

The essential skills of a licensing lawyer

The best patent licensing lawyers have not just broad legal knowledge, but also the ability to understand complex and diverse technology, as well as a full range of people and management skills. These are the main findings of a major IAM research project to identify the world's best

By **Nicholas Richardson**

Given the ease with which new and existing technologies can be communicated to others, opportunities for their commercialisation abound. Licensing allows the owner of IP rights to share those rights with one or more parties, and is a flexible way of enabling others to benefit from such rights. Private practice licensing lawyers often play an integral role in the negotiation and drafting of licensing agreements. It was for this reason that a team of IAM researchers spent three months speaking to hundreds of practitioners and their clients in order to find which individual lawyers stand out for the quality of the work they do. The results can be found in the *IAM Licensing 250 – The World's Leading Patent and Technology Licensing Practitioners*, which was published in September 2010 and can also be viewed online at www.iam-magazine.com/licensing250.

Despite the economic slowdown of the last few years, many of those interviewed during the *IAM Licensing 250* research process reported no notable decrease in the volume of deals that they are being asked to work on – although that does not mean that there has been an increase. Instead, it seems that things are relatively flat. However,

some believe that the post-financial crisis landscape is a boon for innovation, creating a favourable environment for licensing activity. In addition, there is always a need for licensing when technological shifts occur, such as the current drive towards cleantech. It is thought that this is not translating into increased deal flow currently because companies involved in licensing have become much more strategic in their approach.

So how significant is licensing at this point in time? According to Kristine Madsen, head of Norwegian firm Bull & Co's innovation, culture and media group: "The importance of licensing – and particularly cross-licensing – cannot be overstated. In a recession, R&D budgets can be squeezed, but without the R&D investment, it becomes harder to guarantee future revenues. Exploiting the area of licensing can be a very effective means of reducing R&D budgets while still heightening the return on investments." Pamela L Cox, an IP transactions lawyer at specialist Chicago IP firm Marshall, Gerstein & Borun, believes that the business community's imagination when it comes to deal making is contributing to increased prominence for licensing: "Executives are looking for ways to create value out of their IP and are being more and more creative in doing so. Licensing gives companies that opportunity to be creative and flexible."

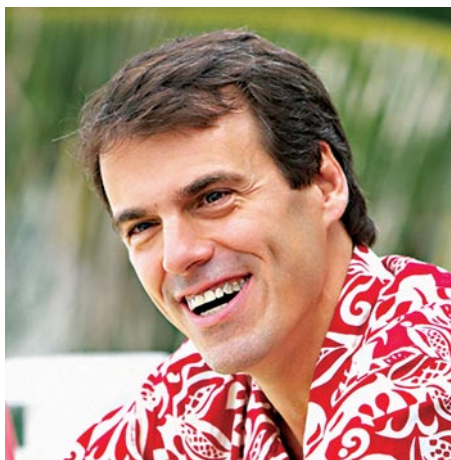
As licensing is now an international phenomenon, it is interesting to compare attitudes towards it in different economies. The activity appears to be particularly significant in countries with a developing technology sector, such as South Africa. Roux de Villiers, a technology and IP specialist at Werkmans, says: "For South Africa as a developing country, patent and technology licensing is of critical importance. If properly

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Senior vice president, general counsel and corporate secretary, United Therapeutics
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 “We see litigation as a last resort and our intention is to settle, to make an agreement before a dispute goes to trial”



managed, it is potentially one of the major revenue generators for the country.” In Brazil, Benny Spiewak of KLA-Koury Lopes in São Paulo says that the country is increasingly becoming an international player in sectors such as biotechnology and agribusiness, partly through increasing foreign technology usage. “Licensing is once again a very important business tool,” he states. Importance is also attached to licensing in countries with mature technology sectors. Looking at the United Kingdom, Jennifer Pierce of Charles Russell in London says: “People are starting to see licensing as a core activity as regards the economy in a situation where you have a highly developed research base and goods are manufactured overseas.”

The lawyer’s role

IP transfers are complicated – perhaps more so than transactions involving traditional tangible assets. As such, the main parties to a licensing agreement must generally seek the support of specialised IP lawyers. But what is the lawyer’s role in the context of a patent and technology licensing transaction? Drafting and negotiation are clearly central to this role, as Allen Baum of US firm Brinks Hofer Gilson & Lione explains: “Typically, clients come and describe a business arrangement, and the fun part for licensing lawyers is how to reflect the proposed business arrangement in clear and concise terms. An appreciation of IP law, drafting and negotiation is the most important part of a lawyer’s basic understanding of licensing.”

According to Kim Parker, IP transactions director at Novartis International, licensing lawyers play the role of “investigator, scrivener, negotiator and problem solver. All of these are important for both in-house lawyers and external practitioners”.

The dynamics of the role are changing

and lawyers now make a much broader contribution to their clients’ businesses and IP management strategies – for example, designing business plans and identifying licensable assets and potential licensees. According to Parker: “What has changed for lawyers in the past 10 years is our clients’ expectations. Lawyers can no longer stay put in the office drafting agreements in isolation. Clients are expecting the lawyer to be more of a business partner and collaborator.” They are also increasingly sophisticated purchasers of legal services within the IP transactions arena and so the skills and attributes that private practice lawyers bring to the table are being placed under the microscope.

Legal knowledge

It is a lawyer’s legal foundation that should be considered first and foremost in discussing the attributes required in the licensing arena, according to many of those we spoke to. It stands to reason that a licensing practitioner will need a deep knowledge of law, as you can’t trade in IP rights without an understanding of what those rights are. But although this knowledge is a necessary condition for success, it is not sufficient.

First of all, you are going to need to be familiar with other areas of law. Martin Kratz, who heads the IP practice at Canadian firm Bennett Jones, suggests: “A lawyer with a commercial background – that is, more than a specific IP background – can often address a wider range of issues and commercial risks that the client faces. A licence agreement often requires more than mere permission; it requires consideration of tax and antitrust law, for instance.” Because a great deal of licensing occurs within heavily regulated industries, a solid grasp of relevant regulatory law is also a

major benefit. From an in-house perspective, Parker gives the following example: “In the pharmaceutical industry, if you understand the new drug application process or similar regulatory processes and requirements, and can draft with those in mind, you are ahead of the game compared to an attorney who lacks that understanding.”

However, how broad this knowledge must be depends on the transaction in question; and, of course, a licensing lawyer cannot be an expert in everything. The most important thing, commentators agree, is to be aware of other areas of law and appreciate their potential impact.

Understanding the client’s business

Commercial awareness in a lawyer has long been crucial for clients and this attribute was identified most readily as a necessity in the area of patent and technology licensing. But what exactly does it mean?

Essentially, it refers to an understanding of the client’s business and what makes this successful. Paul A Mahon, senior vice president, general counsel and corporate secretary of United Therapeutics, a US biotech company focused on the development and commercialisation of unique medical products, succinctly explains commercial awareness in the following terms: “Every company is on a vector and the lawyer has to understand in which direction the company is going and how fast. The lawyer needs to appreciate where the company is in its life stage and what are its strengths and weaknesses.”

One important aspect to this awareness in the licensing context is the need to understand the actual technology that underpins the client’s business. A lawyer may comprehend the client’s business goal, but without an understanding of the technology involved, the value of that technology and the scope for its commercialisation, he will be unable to help the client to reach that goal. This presents a significant challenge for lawyers, both because the technology with which they must get to grips is extremely diverse and because many lack a technical background.

“It is important to work closely with the client, to ask all the necessary questions and to be unafraid of going back to basics when getting a handle on new technology,” Pierce states. Madsen agrees, noting that “lawyers need to take themselves out of their ivory towers and be less self-conscious about asking the client the right questions. The more willing and eager you are to learn, the better placed you will be”. In addition,

as Cox points out, “there is no substitute for good old-fashioned reading and research around the subject”. Furthermore, licensing lawyers don’t work in isolation, but often form part of multi-disciplinary teams and can therefore draw on the resources of colleagues and technical experts where necessary. The fact that consistent themes are found in many types of technology also eases the burden.

There is no magic solution, though, and often it is a question of developing an understanding over time. Toine Ketelaars, patent counsel at Vanderlande Industries, a world leader in automated material handling systems, explains: “We have acquired a group of lawyers who are familiar with our business and technology. Our lawyers gain this understanding over many years; it just takes time and experience.”

Relationship management skills

A licensing agreement can be compared to a marriage contract, because what is being created is a long-term partnership. In this context, a whole range of relationship management skills are required in order to make the union a happy one. “In licensing,” says Mahon, “you are not just buying something and it is: ‘Wham, bam, see you later.’ You are creating something long term and people have to feel good about each other and respect each other. We all want to share the success of the venture.”

The ability to manage a relationship will require that the lawyer be personable in his approach. According to Parker: “You cannot be a good licensing lawyer without having the appropriate people skills; and the ability to communicate effectively lies at the heart of this.” Problem solving and innovative thinking are also important in effectively managing the relationship, Pierce points out. “Often in licensing you are drafting from scratch, so there is plenty of scope for creativity in licensing,” he says. Mahon adds: “I like my lawyers to be independent free thinkers. I want them to come to me with creative ideas that give us options.”

Because of the long-term nature of many licence agreements, changing circumstances will require that agreements be amended. Baum stresses that “the cycle of innovation is getting shorter and the hallmark of a successful relationship is the ability to go back after a change in circumstances and once again reach agreement”. It is important to have established a good rapport in the first instance, so that any future contract amendments can go ahead amicably. The point is to build a prosperous relationship



Kim Parker
IP transactions director Novartis
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“Licensing lawyers are investigators,
scriveners, negotiators and problem solvers”

Action plan



In order to become a top patent and technology licensing lawyer, you are going to need to develop a wide range of skills:

- **Broad legal knowledge** – “A lawyer with a commercial background – that is, more than a specific IP background – can often address a wider range of issues and commercial risks that the client faces. A licence agreement often requires more than mere permission; it requires consideration of tax and antitrust law, for instance.”
Martin Kratz, Bennett Jones
- **Understanding your client’s business** – “Every company is on a vector and the lawyer has to understand in which direction the company is going and how fast. The lawyer needs to appreciate where the company is in its life stage and what are its strengths and weaknesses.”
Paul Mahon, United Therapeutics
- **Understanding the relevant technology** – “It is important to work closely with the client, to ask all the necessary questions and to be unafraid of going back to basics when getting a handle on new technology.”
Jennifer Pierce, Charles Russell
- **Good communication** – “In licensing, good communication is paramount, and you need to find solutions covering your own client’s risks and those of the counterparty.”
Roux de Villiers, Werkmans
- **Drafting and negotiation** – “In the adversarial system, the priority is to work up the best case for your client and to not compromise; whereas in licensing, the aim is to bring about a workable compromise that suits both parties.”
Martin Kratz, Bennett Jones
- **Flexibility** – “The cycle of innovation is getting shorter and the hallmark of a successful relationship is the ability to go back after a change in circumstances and once again reach agreement.”
Allen Baum, Brinks Hofer Gilson & Lione
- **Adaptability** – “The lawyer is an investigator, scrivener, negotiator and problem solver. All of these are important for both in-house lawyers and external practitioners.”
Kim Parker, Novartis International
- **Creativity** – “Executives are looking for ways to create value out of their IP and are being more and more creative in doing so. Licensing gives companies that opportunity to be creative and flexible.”
Pamela Cox, Marshall, Gerstein & Borun
- **International outlook** – “It is in the nature of licensing to be international, so having that international outlook is essential. Lawyers have to have a sensibility to the different approach or concerns of their overseas counterpart.”
Michel Solis, Solis Juritech
- **Experience** – “We have acquired a group of lawyers who are familiar with our business and technology. Our lawyers gain this understanding over many years; it just takes time and experience.”
Toine Ketelaars, Vanderlande Industries

for both parties that will withstand the test of time. Relationship management skills are central to this.

Licensing and litigation

Within intellectual property, how unique are the skill sets identified above to licensing? To answer this question, it is interesting to contrast licensing with litigation and to determine how lawyers that specialise in each area differ from each other.

If licensing can be likened to a marriage, then litigation is like divorce. Licensing creates a relationship that is beneficial for both parties. As de Villiers says: “In licensing, good communication is paramount, and you need to find solutions covering your own client’s risks and those of the counterparty. With commercial transactions, other than may be the case in litigation, you can often find win-win

solutions if you try hard enough.” In litigation, by contrast, lawyers are advocating a position for a client which is engaged in a conflict. Kratz explains: “In the adversarial system, the priority is to work up the best case for your client; whereas in licensing the aim is to bring about a workable compromise that suits both parties.” So clearly, the mindset required for each differs greatly. There are other significant differences – for instance, in licensing the lawyer is managing relationships, whereas in litigation the lawyer is managing documents and procedure. The rhythm of the work is different, too: a lawyer who is running a heavy trial will have little time for other work, whereas on the non-contentious side the workload is perhaps spread more evenly.

Is it possible to reconcile the differences above and marry the different approaches? Many disputes don’t go to trial, but are instead settled out of court. Ketelaars comments: “We see litigation as a last resort and our intention is to settle, to make an agreement before a dispute goes to trial. In that settlement process, while you need your lawyer to advocate your position firmly, you also need him to meet the other party in the middle.” So licensing and litigation can both demand compromise. If a licence agreement is poorly drafted, it is likely that a dispute will follow, and a lawyer with litigation experience may be better placed to take into account likely future flashpoints when drafting a contract initially. Kratz agrees: “Understanding the dispute resolution process can influence the provisions that you include in drafting the contract.”

It is very difficult to generalise, though. Clearly, there is an art to each and it is thus possible for IP lawyers to develop extremely successful practices with a high degree of specialisation in licensing or in litigation. Many licensing practitioners and clients will work with litigators in the course of their business. Parker notes: “I prefer hiring litigators to perform IP due diligence, because they are extremely thorough and have a full understanding of the law.” The skills, approach and experience that a litigator brings to the table can be very beneficial in a licensing context and vice versa. The proof lies in the fact that many great licensing experts are equally strong litigators. **iam**

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