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For the Love of Licensing

Book Review

TECHNOLOGY LICENSING AND DEVELOPMENT AGREEMENTS

By Cynthia Cannady
USA: Oxford University Press.
2013. Pp. x, 502. $195.00.

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Technology licensing is not normally a scintillating topic. Try telling a dinner companion that you do technology licensing and would love to describe your work. It is a sure conversation stopper. As with many seemingly dry topics, however, technology licensing is full of intrigue and gamesmanship. In *Technology Licensing and Development Agreements*, Cynthia Cannady tries to bring the topic to life, with all its gore and glory. Yes, the book is a manual of technical details, but it also communicates a wealth of examples and experiences, and it provides a whiff of the hunt.

Technology transfer, of course, is the lifeblood of innovation. Although most people generally miss the point, a patent, or any piece of intellectual property, creates very little on its own. The raw idea, the pure creation, frequently is a weak creature that has the ability to go precisely nowhere alone.

I am not just talking about the fact that some technology products, like smartphones, have multiple components and may involve tens of thousands of patents. This is true of any product—all the way down to a medicine made with a single chemical formulation. A simple patent does not a product make. Even the person who holds the patent on that chemical formulation is a long way from a viable product. One must find a way to manufacture the formulation such that the formula is stable and can be mass-produced and appropriately distributed. This alone is likely to require a combination of much information, both patented and unpatented, as well as the ingenuity to adapt that information to the product's needs. The product must be aimed at a market that wants it. Translating even a product idea, which is likely to involve a multitude of patented and unpatented information, is such a difficult process that it is commonly referred to as the "Valley of Death." It is a valley that few manage to cross with any success. Among other

things, crossing that valley will require much licensing of technology—both your own technology and technology that belongs to others. This is not just a matter of patents, but also trade secrets and wonderful, ethereal things such as "know-how" and "show-how." Cannady's book provides a roadmap through this part of the crossing, for those who are brave enough to try.

The book is beautifully clear and creates step-by-step instructions for every aspect of the technology licensing process. If I were a young, technology-transfer officer at a company or university, I would kill for this book. Appreciating the step-by-step instructions alone, however, would miss much of the elegance of the writing. The author's wonderfully colorful analogies breathe life into an otherwise dry terrain. For example, the author discusses intellectual property strategy in terms of a plan implemented by a leader's army[1] and notes that the truly wrong move is to have no strategy at all. She describes another type of agreement as "the yoke of win-win,"[2] an image likely to color that type of proposal permanently for any reader.

I was particularly intrigued by the chapter on ethics, which I consider a difficult but essential topic to tackle. Much of the chapter is devoted to the more formal rules of ethical conduct for lawyers. There is, indeed, a quiet encouragement of good behavior, although it is handled with a feather touch. Specifically, the author notes the following:

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[1] CYNTHIA CANNADY, TECHNOLOGY LICENSING AND DEVELOPMENT AGREEMENTS 19 (Oxford University Press 2013).
[2] *Id.* at 13.

> Despite the absence of binding written codes of conduct addressing civility and negotiation behavior, commonly accepted ethical conventions have evolved among lawyers and licensing professionals . . . . There is no mandatory enforcement of these codes, but there is a professional stigma that comes from violating them. In a professional community, the stigma of negotiating unethically can affect reputation, referrals, and livelihood.[3]

Although it is admirable that the author chose to address the issue, I believe an opportunity was missed to delve into the area more explicitly. Although it is true that one owes zealous representation to one's client, a careful lawyer of the highest ethics can often discern a better path, as well as possess the insight and persuasive power to show the client that the better path is often in the client's best interest. Bad behavior may provide short-term gain, but it often contains hidden costs. These costs include reputational hits to the company, not just among other lawyers and potential business alliance partners, but also among an increasingly discerning public, in which information flows freely. Bad corporate behavior can harm a company's reputation and alienate its customers—particularly in technology sectors where loyalty is thin and the definition of "cool" can slip away in an instant. Woe to the company that wins a hard fought legal battle but watches its stock plummet.

For those who think that licensing is too mundane to draw such attention, the *Myriad* gene patenting case is a

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[3] *Id.* at 438.

cautionary tale.[4] There are those who believe that the company's restrictive licensing policy, as well as vigorous enforcement of that policy, made it the poster child for discontent, attracting enough public interest attention to get all the way to the Supreme Court, resulting in the alteration of thirty years of patent history. The results of all licensing strategies are not always so dramatic, but it is important to remember that even mundane, obscure legal actions can have vast ripple effects.

In a similar vein, aggressive tactics can backfire in an embarrassing manner. A lawyer I know once drafted an email to opposing counsel to object to the wording of part of an agreement, which reflected the opposite of what had been negotiated. The draft began, "Dear Cheaters."

The line between unethical behavior and intensely aggressive behavior is difficult to discern, but neither approach is likely to serve the client in the long run. It is not just a matter of damaging relationships, thereby ensuring that the next negotiations will take longer and cost more, as well as making it less likely that the opposing side will want to partner with you in the future. The effect on internal culture can be devastating as well. A take-no-prisoners approach to the outside world can seep into internal culture as well, infecting the way employees view each other and loosening the bonds that are essential for forming an effective management team. In an odd way, squeezing out the last dime can be costly in the long run, while leaving a few pennies on the table may turn out to be a good investment.

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[4] *See* Ass'n for Molecular Pathology v. Myriad Genetics, Inc., 133 S. Ct. 2107 (2013).

It is also a matter of setting cultural norms. Behavior in an industry is determined not only in the shadow of the law but also in the shadow of cultural norms. Each action contributes to the establishment of those norms, although undoubtedly some players matter more than others. One's organization or client will suffer along with the rest of the industry if one's approach for getting a slight leg up in this transaction contributes to worsening norms in the industry. In short, the ethical chapter is one of the few moments in the book when I felt that an opportunity was missed.

In addition to chapters on IP strategy, negotiation, and ethics, the heart of the book focuses on the agreement terms themselves. These sections are well written and easy to follow, making the book a good tool for any level of experience. In particular, each chapter is broken down into sections so that a practitioner can find information on the exact topic they need without having to read the entire book. Well-structured and easy to digest, the book is filled with real world, context-specific guidelines, examples, charts, forms, and in-depth analysis.

The chapter on material terms is a great example.[5] It discusses each part of an agreement in depth and provides examples of each. It also provides examples of poorly written terms that practitioners should avoid as well as a checklist of common errors. The chapter discusses each part of the agreement in different sections, creating ease of navigation. The chapter also includes samples of well-written clauses for various portions of the agreement.

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[5] CANNADY, *supra* note 2, at 237-291.

Despite my wish for a deeper dive in the ethics chapter, the book is an excellent and engaging tour of the topic. As with negotiating, licensing is an art, and not every artist will agree with every detail of the author's choices. Nevertheless, the book is written with exquisite clarity and thoroughness, and it is likely to be an indispensible asset to those in the field.