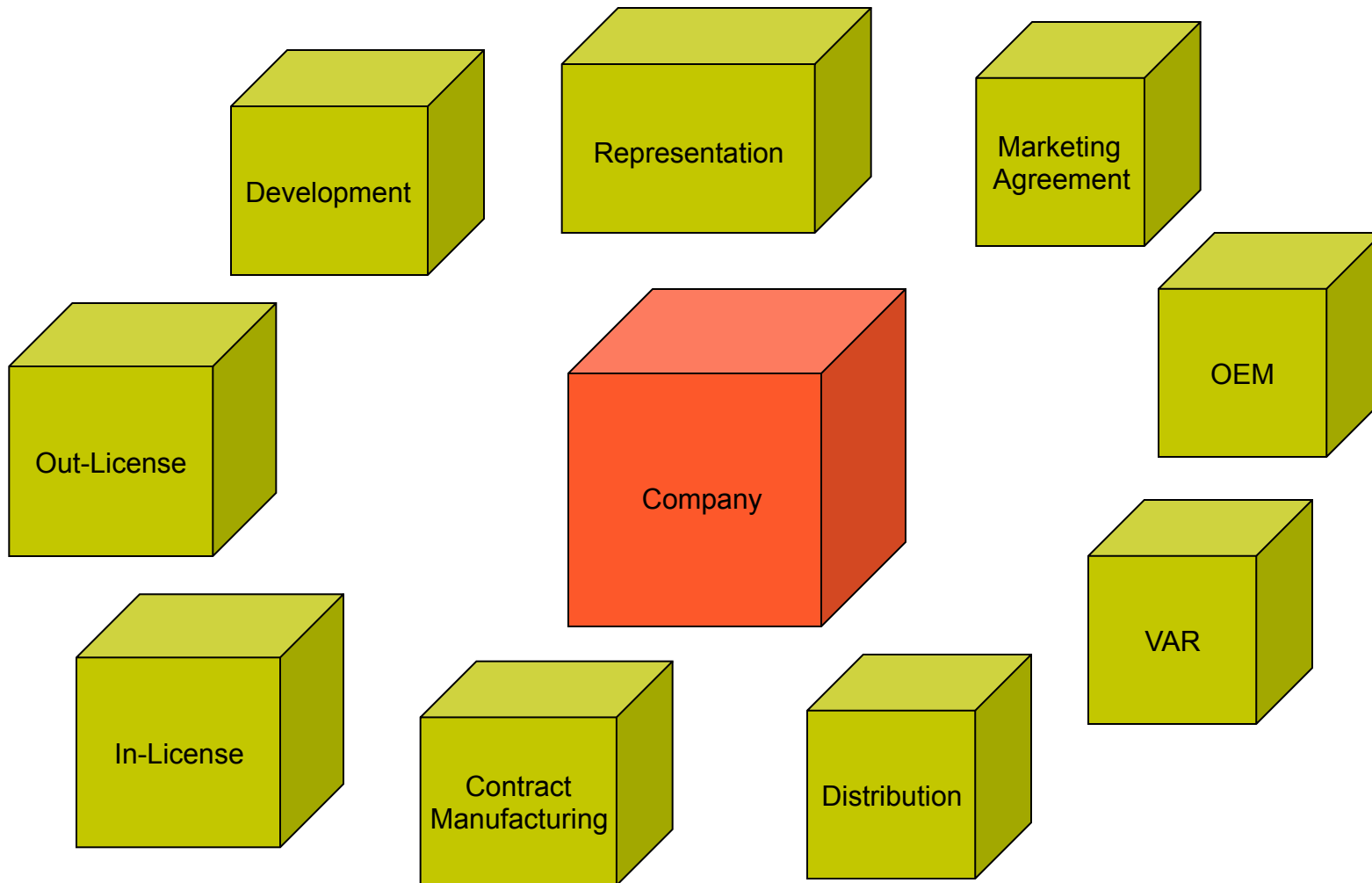


Agenda

- What are Strategic Relationships?
- Why enter into Strategic Relationships?
- General Framework and Common Issues
- Closer look at certain Strategic Relationships
- Questions and Answers (But Don't Wait!)

- **Objective:** Consider Strategic Relationships as an alternative approach

Strategic relationships abound!



A Rose is a Rose...

- “Joint Venture”
- “Partner”
- “Strategic Alliance”

BUT, Words/Terms matter!



Gertrude Stein, 1935



Use Third Party Assets

- Marketing/reseller – Marketing Resources
- Out-License – Various Resources
- In-License – Technology
- Joint Development
 - Technology
 - Capital
 - Resources (e.g., lab, people, expertise)

Strategic Alliance Headlines - Credibility

kWantera to Form Technology Alliance
with GE Renewable Energy

October 21, 2015

Fiserv Partners with InvestEdge to Expand Reporting Capabilities for the Wealth Management Industry

Thorley inks \$215M Hasbro deal

Philips, Immunetrics ink bioinformatics development deal

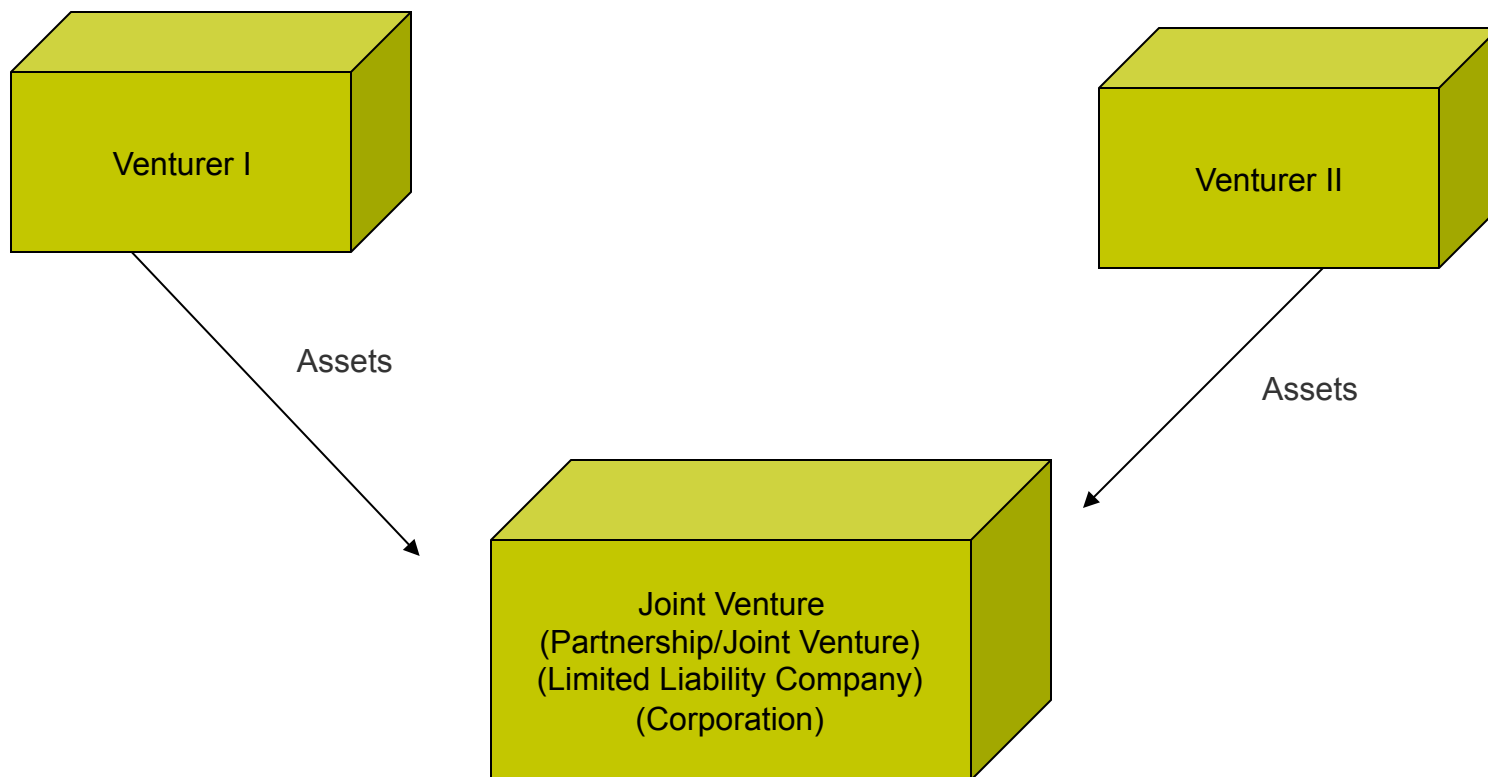
Potential Benefits of Strategic Relationships

- Non-dilutive
- Potentially faster/cheaper
- Exploit third party assets – fewer mistakes



Two Flavors of Strategic Relationships

- Separate Entity



Example

NEWS

PNC and Perot team up for online bill presentation, payment system

Operation to employ 41 here in its first year

Reason for Entity Alliances

- Liability (marketing a new product)
- Value in enterprise (e.g., BillingZone)
- Deeper relationship
- Tax
- Accounting (consolidation)

Reason for Contractual Alliances

- Lower investment Cost
- Easier to begin relationship
- Easier to exit
- Shorter duration



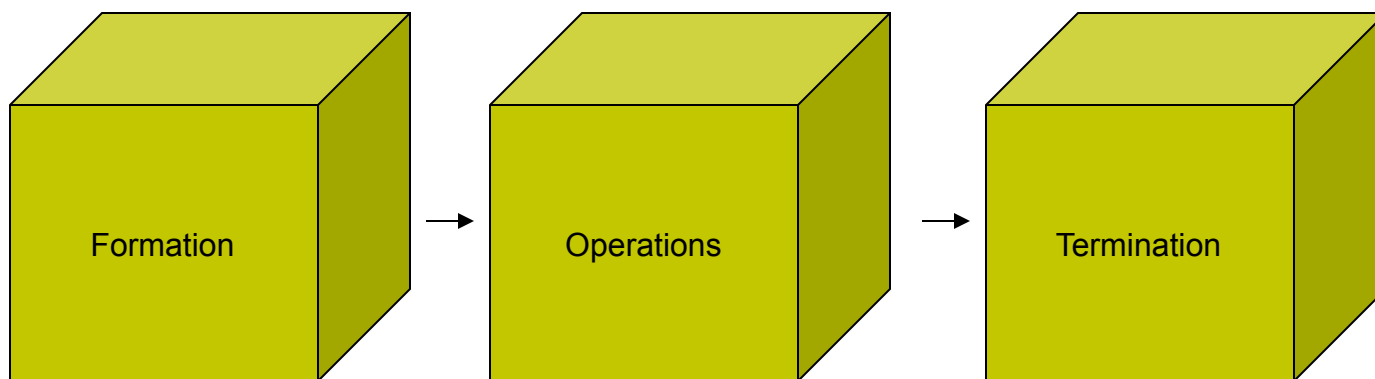
“Sign here to indicate you have no idea what you’ve signed for.”

Cautions

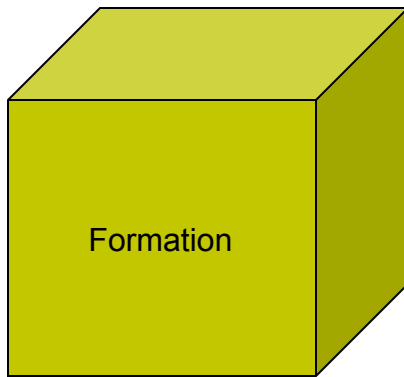
- Remember the little person on your shoulder
- Consider the future of the business (e.g., reseller/branding) – Don't mortgage the future
- Consider
 - Time
 - Cost
 - Risk



Framework for a Strategic Relationship

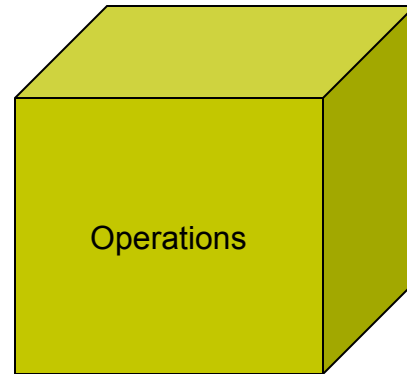


Framework for a Strategic Relationship



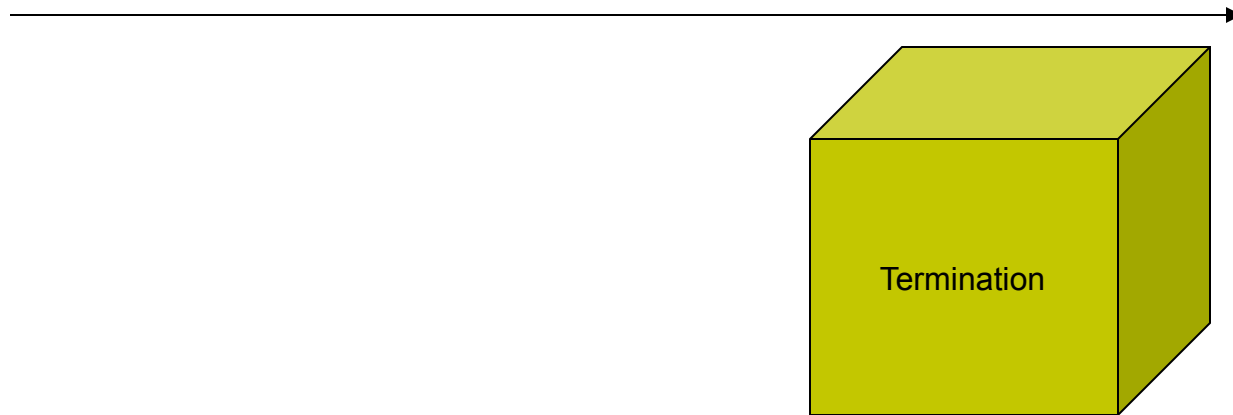
- What is each party contributing?
- What is each party NOT contributing?
- Exclusive vs. non-exclusive rights

Framework for a Strategic Relationship



- Who is operating?
- Who makes decisions? (Who decides who decides?)
- What if additional resources are necessary?
- How are proceeds allocated?
- Who gets paid for operating?

Framework for a Strategic Relationship



- When is the Strategic Relationship terminated?
- Cause/No cause
- Who gets which assets upon termination (e.g., intellectual property; developments; customers; trademark)?
- Buy/Sell

Avoid disputes – You Can't Afford Them!!



Avoid Disputes

- Clear understandings
- Information Exchange/Meetings
- Align interests/Identify different interests
- Quality partners
- Consider escalation/mediation
- Ask the “What if’s”
- Build in Exits

EXPECTATIONS
vs.
REALITY

Dispute Resolution

- Where does the fight occur?
 - Venue
 - Forum
 - Arbitration v. Court
 - 1 arbitrator v. 3 arbitrators
- Governing Law
- Who pays for the fight?
- What happens during the fight?



Remedies

- Termination (out-license)
- Damages/Liquidated Damages
- Injunctive Relief (e.g., reseller)

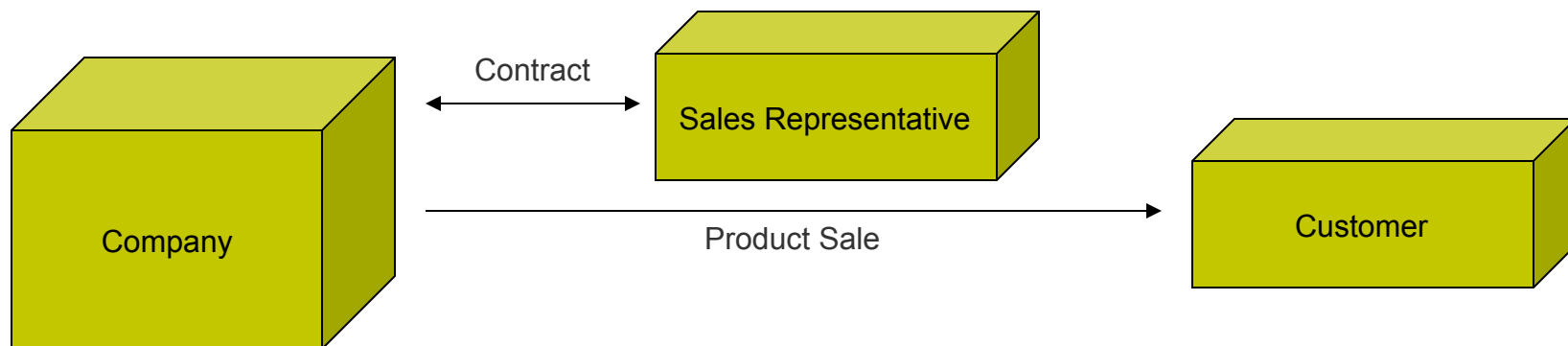


Assignment – Common Issue

- Unknown assignees
- Protect against competitors
- Permit assignment in sales
- Bankruptcy



Sales Representative/Marketing Agreement



- Sales Rep never takes title
- Benefits to Company
 - Leverage third party sales force/marketing team
 - Maintains goodwill/trademark of company
- Benefits to Third Party
 - Use already existing sales force – add another product

Sales Representative/Marketing Agreement

- Special considerations
 - Sales effort
 - Exclusivity (territory and product)
 - Company
 - Sales Representative
 - Limit Representations
 - Not an agent (can't bind company)
 - Protect goodwill – use of trademark/trade name

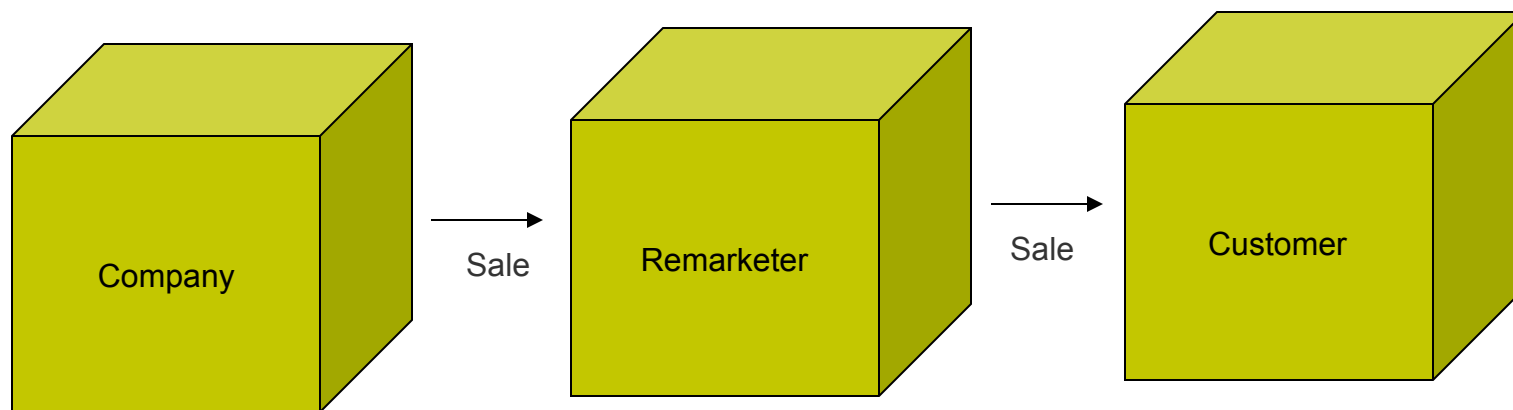
Sales Representative/Marketing Agreement

- Consideration/Payment
 - Amount per sales
 - Costs and expenses
- Termination
 - Notice
 - Company – short
 - Sales Rep – long
 - Cause – no cause
 - There may be laws
 - **Avoid franchise characterization**

Sales Representative/Marketing Agreement

- Post-Termination
 - Post-termination commissions (“Tails”)
 - Post-termination rights/obligations (e.g., non-compete)
 - Customer list
 - Confidentiality
- Dispute
 - Termination is final – only remedy is damages

Remarketing Agreements



- Remarketing/Distribution
- OEM (Original Equipment Manufacturers)
- VAR (Value Added Reseller)

Remarketing Agreements

- Lose/diminish value of goodwill
 - Trademark – use (mandatory and control)?
- Changes to product/service
 - Control
 - Liability
 - Warranties
- Payment
 - Verification
 - Reports
 - Incentive to pay (interest/penalty/pay for audit)

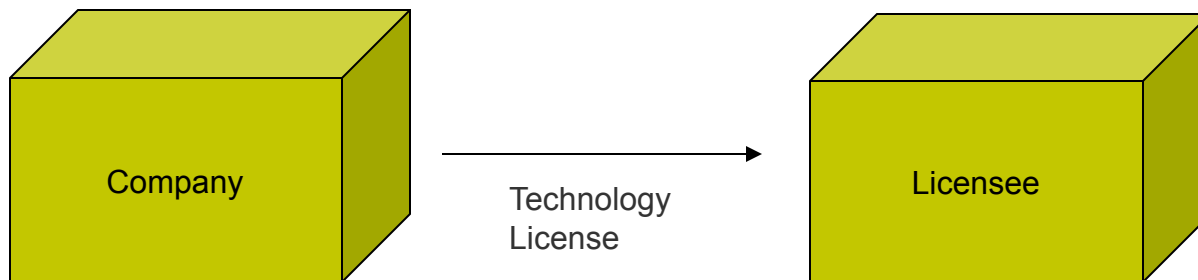
Remarketing Agreements

- Special Considerations (continued)
 - Pricing of Products and Services
 - Potential of undercutting
 - Minimum pricing (pay attention to anti-trust considerations)
 - Combination products
 - Inventory Control
 - Technology (see licenses)

Remarketing Agreements

- Termination
 - Notice
 - Carry-over inventory
 - Reliance
 - Trademarks
- Post-Termination obligations

Out-Licenses



Accelerate development and/or commercialization

Biogen Idec and Knopp
Neurosciences Announce License
Agreement for Late-Stage ALS
Drug Candidate

Out-Licenses

- Keys to Grant
 - Identify the technology with specificity
 - Territory
 - Field of Use
 - Exclusivity (Note: Clarity re: exclusivity as to Licensor)
 - Transferability
 - Term

Out-Licenses

- Commitment of Licensee
 - Milestones/performance
- Royalties
 - Amount
 - Royalty-Base
 - Minimums
 - Joint Products

Out-Licenses

- Improvements/Developments
 - Licensee improvements/Licensors improvements
 - Rights to use
 - Licensor
 - Licensee
 - Obligation to pay royalties on Developments
 - Licensee
 - Licensor



Out-Licenses

- Term of royalty obligation
 - Consider survival beyond life of patents
- Intellectual property prosecution and infringement
 - Who prosecutes? Who pays?
 - Protect the base intellectual property
 - Who can sue? Who benefits?

In-Licenses



- Similar Issues
- Reasons
 - Critical asset
 - Develop more than 1 product
- Remember the “Shoulder Person”
 - Pay attention to Termination
- Improvements are key

Development Agreement

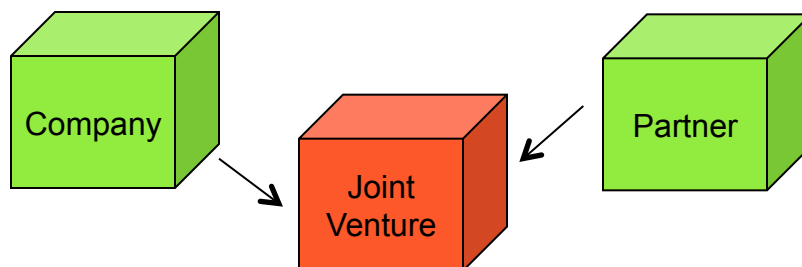
- Quality
- Confidentiality (NDA, Use)
- Ownership of intellectual property
 - Background technology
 - Developments/improvements



Joint Development

- Formation

- Critical as to what is being contributed (and what is not)
 - Intellectual property
 - Cash
 - Technology
 - Lab/people
- Background technology v. new technology
- License v. transfer



Joint Development

- Operation
 - Decision-making – Typically a “Steering Committee”
 - What is being developed?
 - Who is on the steering committee?
 - How are decisions made?



Joint Development

- Ownership/Use of Development
 - Identify improvements/development/How do you know?
 - Use/commercialization
 - Royalties
 - Intellectual Property Prosecution
 - Intellectual Property Enforcement

Joint Development

- Joint Ownership of Patents → $1 + 1 < 2$
 - Each owner can exploit patent
 - Each owner can grant non-exclusive licenses
 - No right to grant exclusive licenses
 - No obligation to “Pay Over”
 - Need other owner to enforce patent



Joint Development

- Alternatives to Joint Ownership
 - Vest technology in one party, with a license
 - Allocate by field of interest/use
 - Place technology in an entity
 - Express agreements
- Royalty-Base
 - What is the base?
 - How are derivatives handled?
 - Reporting, etc.

Conclusion

- Pursue, consider and exploit Strategic Arrangements