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Commercialization Procedures: Licensing, Spin-offs and Start-ups

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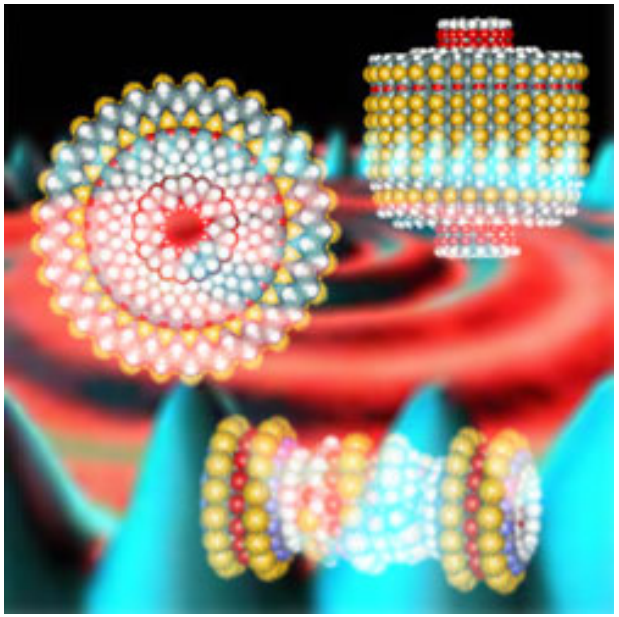
Outline

- Different Ways of Commercialization
- Privately Funded Research and IP
- Licensing
- Licensing Agreement
- Licensing Negotiation
- Start-up and Spin-off



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Commercialization

What types of commercialization of research results should the university support and encourage?

- **Donation, licensing or sales of IP**
- **Start-up and Spin-off**

Commercialization <Donation>

Based on the idea of publicly founded research belongs to the Public.

Potential problems:

- IP may be exploited by a third party outside the country
- Commercialization may involve use of existing IP (Who pays the costs for the use of the IP?)
- Company may not invest (no exclusivity)
- No incentive to commercialize

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Commercialization <Licensing>

- A route of commercialization where an IP rights holder gives another entity the authority to exploit to make, have made, use, sell, copy, display, distribute, modify, etc.) the IP - in return, the licensee will pay royalties
- The most popular and sustainable way of commercializing IPR
- Managed through written legally bound agreements
- Agreements stipulate details of extent of rights of exploitation (key terms: subject matter, scope, exclusive or non-exclusive, fields of use, territory coverage, amount of royalties, periods of royalties, length of exploitation etc.)

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Start-up and Spin-off

	Spin-off	Start-up
Created by	University	Outside Univ.
Technologies	Owned by University	Licensed to the start-up by University
Financed by	University	Outside funder
Managed by	University staff	Outside Univ.

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Privately Funded Research and IP

Privately funded research is where the resources are supplied by private enterprises or organizations:

- **Contract research:**

  Research which is conceived and funded by industries to provide a solution to a specific problem

- **Sponsored research:**

  Where a university conceives a research project and prepare a proposal for funding and where the funding agency is not directly a beneficiary of the research results

- **Collaborative research:**

  Research collaboration between a public university and private research unit of an enterprise or private organization

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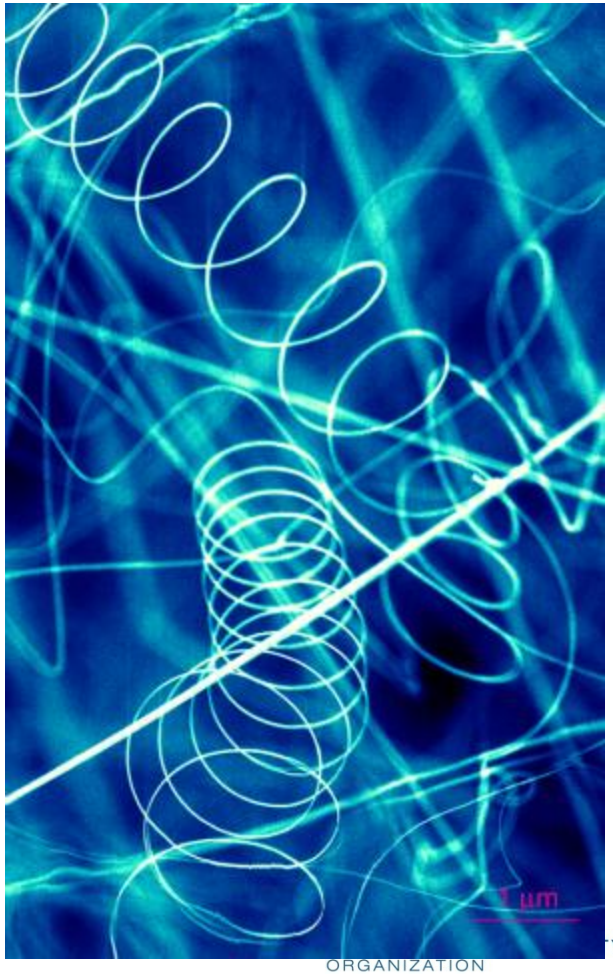
Different Types of Research Collaboration contracts

Research collaborations are managed by legal agreements such as:

- Contract research agreement
- Collaborative research agreement
- Consulting/know how Agreement
- Material transfer agreement (MTA)
- Confidentiality agreement (NDA)
- Participation agreement
- Licensing agreement



Non Disclosure Agreement (NDA)

- known as “confidentiality agreement”
- Any information disclosed to another party
- NDAs prevent third parties from using the information disclosed without the permission
- NDAs are often exchanged before licensing negotiation
- Companies often request researchers to sign NDAs before entering research contracts

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Non Disclosure Agreement (NDA)

NDA provisions include:

- Identification of parties
- Identification of confidential information
- Definition of purposes for which information can be used
  - E.g., solely for purposes of evaluating a licensing opportunity
- Requirements for return/destruction of confidential information

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Non Disclosure Agreement (NDA)

NDAs does not apply to:

- Information in the public domain
- Information already possessed by the recipient
- Information disclosed to the recipient through legitimate means

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Material Transfer Agreement (MTA)

- Contracts that govern the transfer of physical assets,
- Typical materials are biological materials (reagents, cell lines, plasmids, and vectors) that are transferred for the purpose of research or commercialization
- Chemical compounds
- MTA ensure transfer of possession but not legal title

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Material Transfer Agreement (MTA)

- Provisions
  - Definitions/scope
    - Materials
      - E.g., genetically-modified mouse
    - Progeny
      - E.g., mouse offspring
    - Unmodified derivatives
      - E.g., proteins expressed by DNA/RNA
  - Description of use of materials
    - "For noncommercial research use only"

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Material Transfer Agreement (MTA)

- Confidential information
- IP rights
  - May require recipient to assign or license inventions back to the provider
  - Complicated negotiations
- Warranties
- Liability and/or indemnification
- Publication
  - Review permissible, prohibition is not
- Governing law
- Termination

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IP Policy and Privately Funded Research

To encourage privately funded research, the institutional IP policy should provide clear provisions on:

- **Approval procedures for privately sponsored research proposals**
- **Ownership of IP generated from privately sponsored projects**
- **Licensing of IP generated from privately sponsored projects**
- **Confidentiality issues of privately sponsored projects**

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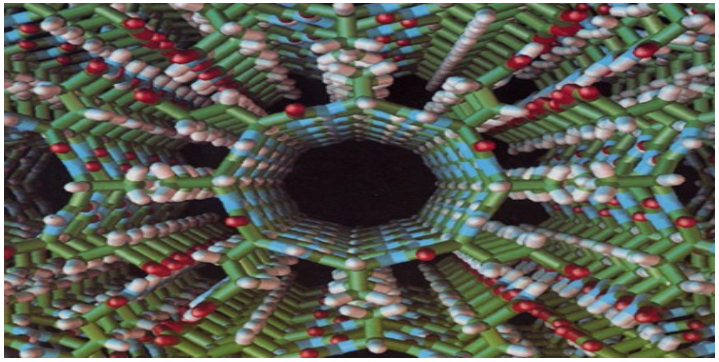
License Agreements

- It may follow a research agreement or collaboration. After the IP is developed, the university may then grant a license to the funder.

- When a spin off is created, IP generated by the university are often licensed to the "spin off" company from the university.



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Licensing Agreement

- **The subject matter of the agreement:** What is licensed?
- **Scope of the license:** What are you allowed to do with it?
- **Financial Terms**
- **Licensing Conditions**
- **The licensor's obligations**
- **Obligations common to both parties**

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Key Terms and Conditions

- Subject matter (use specification, technical description, patent No., name of the invention, trademark, standards?)
- Scope of the license (make, use, sell, make copies, distribute?)
- Field of use (technical fields?)
- Ownership
- Confidentiality
- Exclusive or non-exclusive
- Sub-licensing
- Territory
- Duration (How long? Does this depend on events?)
- Financial terms (Royalty, Lump-Sum, stock, payment method)
- Development rights
- Derivative works, improvements
- Future version of the technology
- Warranties (for risk of technology defect, defect in title, infringement)
- Dispute settlement (where settled? Who indemnifies against risk from 3rd party claims?)

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Licensing Negotiation

Four Phases:

1. Preparation Phase

2. Discussion Phase

3. Proposing Phase

4. Bargaining Phase

Source: "Exchanging Value - Negotiating Technology Licensing Agreements - A Training Manual" http://www.wipo.int/sme/en/documents/guides/technology_licensing.html

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Preparation for Negotiation

- What is the business reason for this license?
- What is the best result that can be obtained from this agreement?
- What outcome do you want to avoid?
- What leverage do you and the licensee have?
- What are your and licensee's positions on the key issues?
- What are your and licensee's lowest and highest limits?
- What are you willing to compromise?

Source: Kitisri Sukhapinda, United States Patent and Trademark Office

Negotiation Tips

- ✓ Win-Win
- ✓ Start with A Minor – Easy to resolve issue
- ✓ Best Case v. Worst Case Scenario
- ✓ Protect Credibility/Be Accurate
- ✓ Assess & Trade Variables Carefully
- ✓ Separate People From the Process
- ✓ Listen to What is Being Said & Not Said
- ✓ Remember - Everything is negotiable

Source: Kitisri Sukhapinda, United States Patent and Trademark Office

Licensing Negotiation

Key to successful licensing negotiation

3Ps

1) Preparation

2) Preparation

3) Preparation

Source: Kitisri Sukhapinda, United States Patent and Trademark Office

Commercialization
<Start-up and Spin-off>

Example: US in 2010

- **651 new companies were created based on new technologies generated in some 200 US universities**
- **80% were based in the university's home state**
- **Over 600 (15% of total US licensing) licensed to these companies**
- **50% of all licensing agreements to SMEs**
- **3657 start-ups still operating by the end of 2010**

Source: AUTM U.S. Licensing Activity Survey FY2010

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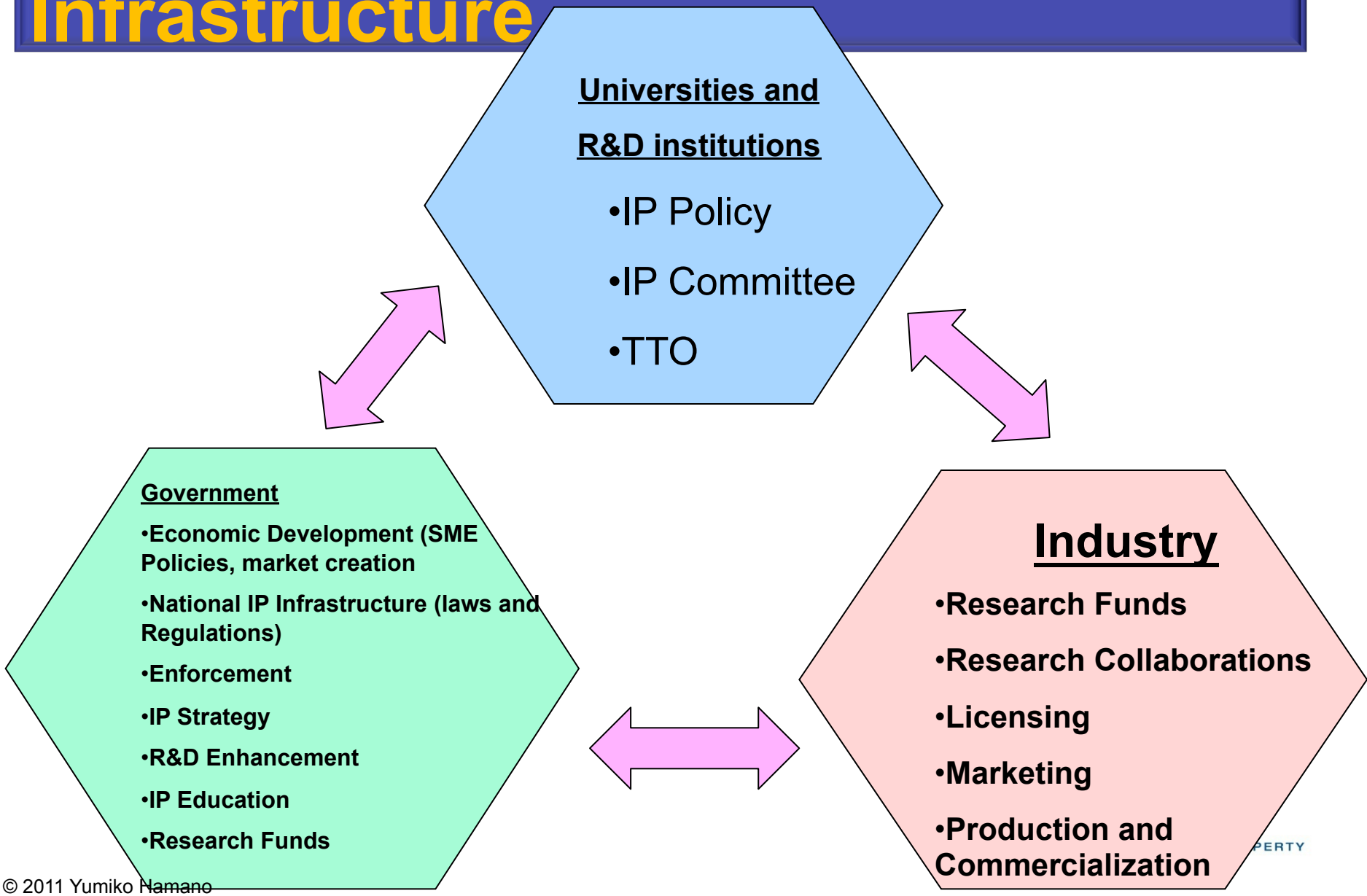
University-Industry Collaboration Infrastructure



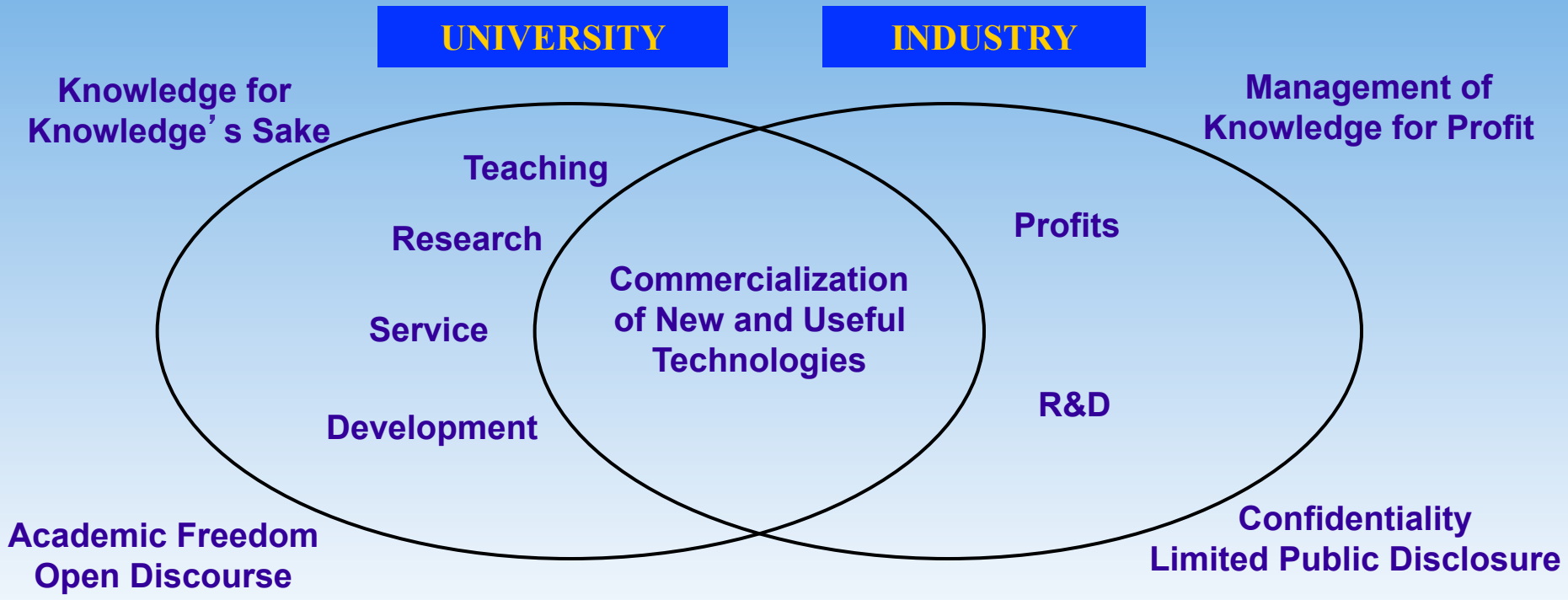
University-Industry Collaboration

<Opinion of Industry >

- University general attitude is poor do not view industry as a 'Customer'
- Arrogance, do not like working with small firms
- Complexity of deal & weird expectations
- Too cumbersome
- In some cases licensing fees for university technology are too high
- Universities rarely license-in research from any source
- University research is generally at a too early stage of development
- Univ. rarely engage in research in our line of business
- Univ. policies regarding delay of publication are too strict
- University often refuses to transfer ownership to our company
- We are concerned about obtaining faculty cooperation for further development of technology

Source: Jerry G. Thursby & Marie C. Thursby / Dato Mohamed Shariff

Addressing Conflicting Values and Common Interest



Source: Louis P. Berneman, 1999

Necessary Ingredients for effective Technology Transfer

Adequate IP protection and enforcement legal framework

Funds

Marketable Technologies

HR with Right Expertise

Infrastructure

Networking/ Collaboration

Source: Yumiko Hamano

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Thank you for your attention