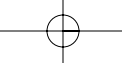

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Of late, much has been written about intellectual property (IP) and how it forms the modern basis for wealth. Readers are advised to create intellectual property, by stimulating its generation and securing its legal protection. They are advised to search their organizations for undiscovered or “hidden” intellectual property, to “audit,” “mine,” and “triage” their IP. Yet all of this effort, directed to the creation of intellectual property or the identification of existing property, does not in itself yield wealth.

Intellectual property is not wealth, it is a tool that, properly used, will *produce* wealth. The potential wealth that IP represents is locked away and is unlocked only when the property is utilized in the production of goods or services for sale in the market. Such utilization, of course, may be by the creator of the intellectual property. Yet often the IP creator is unable to utilize it, to utilize it effectively, or to utilize it to its fullest extent. In such circumstances, the property owner may assign (sell) the property to a party better situated to its employ. Many IP owners, however, are reluctant or unwilling to sell it. Owners may, for example, wish to retain the right to use the property themselves, either in the present or in the future. Moreover, it may be difficult or impossible to find a buyer willing and able to pay the price an IP owner deems appropriate. How then is the owner to fully realize the potential value of the property? The answer, of course, is licensing. The owner of intellectual property may realize its value by licensing it to one or more parties who will utilize it in the creation of goods and services. For all of the obvious

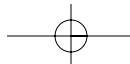


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importance of licensing, little attention has been directed to it, and many business executives remain ignorant of its principles, its pitfalls, and the opportunities it may present. This book discusses the basic issues of licensing and the effective conversion of IP into real wealth.

Chapter 1 defines licensing, explains its advantages, and sets forth principles for selecting those properties to be licensed and those to be abandoned. Chapter 2 introduces the reader to the basic rules of contract law, including the elements of a contract and the general structure of a license. Chapter 3 provides a primer of the various types of intellectual property—the subject of any license. Licensing strategies are discussed in Chapter 4.

The book next addresses the particular issues involved in the licensing of patents, know-how and trade secrets, trademarks, and copyrights (Chapters 5 through 8, respectively). In Chapter 9, the different roles of the “paid-up” and “running royalty” licenses are discussed, as well as the factors that determine royalty rates. Chapter 10 addresses the policing and enforcement of licenses, from the viewpoint of both licensor and licensee. Finally, Chapter 11 deals with negotiation, addressing negotiation skills and the rules for a successful negotiation. Chapter 11 is followed by Appendices A–K and a list of suggested further reading.



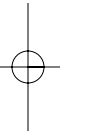
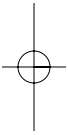
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Authors' Note

The purpose of this book is to introduce business executives and inventors to the principles underlying the licensing of intellectual property in the business environment. The book describes key concepts and facts, and illustrates how these concepts and facts should influence decision making. Of necessity, these descriptions are generalized.

Exceptions abound to every rule stated in the following chapters. (Your lawyer will be more than happy to enumerate these exceptions for you.) Moreover, the law is a living, constantly evolving creature. The rules of the game are constantly changing—often in midplay and sometimes retroactively. A little knowledge is a dangerous thing. Before making important decisions, review matters with a qualified professional. Reading this book, however carefully, is no substitute for professional guidance.

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