

# Practical Business Negotiation for the Early Stage Company

Eric D. Kline  
Eric.Kline@troutman.com  
412.454.5046

troutman  
pepper

- **Started as SEC lawyer – represents public companies and private clients**
- **Represents venture funds**
- **100+ successful exits for start-up clients.**



**Eric D. Kline**

Partner

Pittsburgh  
412.454.5046  
eric.kline@troutman.com

# Overview

- 1. Background**
- 2. Negotiating for the Underdog (pre-deal preparation; patent portfolio issues; key strategy issues)**
- 3. Perspective of BigCo (get specialized technology; new revenue opportunities; leverage resources)**

# Three Principles to Follow

- A. Determine what you need today (and what you are willing to give up to get it)**
  
- B. Try to determine what your counterparty needs today (and why they need it)**
  
- C. Consider the short-term and long-term impact of the deal on your company**

# First Key License (typically, University License)

- A. Core Technology – License and Sublicense Rights**  
(what you need to operate the business from a financial and technology standpoint)
  
- B. Equity, Royalties, Non-negotiable provisions** (what the university/partner needs to justify the deal)
  
- C. Options on new developments; treatment on sale**  
(future needs)

# Key Hire/Advisors

- A. How important is this position today to future success/development/capital raise?**
  
- B. What do I need to give up to get this person (salary/equity/severance – what is the value created against the cost)**
  
- C. Consider the future -- what if he/she fails**

# First Important Customer

- A. What do I need from this contract today (market validation/customer name recognition)**
  
- B. What does the customer need (within the contract and outside the contract)**
  
- C. What are the longer term consequences if this relationship is successful/if it fails (exclusivity/technology ownership, publicity)**

# Raising Capital

- A. How much capital do I need to move the business to the next level *and* is this the right partner?**
  
- B. What economic upside and operational control am I prepared to cede to get the money/partner?**
  
- C. What are the longer term consequences of the deal that I do today? (investment rights, board rights)**