

# Topic #20: How to Close a Deal

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I will review material to emphasize its  
Importance

# Assumption

The following assumes that:

- You have received a COMPLETED Invention Disclosure or Copyright Work Disclosure Form.
- The faculty researchers are willing to work with you.
- The faculty have not disclosed the Invention in detail.

# Step # 1

- **Define a Product or Service based on the Invention or Work Disclosure**
  - Research Who has a Product in your Market space.
  - Define the Value Proposition: **For the [customer], Product/Service X offers [this], [this] and [this], allowing the user to achieve [this] and solve [this problem] better than [the competition].**

# STEP # 2

- Collect Market Information

- Do Secondary Research First

- Google/Internet
    - Patent Databases
    - Market research databases.

- Do Primary Research Second

- Industry contacts
    - The inventor
    - Investors/entrepreneurs
    - Your TTO network - Contact AUTM or LES Member companies. Ask them to help you understand the importance of your invention. Educate yourself. Don't sell at this point.

# STEP # 3

- Do a Prior Art Patent Search – You can uncover incredible information about Target Companies.
- Ask the Faculty researchers to do an Open Literature Search (see Disclosure Form).

# STEP # 4

- Create the non confidential Marketing one Pager. Use examples at <http://research.ufl.edu/otl/> 'Available Technologies', or others:
  - Define the Application/Product and the Value proposition: For the [customer], Technology X offers [this], [this] and [this], allowing the user to achieve [this] and solve [this problem] better than [the competition].
  - Define the market (**Do not waste a lot of time obtaining market data as the companies you approach will know more about market data than you ever will**).
  - Define the IP position.
  - Define what you are looking for in a partner.
  - Name yourself as contact.

# STEP # 5

- Create a confidential background info package of:
  - publications,
  - draft publications,
  - analyzed research results,
  - draft patent applications (without the claims) and
  - other technical papers or presentations.



# STEP # 6: What to say to the Faculty researcher?

- This activity may take up to 12 months.
- You and the Faculty member must work together, particularly on financial issues - Even if a company says they have only \$XX for a research collaboration and cannot pay for indirect costs, the faculty member must not agree without a conversation with you.
- Your research may be years ahead of a Company's ability to use it.
- The company may have another solution to the problem that you are addressing and be close to the product introduction.
- There is a set series of steps in such negotiations, each with certain paper documents.

# STEP # 7: How to find companies?

- Talk with the Faculty member - a US study showed that for 60% - 75% of licenses signed, the Faculty member identified the company.
- Many times they know a researcher or friend in a company that you and the faculty member should talk with to identify the right person to talk to.

# STEP # 7 - 2

- Talk with national TT association - i.e. local colleagues.
- Do internet search: Intel story - subcontractor to subcontractor to INTEL.
- Look for Wish Lists posted by companies.
- Conferences - NCET2 - spinout companies and what target companies re looking for.

# STEP # 7 - 3

- Do a review by an external professional companies who do this work – e.g. Tremonti Consulting, Foresight and Innovation Matters
- Evaluation will contain: prior art, companies in field, market trends and issues, people to contact and why they might be interested.

## STEP # 8 –

### Practice What to Say to companies

- NOBODY CARES WHAT YOU HAVE. They only care about their problem you might help solve.
- Sometimes, they are interested in the research expertise in the lab, not the particular technology invention.
- Often the research is 5 years ahead of the company ability to use research to solve their problem.

## STEP # 8 - 2

- Before you can talk about the research, identify a potential Product or Service to solve a problem that your research might be developed into.
- Need to find Business Development or University Liaison officer in very large companies. The smaller the company is, the closer you need to be to the CEO. Stay away from the legal counsel in the company at first.

# STEP # 8 - 3

- Big firms have a process of not talking until you have a patent application filed.
- In the Business Development or Licensing community, if you are a member of AUTM or the Licensing Executive Society (LES), this company contact may be a member as well. If so, they WILL talk with you from a professional courtesy viewpoint

# STEP # 8 - 4

- When you find the right person. **DO NOT TRY TO SELL THEM** the technology. Rather, ask them if they will spend 10 minutes with you to help you understand why your invention might be important in the industry. **Ask them to educate you.**
- They may say they are not interested, so ask if they know a company who might be interested - they may give you a lead. If you are a university student, even a PhD, most companies will be happy to talk with you as part of being a good corporate citizen.



# STEP # 8 - 5

- The chance of finding a company interested in your research at the first telecom is 5% - 15%.
- The chance of finding a company that educates you and directs you to another company that might be more interested is 50%.

# STEP # 8 - 6

- If you talk to a company which is not native to your county:
- You must convince them that your researcher is significant, their results are significant, well researched and published in well known journals.

# STEP # 9 - How to sell a technology, types of questions to ask companies.

- See above, but start with your **Elevator pitch or Value Proposition**: We think we have the following: Our (proposed Products and Services based on our Invention), helps (Customer Segment) who want to (jobs to be done) by (use verb, and identify a customer pain which is addressed by your potential product).
- **Then you add** this: Unlike current product on the marketplace).
- **Then.** Can you help me understand the possible importance of this to your Industry, please?

# STEP # 9 - 2

- The real issue is that to turn the research into a product will take time and the company (or competitor) may have other products that will enter the market and address the market needs before your research can be changed into a product ready for the market.
- Thus, to say again, it is more important to talk with a company **to have them educate you** about trends, action in the market place, before you really pitch your research.

# STEP # 10

## How to move towards a deal.

- If you suggest sending information on the research, it must be non-confidential, so create a 1 pager like those at <http://technologylicensing.research.ufl.edu/>.
- If and when they are interested, they may sign a mutual confidentiality agreement before the next step i.e. to send them a package of RELEVANT confidential information i.e. faculty publication in draft form, patent application(s) submitted (omit claims always); interesting experimental results not yet ready for publication, etc.

# STEP # 10 - 2

- Find out what the company approval process is, who is involved and what the likely timeframe is.
- Explain your process.
- Tell them you will be happy to set up a visit or a SKYPE for further info.
- Many times if a company visits, they will be really impressed with your people and facilities and are interested in signing a research collaboration deal to work together to understand the technology.

# How to Close a Deal when it is 'NOT A PATENT' Approach

New Material

# SOFTWARE – NON Patented Digital Assets

## ‘The Knowledge Transfer Office’

- “Software definition”: computer programs; databases; “research data stored in electronic forms”; World Wide Web and digital media works; documentation, performance and technical data and software development environments.
- Software disclosures come from Computer Science departments, but also Music, Social Sciences and Humanities, Geography and Linguistics, etc.
- Creative Works – books, films (FSU Autism Navigator).
- What about student apps? What about faculty research apps ?



# Software - NOT A PATENT Approach

- The work to be transferred is not a product, it is an intermediate stage in an ongoing process of development.
- Multiple assets developed over time by many contributors; source code and object code (machine code).
- It is a collection of copyrights, trademarks (maybe patent rights); personal publicity and property rights (voices, biographical info) and domain names.
- Software is different !

**NON-EXCLUSIVE DEALS ARE BEST !**

# Software – University model

- Put the code on the web and allow users to download for academic use. Companies pay a fee of \$5,000 for 2 years with updates provided free. After 2 years pay another \$5,000 and another 2 years, etc.
- Receive a site license (not company wide) make copies and modify – no need to provide modifications back to U.
- Revenue back to the Lab and 25% to U.
- U Washington experience, 9 years later, hundreds of company contacts, with 10 formal distributors who supported the software, (not the U).

# Software

- Software success metrics:
  - relationships formed;
  - the leadership positions established if the software is a recognized ‘standard,’ and
  - the resources flowing to the development enterprise (U lab.; companies, government users, etc.).

# Beyond 'Patents' to 'Innovations'



- FSU Autism Navigator;
- FSU Neck Ties – mixed drinks under the microscope;
- Branded Drink Accessories based on drinks pictures;
- Etc.

# Community

- The experience at the University of Washington was that some faculty opposed the protective patent licensing approach of the TTO for patented Inventions.
- Many of the same faculty were pleased with the TTO's software approach of wide distribution with simple use Licenses.
- Faculty participation went from 10% to almost 20%.

# Closing a Deal

- There are two major Issues:
- The Business /Legal Terms – fairly clear
- The People Involved – never clear, multiple agendas, differing roles in negotiation / approval and then later in carrying out the Work in the Deal over the Term of the Contract.

# Closing a Deal

- You close a deal by educating yourself about the company and their interest in your technology.
- Then you agree on the process of negotiation.
- Then YOU must move the train forward.
- You close a deal by asking if it is time to close the deal.



# Closing a Deal

- Research Collaborations and Academic technology transfer/licensing deals have standard terms (see AUTM web site for sample Licenses).
- What differs are the numbers in the Business Terms (payments, royalties, Milestones for development, etc.)
- If it absolutely essential that you present a 'Term Sheet' for discussion to ensure agreement on key terms prior to presenting the formal License document.

# Closing a Deal

- A Term Sheet (sample provided) is simply a 2-3 page list of points of:
  - the key **Business** terms – Parties, Definitions, IP, Grant of Rights (who does what), payments, developmental milestones, dispute resolution, etc.

and

- the key **Boiler plate/legal** terms - Parties, applicable laws/venue, representations and warranties, liabilities and indemnifications, etc.

# Closing a Deal

- It is absolutely essential that:
  - you have a contract lawyer as part of your negotiation team, BUT not present at every step of the negotiation.
  - you and the company representative agree on the business terms.
- Once the business terms are agreed, then the legal/boilerplate terms need to be discussed and agreed to. Many are Non –Negotiable.
- If you can avoid it, never have a lawyer negotiate with another lawyer without your presence.

# Closing a Deal

- Keep the individuals who will review your Deal informed at key steps.
- Keep those individuals involved for key needed decisions.
- You need to communicate with Faculty, Administrators, Company representatives.
- Once the Deal is signed, you need to ensure that all responsible Parties receive a copy of the Signed Deal.

# Closing a Deal

- Once Deal is signed, the real work begins !
- You need to ensure that all Parties deliver what they promised in the Deal:
  - Keep a calendar reminder for important deal points – reports due, work performed, payments made.
- YOU need to continue to administer each and every Deal and **Communicate** with the Parties.

# STEP # 12 - Timing

- Finding one interested company and having them do an Evaluation takes 6 months. Add another 3-4 months for deal document negotiations. Overall, 12 months.
- The whole relationship can fall apart at any time, so you need to be the person driving the train to keep all people focused on actions to attempt to close a deal.

# SUMMARY

- Do your Homework !
- Patent deals tend to be EXCLUSIVE.
- Copyright Deals tend to be NON EXCLUSIVE.
- Style of Negotiation is VERY DIFFERENT !
- Deal Documents and Timing tend to be similar.
- COMMUNICATE to ALL, numerous times
- Once the Deal is signed, the real Work Begins.
- YOU are responsible for ensuring that People do what they have promised.
- You must be Proactive !

# RESOURCES

- Book: Improving University-Industry Relationships (includes Chapter on Software Licensing by Gerald Barnett).
- Example of Term Sheet.



THANK YOU !

Q & A

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