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Code of Practice for Commercializing Intellectual Property in University- Industry Partnerships

Presented at Regional Forum on The Role of patents and
The patent cooperation treaty (PCT)
in research in developing countries



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Your challenges



- Discovery seldom occurs as a single event; it takes years of research and experimentation.
- Inventions seldom occur within the context of a well defined problem; rather it is typical for faculty to develop technology "solutions" independent of market-defined needs or problems.
- Most university IP is considered "raw technology"; it is incomplete, unrefined, and years from being formulated into products or services ready for commercial markets.
- Faculty inventors optimize their research for publications, peer review and funding sources, which is typically different than commercial drivers.
- As in research where a small fraction of faculty are responsible for most funded projects, in technology licensing a small fraction of faculty are responsible for marketable inventions = 20:80 principle

Adapted from source: www.cu.edu



What you need



- Solid Intellectual Property, protected if possible
- A good relationship with your researchers
- Good negotiation skills
- A diverse and wide network

3



Preparing your Technology: The Prototype



- Working lab prototype often far removed from industrial demo model
- Product development
 - SUIF: “Thousands fund” for industrial design and prototype development
 - Involve a venture technology company to look at industrial needs, relevant regulatory issues etc.
- Work on demonstration material with researcher

4



Preparing your Technology: Marketing Material



- Researchers provide very technical descriptions of their inventions
 - “A device for improving wave coherence by conversion of a spatially incoherent pump wave inside a specialty waveguide to a single output mode in the shortest possible length: optimized brightness converter”
- Create user friendly “Blurbs” describing the technology in more popular language
 - Title
 - Brief Description
 - Keywords
 - Target Market
 - Value Proposition / Benefits
 - Unique Characteristics
 - Technical Description
 - Innovation Status
 - Principal researchers

5



To the Market



- Licence or Spin-off Company?
- Spin-off company
 - Business Plan development
 - Incubation
 - Funding
- Licence
 - Two pronged approach
 - Shotgun method
 - Direct aim method

6



To the Market: Licencing Route (1)



- Tektique: www.tektique.co.za
 - Collaborative network of all leading SA university TTO's and others
 - One convenient all-in-one portal displaying technologies available for licensing etc
 - Blurbs easy to understand
 - Provides lead generation service free to TTO's
 - Provides at additional cost
 - Market reports
 - Business plan development assistance
 - Novelty/Prior Art searches
 - Great for networking between TTO's



7



To the Market: Licencing Route (2)



- Finding the right person in the right company
 - Use your network
 - Ask the inventor
 - Normally aim for CEO of smaller companies or Director: Business Development
 - www.zoominfo.com; www.google.com etc
 - Phone the company receptionist!
 - Look at their competitors
 - Competitors are your friends
- Write a customised personal email
- Follow up again and again and yet again

8



To the Market: Spin-off Company



- Create your own industry partner!
- Spin-off company:
 - Association with university = credibility
 - Academic footprint = constant stream of IP
 - University leads introductions to big companies and investors
 - Assist in growing your spin-off company until it has its own established market
 - Assist in finding investment and let some of that flow back to the university as research funding
 - Becomes an industry partner and commercialisation channel for more university technologies

9



Making the deal (1)



- Prepare for the deal:
 - Learn as much as possible about the company, their principles and the negotiators to reduce risks
 - Relationship building
 - Ask questions and listen
 - Understand the strengths and weaknesses of your technology
 - Share all information on your technology
 - Share information about your institution
 - Why does your partner want to access this technology? Why do they consider the relationship valuable? Give them what they want!
 - Why did you choose to work with this partner? Why do you consider this relationship valuable? Tell them that!

10



Making the deal (2)



- Address non-financial issues first
 - Learn important things about your partner before you begin negotiating the most sensitive and variable issues of the deal
 - Focus on mutual goals and common intent – the commercialisation of new and useful technologies
 - Determine what the other party really needs and wants and try to accommodate
 - “Total deal” structure
 - Technologies
 - Confidentiality
 - Publication rights
 - Ownership of data
 - Indemnification
 - Use of name
 - No warranty
 - Performance milestones
 - Rights to improvements

11



Making the deal (3)



- Negotiate financial terms last
 - Use objective, direct approach
 - Share understandings and assumptions about the marketplace
 - Build a revenue-expense pro forma
 - Agree on relative contribution of the licensed technology
- Business terms
 - Exclusivity/Non-exclusivity
 - Upfront payment/License initiation fee/equity
 - Reimbursements of IP costs
 - Research funding (!!!)
 - Milestones/payments
 - Royalties

12



Making the deal: Negotiation Blues (1)



- Various tricks and games are commonly used in negotiations
- Tricks and games only work well because negotiating is such an inherently emotional process
- Recognise when tricks and games are being used and do your best to defeat them

13



Making the deal: Negotiation Blues (2)



- Righteous indignation
 - Tactic: An emotional overreaction sounding something like “That’s ridiculous! No one in their right mind would ever agree to that!”
 - Response: Cool things down by stating common goals.
- The Whipsaw
 - Tactic: Everything is going fine, then the other party contacts your inventor and tells them you’re screwing everything up. The inventor then blasts you! (This is pretty common)
 - Remedy: Involve your inventor all the way

14



Commercialisation Models



- Licence A
 - Licence agreement terms negotiated
 - Upfront fee
 - 2x income stream on royalties
 - Joint development programme (JDP)
- Company B
 - Symbiotic strategic partnership
 - For the company:
 - Big Brother
 - Credibility
 - IP stream
 - For the university
 - Channel for related technology commercialisation
 - Research partner

15



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16