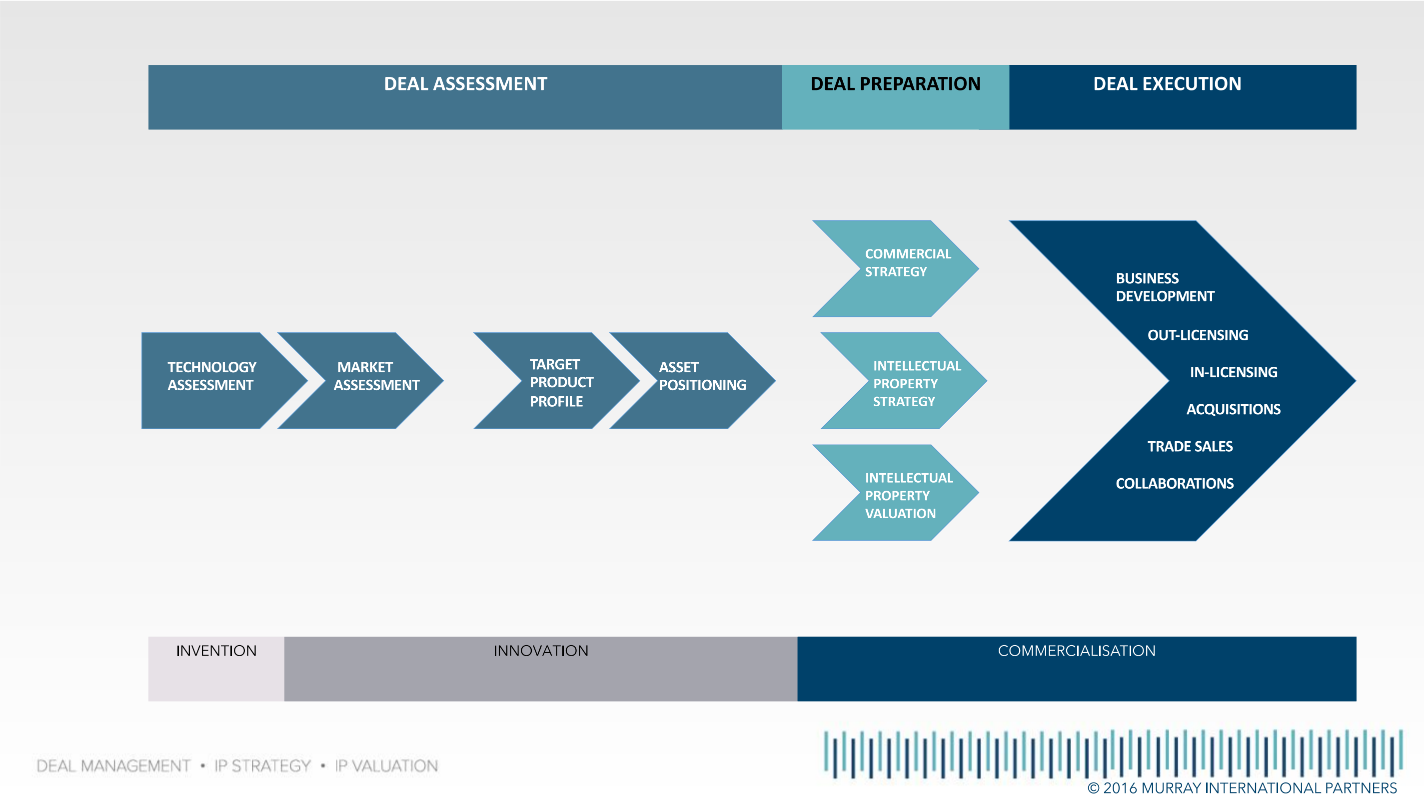
THE DEAL MANAGEMENT PROCESS

MURRAY INTERNATIONAL PARTNERS LIMITED ("MIPL") is a business that provides deal management services to clients all over the world. The company's founder and Principal, Dr Michael Murray, has been preparing and delivering deals in innovation technologies since 1996.

This paper outlines the overall process and also provides more details of the individual stages in the process.

1. OVERVIEW of the DEAL MANAGEMENT PROCESS



Deals involving innovations take a lot of detailed preparation. MIPL breaks the process into 3 stages:

1.1 Assessment
In this stage the potential for the innovation to support a commercial deal is investigated. Not all good inventions have commercial potential.

1.2 Preparation
If a commercial deal looks possible, the detailed preparations are made. Failure at this stage will make it almost impossible to negotiate a deal later on.

1.3 Execution
This final stage involves engaging with the right commercial partners and negotiating the strongest possible deal terms.

IN MORE DETAIL > > >

DEAL ASSESSMENT

TECHNOLOGY ASSESSMENT

The technology is examined with a focus on the following: its novelty, who was involved in its creation, how much the technology relies on other technologies in order to work, what technical problems still exist, what competitors are the innovators aware of, what the technical development plan is, and whether the technology be protected using patents or other forms of intellectual property.

MARKET ASSESSMENT

The size and the structure of the relevant market is determined. Is it a global or a territorial market? How complex is the market? Who are the main commercial players? Are they potentially partners for the development and sale of products using the new technology? What is the relevant industry's attitude and track record regarding Open Innovation?

TARGET PRODUCT PROFILE

Using targeted and detailed interviews, technical and commercial experts are contacted to get their input regarding the performance and standards that need to be met using the new technology. This indicates the profile of the commercially viable product(s). Competition from other innovators is also assessed from the market point of view; also, how companies in the market import new technology.

ASSET POSITIONING

Based on the outcomes of the above activities it is possible to understand where the technology best fits into the market. The effect of competing technical solutions also determines the likely success of the new technology in the market. All of these factors provide a guide as to the commercial value of the new technology and also help to characterise the ideal commercial partners.

DEAL PREPARATION

COMMERCIAL STRATEGY

Getting the new technology into the market means having a commercial strategy. For new technologies it is important to encourage adoption and uptake by companies in the market. Will licensing be the best way? Will licences be exclusive or non-exclusive? Does the technology need to be incubated in a company before it is commercialised? Is there a case for simply selling the IP?

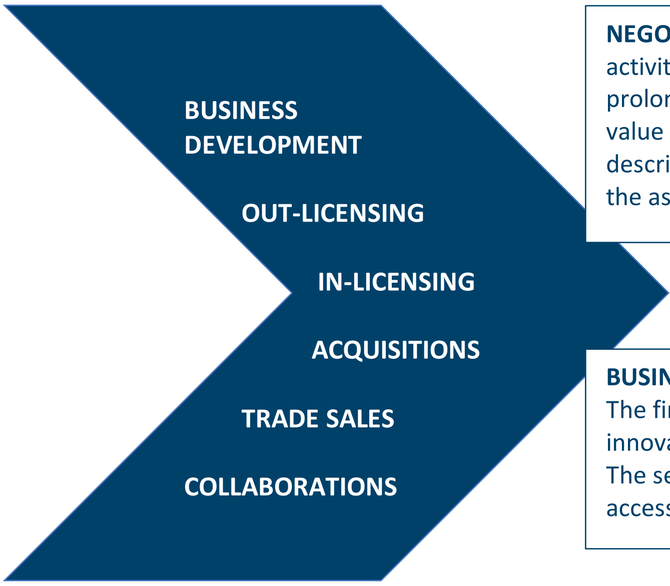
INTELLECTUAL PROPERTY STRATEGY

Once the commercial strategy has been identified, it is possible to develop an appropriate intellectual property strategy. There are several forms of registerable intellectual property. Not all of them will be right for the commercialisation of the new technology. Trade secrets and know-how are, in certain circumstances, much more valuable than patents. Ideally, a sophisticated mixture of IP protection is used.

INTELLECTUAL PROPERTY VALUATION

The value of technical innovations is related to the supporting intellectual property. The intellectual property is designed based on the commercial strategy. Different forms of intellectual property provide different lengths of protection. All of these elements are used to create IP valuation models and to generate plausible valuations that can be used in commercial negotiations.

DEAL EXECUTION



NEGOTIATION and **DUE DILIGENCE** are common to all the activities listed here. Negotiation is a dynamic and at times prolonged process. If under-prepared, it is very easy to surrender value and to reach a poor deal or deal structure. Due Diligence describes the process of carrying out all the checks to ensure that the assets in the deal are free of any issues.

BUSINESS DEVELOPMENT for innovations is done in two stages. The first stage is "educational": companies are updated as to the innovation and its position in the market: what problem it solves. The second stage is commercial: formal offers for companies to access or purchase the technology are presented to the companies.

OUT-LICENSING involves negotiating and transferring intellectual property rights (IPRs) to a company. The out-licensor needs to be ready to receive the company's due diligence team. The deal needs to reflect the value of the innovation and needs to be structured correctly to reflect its stage of development.

IN-LICENSING requires an understanding of the relative value of the external technology. Due diligence is absolutely critical so as to avoid overpaying for the licence and to avoid Freedom to Operate (FTO) issues. The deal structure must work well for the acquirer of the licence(s).

ACQUISITIONS involve one party buying the intellectual assets of another. A single purchase price will be required so thorough evaluation of the other party's IP assets is essential; as is due diligence on the other party's commercial position, assets, and legal situation.

TRADE SALES occur when an asset is sold outright to a company. The potential buyer will conduct very detailed due diligence and will wish to purchase for the lowest price possible. Using technical, market and IP knowledge it is possible to determine an appropriate value for the sale.

COLLABORATIONS between innovators (universities and small companies) and major industrial companies are more and more common. As well as a technology transfer licence there will be a legal commitment from both sides to work together on a development plan. This requires careful negotiation.