

**Workshop**

Formulating Royalty Rates and Other License Financial Terms

 **For Tech Transfer Offices****Level****Advanced****Duration****2 days** – 8.45am to 5.00pm.**Program**

A detailed description of the workshop program is below.

How this workshop helps tech transfer professionals

A licensor does not want to settle for a 4% royalty when the technology deserves 8%.

When you negotiate a license of technology you need to know what royalty rate and other financial terms you should seek (as a licensor) or pay (as a licensee).

Is an up front payment customary for a license in the specific industry sector that the technology lies? Are milestone payments customary in that industry sector?

Licensors and licensees need to determine what the royalty rate and other financial terms are that are appropriate for the specific technology being licensed.

This intense and practical skills development workshop will show you how to make that determination. It will show you:

- methodologies you should employ,
- methodologies you should not employ, and why,
- sources of public domain data and information to use those methodologies
- how to use these methodologies properly and confidently
- how to reliably determine what a royalty rate and other financial terms of a license should be.

The aim of this workshop is to give you the royalty formulation tools and skills that you need to achieve better financial outcomes in your license negotiations.

Presenter

Philip Mendes

Delivery style

Interactive workshop style.

Emphasis on discussion, participants asking questions, contributing their comments, and sharing their experiences.

We find that this interactive workshop style keeps participants alert and achieves a more effective learning and skills building outcome.

Materials

Each participant receives a set of bound workshop materials which will be an ongoing reference resource.

Certificate of Completion

A Certificate of Completion is provided to each participant.

FORMULATING ROYALTY RATES AND OTHER LICENSE FINANCIAL TERMS - *Methods, Skills & Tools*

[Times are approximate. Please expect that the duration of breaks may be shortened throughout the day]

DAY 1		
8.45	Arrive	
9.00	Factors that affect the royalty value of your license	The relationship between risk and value and how it affects royalty rates and other financial terms. How the stage of the IP's development affects royalty rates and other financial terms. How the terms of a license will impact upon the financial value of the license and what the royalties and other financial terms should be. Quantity of IP, Quantity of Rights, Market Opportunity etc
10.30	Morning Tea	
11.00	When to start royalty negotiations	Should royalty negotiations start at the beginning of a negotiation, or some other time during the negotiation, or before or after a due diligence? Factors influencing the optimal time to start royalty rate negotiations. Strategies to start the financial negotiation at the optimal time.
	Industry standards of royalty rate structures and royalty rates	The structure of royalty rates and other financial terms – what is to be encountered in different industries. Royalty rates that are common for specific industries and specific transactions. When can industry standards be relied upon. When to be cautious about industry standards. Royalty rates, royalty tables and royalty statistics for different industry sectors, and evaluating that data.
1.00	Lunch	
2.00	25% Rule	The 25% rule and when it is and is not appropriate as a royalty setting approach. Limitations and criticisms of the 25% Rule. Practical application of the 25% Rule. Status of the 25% rule given criticisms. When it can be cautiously employed.
	Ranking /Rating Method	The ranking / rating methodology of royalty setting. Its practical application. Assessing its limited utility.
3.00	Afternoon Tea	
3.30	Practical Exercise – 25% Rule	Participants are divided into groups. Each group will receive a different technology case study. Each group is tasked to assess the appropriate royalty rate in its own case study, using the 25% rule.
	Practical exercise presentations	Each group presents the result of its royalty rate setting. Each presentation by each group is discussed thoroughly to illustrate the principles of the 25% Rule and its limitations.
5.00	Close	

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DAY 2		
9.00	Comparables analysis: Benchmarking Financial Terms	What benchmarking or comparables analysis is and how it assists in determining royalty rates and other financial terms of a license. Sources of information to benchmark financial terms. How to undertake the analysis. When it can be useful, and when to use cautiously.
10.00	Practical Exercise – Comparables Analysis	Participants are divided into groups. Each group will receive a different technology case study, including primary source documents from actual transactions, from which to extract data to undertake a comparables analysis to set the appropriate royalty rate.
11.30	Morning Tea	
12.00	Practical exercise presentation	Each group presents the result of its comparables analysis for its own technology. Each presentation by each group is discussed thoroughly to illustrate the principles of the comparables analysis.
1.00	Lunch	
2.00	Risk Adjusted Net Present Value using Discounted Cash Flow Analysis	A discussion of risk adjusted net present value of intellectual property using a discounted cash flow analysis. Gathering data for the analysis. Sources of data and information. Principles for the analysis. Elements of the calculation. How to use the analysis to set royalty rates and other financial terms. Spreadsheet case study throughout illustrating application and principles of the methodology.
3.00	Afternoon Tea	
3.30	Practical Exercise	Participants are divided into groups. Each group will receive a different technology case study. Each group will undertake a Risk Adjusted Net Present Value using Discounted Cash Flow Analysis to assess the royalty rate and other financial terms for the transaction.
	Practical exercise presentation	Each group presents the result of its Risk Adjusted Net Present Value using Discounted Cash Flow Analysis for its own technology, and all participants discuss the analysis made by each group. Each presentation by each group is discussed thoroughly to illustrate the principles of the analysis, and how to undertake it.
5.00	Close	