of 2001, there are more than 10,000 members, belonging to 27 national chapters all over the world. About half the membership is in LES (United States and Canada), the current name of the founding group. The backgrounds of the members include scientists in many fields, corporate executives, intellectual property and commercial lawyers, university officers, government officials, and consultants. LES International (LESI) is the coordinating organ of the local societies, and its board of delegates meets twice each year.

LESI is responsible for the Society's respected journal, *les Nouvelles*, as well as other useful publications. Numerous local, national, regional, and global conferences are convened throughout the year, featuring plenary speeches, workshops, and active industry committee meetings. All of these functions provide valuable venues for networking.

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Preface

The genesis of this book was a challenge in late 2000 from Ed Shalloway as he began his term as president of LES International. I had just renewed my term as chairman of the LES Education Committee. Ed's challenge to me and our committee was to do something different and memorable. Thus began an adventure that has resulted in this volume and the analogous audiotapes.

Our original idea was to produce a film of several prominent LES members who would speak about their respective areas of specialty. A two-hour film of four lecturers giving a basic licensing course at an LES USA and Canada annual conference in the early 1980s had been well received. A surprisingly large number of tapes were sold over a period of 10 years. With this in mind, several of our peers were questioned about their interest in participating. Everyone was enthusiastic.

Early on, it occurred to me that a serious film needs a script. It would therefore be useful to have the participants prepare texts that would clearly articulate their ideas. More than 20 different segments were envisaged. Thus, the germination of a book occurred.

Next, we had to locate an appropriate publisher. During the past few years, I have been favorably impressed by several books pertinent to the licensing field that had been published by John Wiley & Sons. A number of LES members are pleased to have their work handled by Wiley. I therefore contacted them and was fortunate to be referred to Susan McDermott, who had just joined the company as acquisitions editor. She was enthusiastic about this LES project, obtained the support of the decision makers, and "the rest is history."

Our goal was to produce an anthology of serious thoughts about many facets of licensing. I contacted a group of LES members whose styles and quality of independent thinking I respect. They have very different backgrounds and experience. Their least common denominator is professionalism, diligence, and intellectual excellence. When discussing the contributions they were invited to provide, I was gratified to note that everyone took this opportunity seriously.

The results have exceeded my optimism. As chapter after chapter was received, I was more than merely impressed. I was genuinely excited that members of the society to which I have devoted considerable effort and emotion for more than 30 years were creating a joint work of exceptional value to the world of licensing.

I consider the chapters to be of a uniformly high standard. Each of them deserves special mention.

Willy Manfroy was asked to write on the somewhat general subject, “Expanding Business of Licensing.” He was approached because he has been heading a creative task force that is producing sophisticated sets of new materials intended to instruct licensing executives at the introductory, intermediate, and advanced levels. As such, he is providing important tools to improve the licensing discipline. His eloquent description of the environment in which we work, in the opening chapter of the book, provides a useful keynote for the chapters that follow.

Richard Razgaitis was invited to provide a chapter titled “Technology Valuation” in recognition of his recent, successful book titled *Early-Stage Technologies: Valuation and Pricing*. Rather than merely rest on his laurels, Raz submitted additional, valuable insights about this active subject.

John Ramsay has been stimulating and entertaining LES audiences for years on the subject of “Dreadful Drafting.” He has supplemented those materials in an essay bearing the subtitle “The Do’s and Don’ts of Licensing Agreements,” which contains good-natured wisdom for both veterans and rookies in the field.

Heinz Goddar and **Alan Gordon** have drafted a bifurcated chapter discussing “Recent Changes in Patenting Procedures and Protection: Developments in the European and U.S. Patent Systems.” These comments reflect the fact that they are both leading practitioners at the cutting edge.

Mel Jager’s chapter on “The Critical Role of Trade Secrets Law in Protecting Intellectual Property Assets” highlights the key thinking in his respected and readable multivolume treatise on the same subject.

Michael Lechter had a particularly difficult assignment in my view, since he was asked to address the rapidly evolving subjects of “Copyright, Software, and Web Site Issues in the Internet World.” His chapter is brilliant and taught me a lot. These subjects are very pertinent to all serious practitioners.

The jointly written chapter on “Trademarks, Trade Names, and Trade Dress,” by **Tom Small** and **Ken McKay**, covers the pertinent legal situations in the United States and Canada. This is one of the longest chapters in the book, but it has been published in its entirety because of its excellence. Indeed, I consider this to be perhaps the best commentary on these subjects, with which I happen to be quite familiar, that I have ever read.

Cathryn Campbell is senior partner of a thriving IP law firm that focuses on biotechnology inventions. She has written a savvy chapter titled “Licensing in the Biotechnology Industry,” describing several actual situations. It is enjoyable to read and highly instructive.

Tom Picone treats the other major area of health care activity in a chapter titled “Pharmaceutical Licensing During the Revolution.” This is probably the most active area in all of licensing, and these comments should be useful to the many practitioners in the field.

Two of the most successful operators in the academic area, **Lou Berneman** and **Kathleen Denis**, have written an insightful chapter titled “University Licensing Trends and Intellectual Capital.” I thought their original text was just fine, but they insisted on supplementing it, thereby adding even greater value.

Another jointly written article, “What to Do with Technology Rights That Are Financial Assets and Instruments,” is a very innovative piece in itself. It was written by the husband and wife team of **Nir Kossovsky** and **Bear Brandegee**. A scenario with a dialog among “players” has been constructed that engagingly explains several novel and somewhat difficult points.

“IC-based Corporate Carve-outs: Strategy, Structure, and Funding,” jointly written by **Jim Malackowski** and **Suzanne Harrison**, is a sophisticated discussion of several innovative financial issues. The type of thinking signals the wave of the future to this grizzled licensing executive.

Another duet dealing with “Licensing and Litigation” from the American and European viewpoints has been presented by **Ron Grudziecki** and **Arnaud Michel**. Their interaction and collaboration has been effective and highlights several important issues.

My first and last choice for authorship of a piece on ADR was **Tom Arnold**, who is widely considered to be the dean in this special field. When I contacted Tom’s office, I learned that he was recovering from a serious illness and probably would not be strong enough for several months to write a chapter. Tom later sent word that I should look for a substitute. I indicated that, in view of the circumstances, we would omit this subject. In early June, to my complete surprise, I received Tom’s brilliant manuscript titled “Alternative Dispute Resolution: Fighting Smarter, Spending Less,” which has been included as written. This not

only demonstrated that Tom Arnold was as clear thinking as always, but also that he was keenly interested to be a member of this team. It set the tone for the later contributions that steadily streamed in.

A tripartite chapter authored by **Peter Chrocziel**, **Nigel Jones**, and **Thierry Sueur**, is “Ignore Europe at Your Peril!” This comments on a variety of European developments relating to IP, antitrust, and financial areas that reflect certain respective viewpoints of the British, French, and German contributors. The chapter also tends to reflect the state of flux currently existing in the European Union.

Larry Evans, as expected, delivered a masterful chapter on “Challenges of Licensing to and from China and Hong Kong.” He is one of the most experienced and successful LES members in negotiating with Chinese executives. He offers numerous shrewd comments about achieving successful results in this market, which is now prime. A founding member of LES China, **Chi Shaojie** had access to Larry’s draft text and has confirmed its accuracy.

Dennis Unkovic provided a candid commentary in his chapter, “Is There a Future for Japan?,” which is sobering because of its lack of optimism. At my urging, he added a section on “A Korean Counterpart,” which reflects a more positive spirit.

Natalia Karpova forwarded a lengthy and informative essay titled “Licensing in Russia: Opportunities and Pitfalls.” One of the most valuable aspects of this work was the comparative treatment of inventions in the former USSR and in modern Russia. We found that the English-language draft received from Professor Karpova could benefit from some linguistic editing by a native speaker. **Marcia Rorke**, who I consider to be the most talented editor in LES (USA and Canada), answered our call. She did her usual splendid work, and the chapter is now both instructive and easily readable.

Rodney DeBoos decided to focus his chapter about Australia on “Australia: Licensing Opportunities in the Medical and Biotechnology Industry.” He has thus provided a clear description of important achievements, as well as Australian policies in this area, which compare favorably with certain attitudes in the United States. For instance, there is a description about the freedom to perform stem-cell research Down Under that may attract leading scientists from America and elsewhere to relocate there in order to pursue initiatives in this pioneering field.

Three separate chapters were received from authors describing needs, in their respective jurisdictions, for help from the developed nations of the world and from sister LES societies located at the sources of technology. These chapters are:

- “Challenges to Arab Industries in Acquiring and Selling Appropriate Technologies” by **Talal Abu-Ghazaleh**. An articulate and moving Author’s Note about the attitude of enlightened Muslims to the events of September 11, 2001, is appended to this piece. The text is reproduced at the end of Chapter 21.
- “The South African Experience in Economic Development” by **Alan Lewis and Don MacRobert**
- “Prospects for Increased Licensing in Latin America” by **Gabriel Leonardos and Fernando Noetinger**

All of these pieces describe the strengths and weaknesses in their respective areas, and indicate open-minded attitudes about sensitive assistance. It is hoped that this volume will have a catalytic effect that will inspire some of its readers to answer these calls for input and collaboration.

Finally, I drafted Chapter 3, “The Expanding Role of Technology Management Consultants.” It is hoped that this will be the opening move for the formal recognition of consulting activities that should not only be respected, but should also be regulated to the effect that persons intending to utilize the title *Consultant* should qualify to do so by obtaining suitable training and credentials. This activity might be coordinated with the ambitious educational programs that have been developed by LES (USA and Canada), which are currently being expanded from the introductory to the intermediate and advanced levels, and which will eventually be available throughout LESI.

All of the written texts were received prior to the 2001 annual meeting of LES (USA and Canada), and the follow-up meeting of the board of delegates of LES International, which took place in Palm Desert, California, from October 21 to November 3, 2001. We originally planned to produce 10-minute film clips of the authors during this period. This turned out to be too costly. Instead, audio versions of all of the chapters have been substituted for video.

We believe that this electronic analog to the book can be a valuable teaching tool. We produced a set of English-language audiotapes of the authors reading shortened versions of their chapters. This was duly accomplished in Palm Desert, in excellent facilities provided by the organizers of the LES conference. We captured more than 320 minutes of recordings, which are designed to be marketed as a set of CDs. If these prove to be as valuable as hoped, efforts will be made to have translations promptly recorded in several foreign languages, including Chinese, Russian, Arabic, Japanese, Korean, and Spanish.

Several people did “heavy lifting” and/or supplied important moral support to this team effort. **Ed Shalloway** not only issued the initial challenge but also steadily provided encouragement and practical ideas. **Ken Payne** made it clear that financial support for our efforts from the LESI Endowment Fund would be available, if needed. **Clyde Willian**, the LESI general counsel, saw to it that our contractual arrangements, both to LESI, the organization, and the individual authors, were appropriately protected. **Alan Rose** and **Art Nutter**, in their roles as chairpersons at the 2001 LES Annual Conference, provided us with superb recording facilities and administrative support.

Ken Schoppmann, the outstanding director of the LES office in Alexandria, Virginia, has been helpful in the past and will continue to be so in connection with the production, promotion, and distribution of these materials. His attitude and skills made my task much easier.

I have saved the final kudos for **Susan McDermott**. She is bright, creative, and simply wonderful as a person and an editor. Susan is a new member of LES, and will hopefully get as much knowledge and satisfaction from our society as have all of the members of the LES “family” noted in this introduction. I am confident that she and John Wiley & Sons, Inc., will play an increasingly important role in LES.

If this book is as successful as I anticipate, it is tentatively planned to produce succeeding editions in three-year intervals. I am hopeful that *Licensing Best Practices* will come to be known as a leading authority in our chosen field. I already have several ideas for an expanded second edition—but first we must walk; then we will be ready to run.

Robert Goldscheider
November 2001

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