



Practical Business Negotiation for the Early Stage Company

Eric D. Kline

Eric.Kline@troutman.com

412.454.5046



Eric D. Kline

Partner
Pittsburgh

Started as SEC lawyer – represents public companies and private clients

Represents venture funds

100+ successful exits for start-up clients.

Overview

01 **Background**

02 **Negotiating For The Underdog (pre-deal preparation; patent portfolio Issues; key strategy issues)**

03 **Perspective of Bigco (get access to cutting edge 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. 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 technology standpoint)
- B. Equity, Royalties, Non-negotiable provisions (what the university/partner needs to justify granting the license)
- C. Options on new developments; treatment on sale (future needs)

Key Hire/Advisors

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

First Important Customer

- A. What do I need from this contract now (market validation/customer name recognition)
- B. What does the customer need (in 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 financial partner?
- B. What economic upside and operational control am I prepared to give up to get the money/partner?
- C. What are the longer term consequences of the deal?
(investment rights, board rights)



Questions?