

# Negotiating Royalties - Commercializing Intellectual Property Assets

**Workshop on Negotiating International R&D and Technology Transfer Contracts –  
Intellectual Property Rights, Valuation and Dispute Resolution**



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**ELZABURU**

**Estab 1865**



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# SUPPORT MECHANISMS

# THE BOTIN FOUNDATION

FOUNDED IN 1964 BY MARCELINO BOTIN SANZ DE SAUTUOLA & CARMEN YLLERA.

PATRONAGE OF THE BOTIN FAMILY

CONTRIBUTE TO & SUPPORT LONG-TERM NATIONAL INITIATIVES:

- EDUCATION
- SCIENCE
- RURAL DEVELOPMENT
- ARTS/MUSIC

SCIENCE DEPARTMENT PROGRAMS:

- ☐ TECHNOLOGY TRANSFER PROGRAM
- ☐ BOTIN INVESTIGATORS PROGRAM
- ☐ "MIND THE GAP" PROGRAM



# TECHNOLOGY TRANSFER PROGRAM

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Research → Valorization → Commercialization

## Research → Valorization → Commercialization

### Selected Network of National Public-Based Scientists

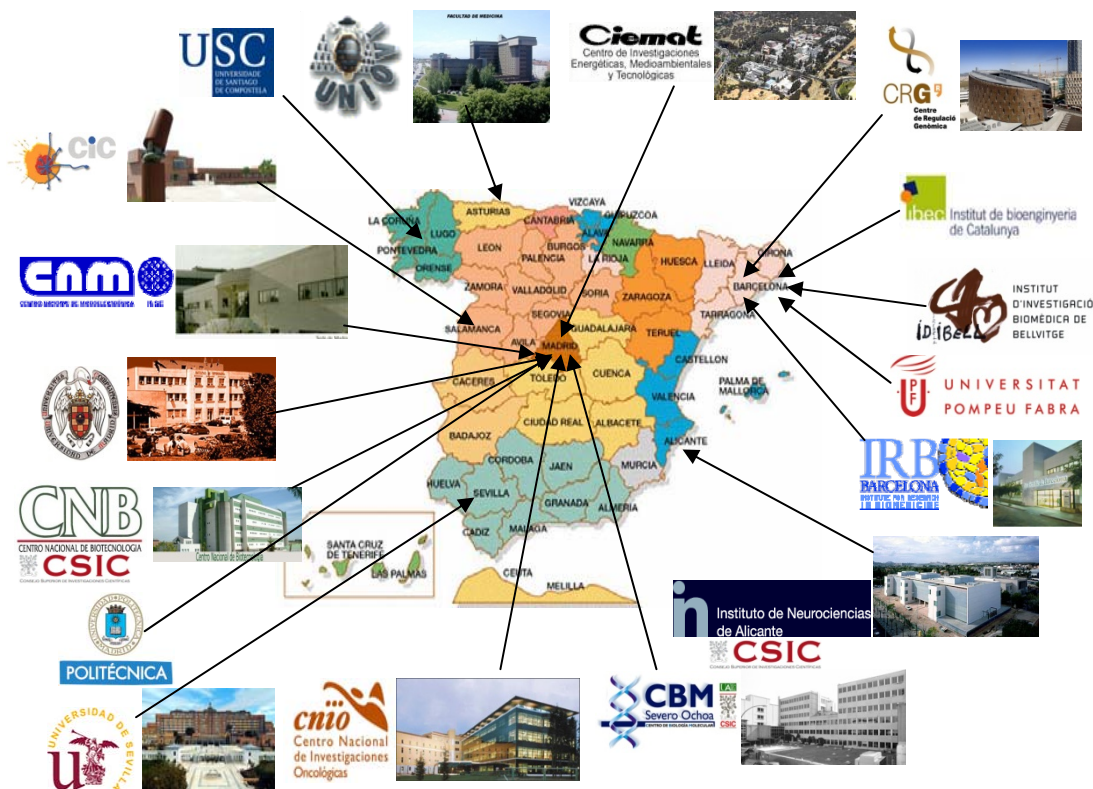
- 23 selected groups
- 17 public universities & research centers
- 450 scientists

### Biomedical Research Areas:

- Oncology/Ageing
- Neurosciences
- Metabolism
- Vaccines
- Genetic & Cellular Therapies
- Biosensors

### Collaborative Inter-Institutional Agreement for Technology Transfer

Five year fixed, non-competitive, open funding policy



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### **Research Output:**

#### **Therapeutic Tools:**

- genetic/cell therapy
- Biotech therapy
- indirect drug discovery

#### **Research Tools:**

- Microarrays
- Cloning technologies
- Cell/mouse models for assays
- In-vitro biochemical assays

#### **Diagnostic Tools:**

- Biomarkers  
(protein/gene/xxRNAs/SNPs)

#### **Technological Tools:**

- Forensic tools
- Electronic systems for biological components

# TECHNOLOGY TRANSFER PROGRAM

Research → Valorization → Commercialization

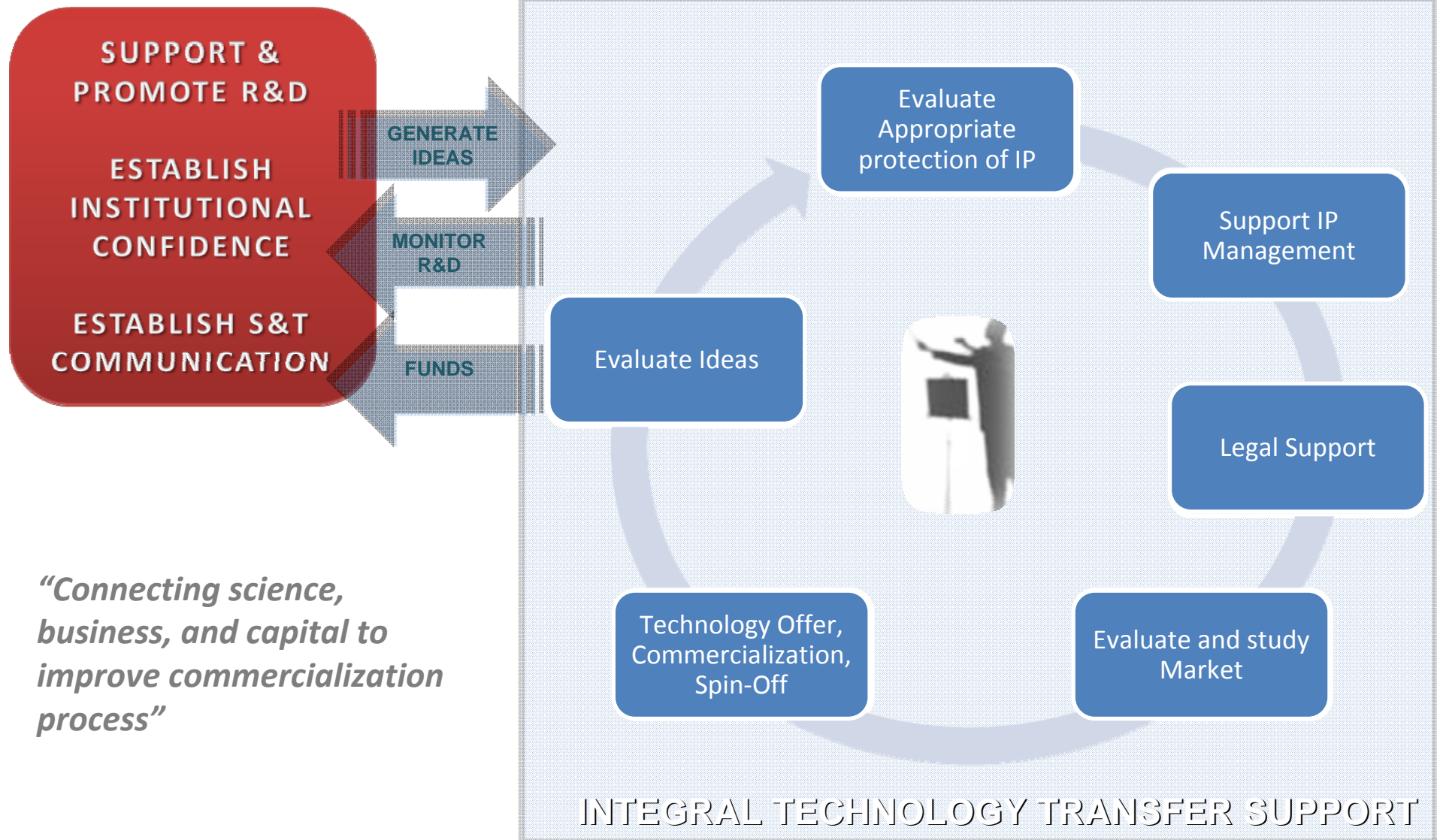
SUPPORT &  
PROMOTE R&D

ESTABLISH  
INSTITUTIONAL  
CONFIDENCE

ESTABLISH S&T  
COMMUNICATION

# TECHNOLOGY TRANSFER PROGRAM

Research → Valorization → Commercialization



## Research → Valorization → Commercialization

Evaluate  
Appropriate  
protection of IP

Legal Support

Evaluate and study  
Market

Technology Offer,  
Commercialization,  
Spin-Off

### EXTERNALIZED IP PROTECTION SUPPORT:

- Evaluate protection mechanism (e.g. patent, know-how, confidentiality, free source...)
- Patent evaluation & draft support
- Patent management support and follow up.

### EXTERNALIZED LEGAL SUPPORT:

- Objective: ensure IP ownership issues are secured prior to commercialization:
- draft & review collaboration agreements
- draft & review co-ownership agreements
- draft & review research contract agreements, transfer agreements ...

### EXTERNALIZED MARKET STUDY

- Expert market evaluation prior to Spin-Off initiatives

## Research → Valorization → Commercialization

Evaluate  
Appropriate  
protection of IP

Legal Support

Evaluate and study  
Market

Technology Offer,  
Commercialization,  
Spin-Off

EVALUATE APPROPRIATE COMMERCIALIZATION PATH

BRIDGE PUBLIC & INDUSTRIAL SECTORS

IDENTIFY LICENSEE

NEGOTIATE LICENSE AGREEMENT ON BEHALF OF  
INSTITUTION (excludes Botin Foundation): Internal/External  
Support

CONSOLIDATE SPIN-OFF CAPITAL

EXTERNALIZED LEGAL SUPPORT

- Due Diligence
- Conflict of Interest
- Spin-Off participation/shares
- Legal framework (e.g. public administration restrictions)

Due to the spectrum of research areas and output, a non-traditional negotiation approach is used, and studied case by case.

## TECHNOLOGY TRANSFER PROGRAM

### PROGRESS INDICATOR 2005 - 2009



Identified & Evaluated Ideas ■  
Identified & Managed Inventions ■  
Patents ■  
Competitive Projects ■

## TECHNOLOGY TRANSFER PROGRAM

*“Continuity”*



### BOTIN INVESTIGATOR PROGRAM

- Extended Technology Transfer Program.
- Select Program of scientific recognition and prestige.
- Financial and in-kind support for research and technology transfer.

*“Progression”*



### “MIND THE GAP” PROGRAM:

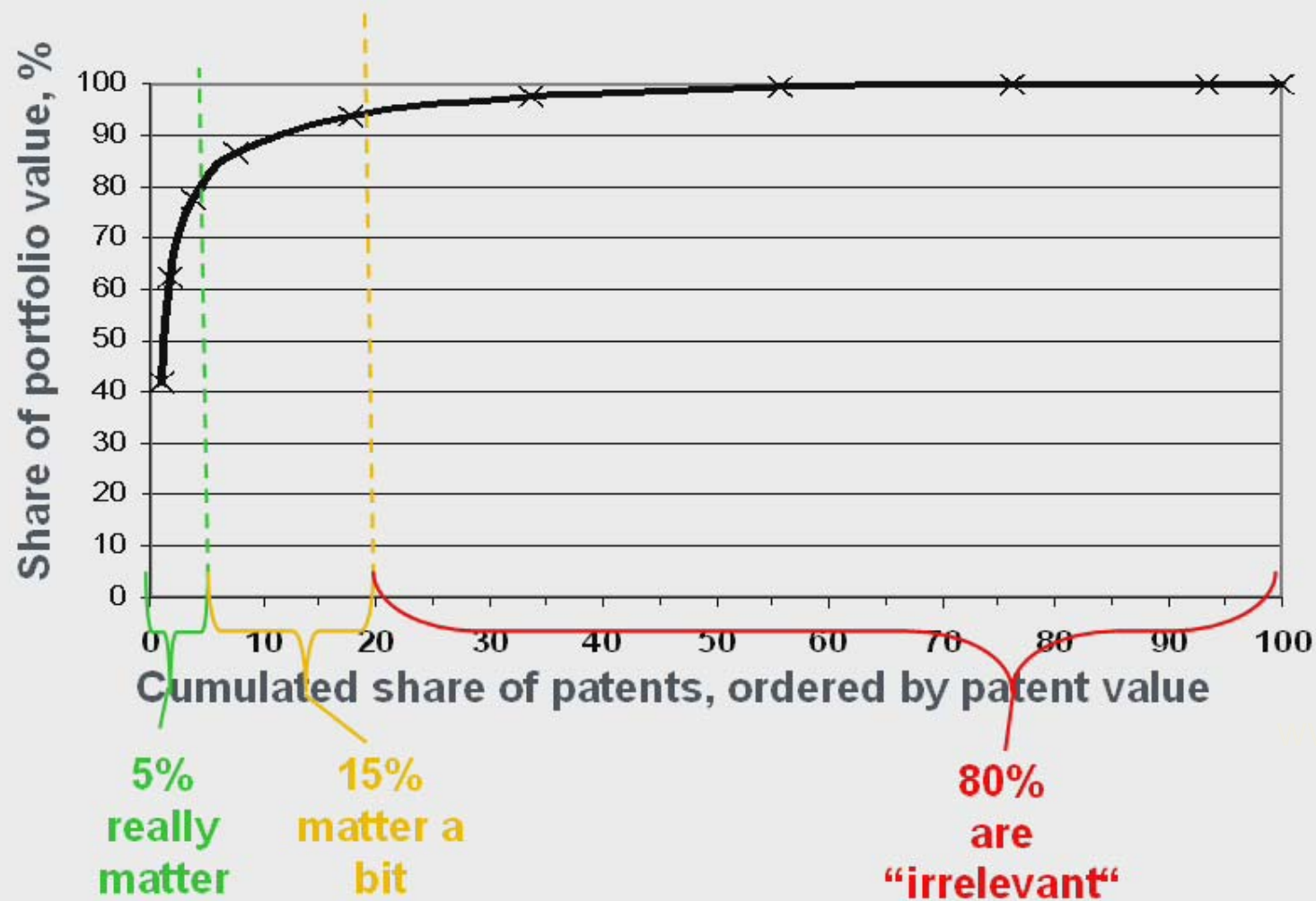
- Bridging existing gaps between specific academic based discoveries & industry.
- Funding specific R&D projects with commercial potential to reach proof of concept and validation phase.
- Maturing technologies to a more commercially attractive developmental stage.

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# QUANTITATIVE METHODS

- 
- Cost
  - Price
  - Value

## The value of EP-patents



# Cost method

- Look back
- Development cost
- Accountants

# Cost method

- Historic data
- Reproduce
- Substitute

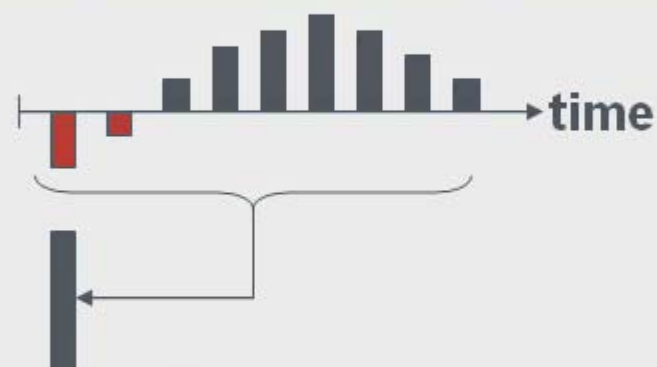
- Transparency
- Cost ~ Value ??
- Value > Cost ??
- Value ~ t ??
- Include exclude ??

# Income method

- Look forward
- Discounted cash flow
- Net present value

## Net present value method (NPV, DCF)

cash inflow  
- cash outflow  
- interest (hypothetical)  
= present value



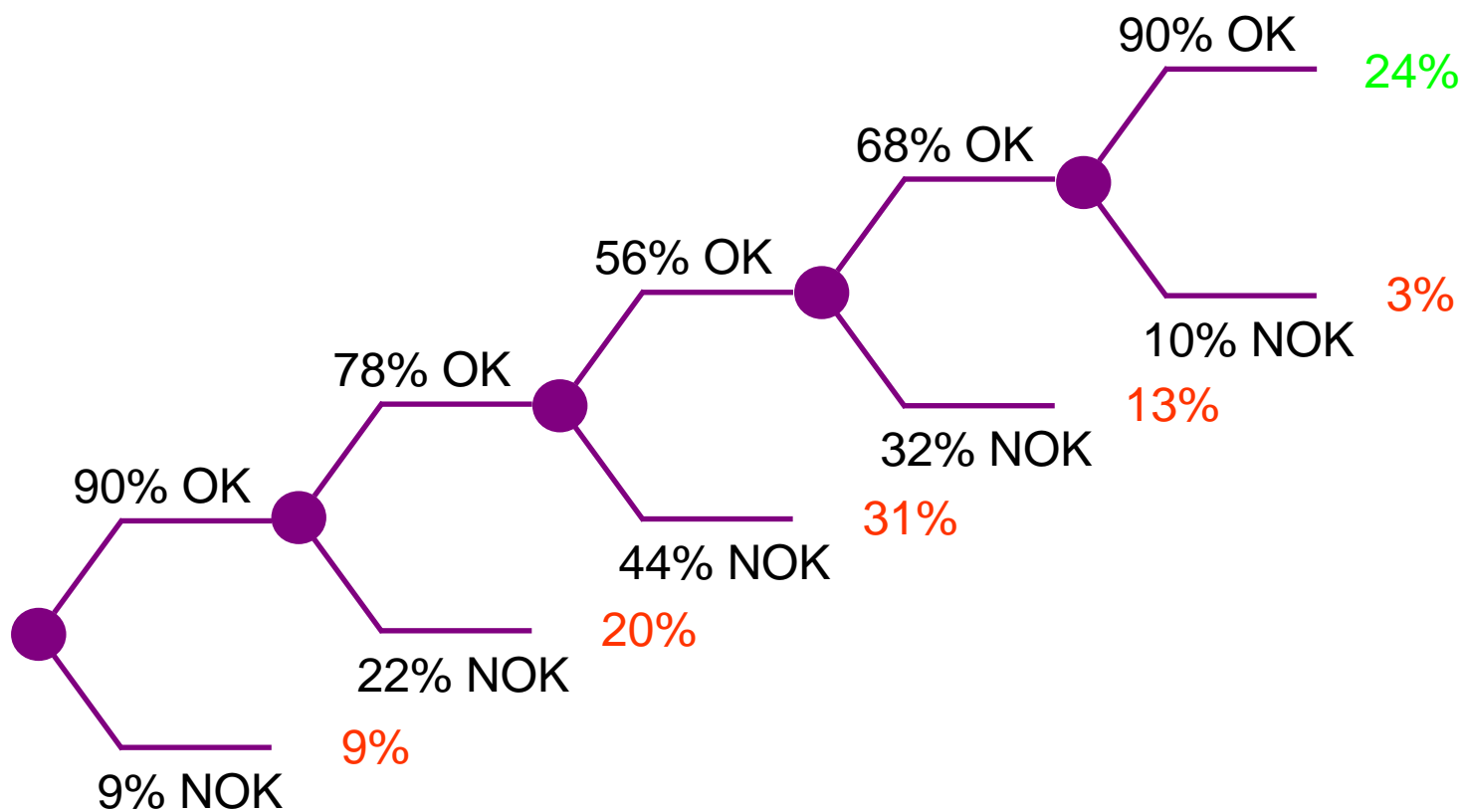
$$\text{NPV} = \Sigma(\text{present values})$$

„Expected profit due to patent, after cost of capital“

$$PV = \frac{R_t}{(1 + i)^t}$$

# rNPV

- Pharmaceutical
- Biotechnology
- Probability ~ Phase



25 % rule

- 
- Business plan
  - Established method
  - Straightforward
  - Uncertainty: € flows/ Interest
  - Little flexibility
  - Indirect benefits

# Market method

- Look around
- Comparable price
- Comparable royalty

# Market method

- Internal information
- External information

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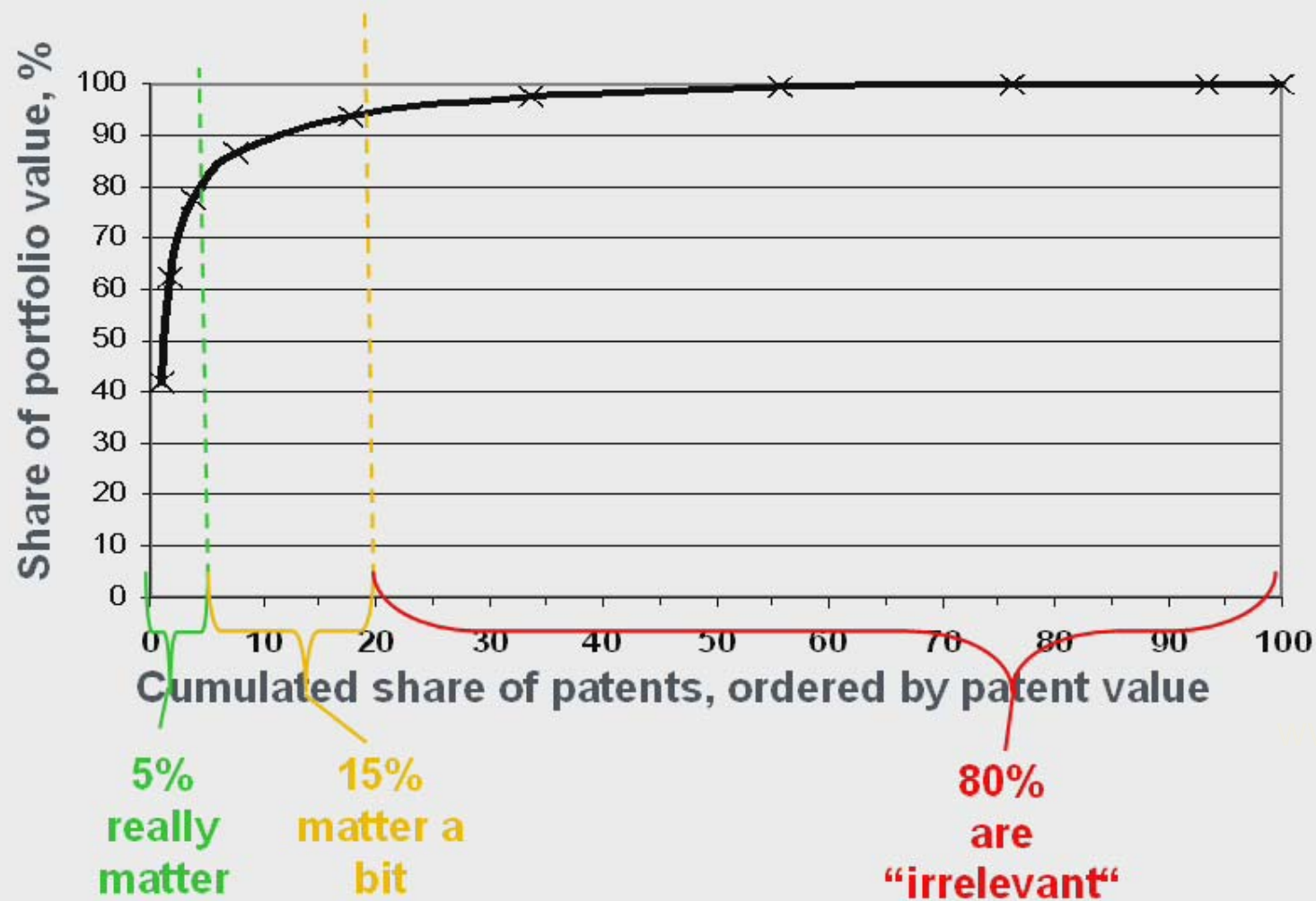
# 5 % rule

- 
- Availability
  - Objectivity
  - Same?
  - Circumstances
  - Sectors

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# QUALITATIVE METHODS

## The value of EP-patents



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# IPscore – DPTO/EPO

- Legal status
- Technology
- Market
- Finance
- Strategy

# Legal status

- Grant
- Scope
- Invalidity durability
- Infringement
  - Tracking
  - Defence

# Technology

- Substitute
- Copy
- Tested
- Manufacturing

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# Market

- Competitive situation
- Growth
- Life
- Licenses

# Finance

- \$ R&D
- \$ Manufacturing
- Income

# Strategy

- Defensive
  - Short term
  - Single product
- Offensive
  - Long term
  - Secure market

## Fictitious example

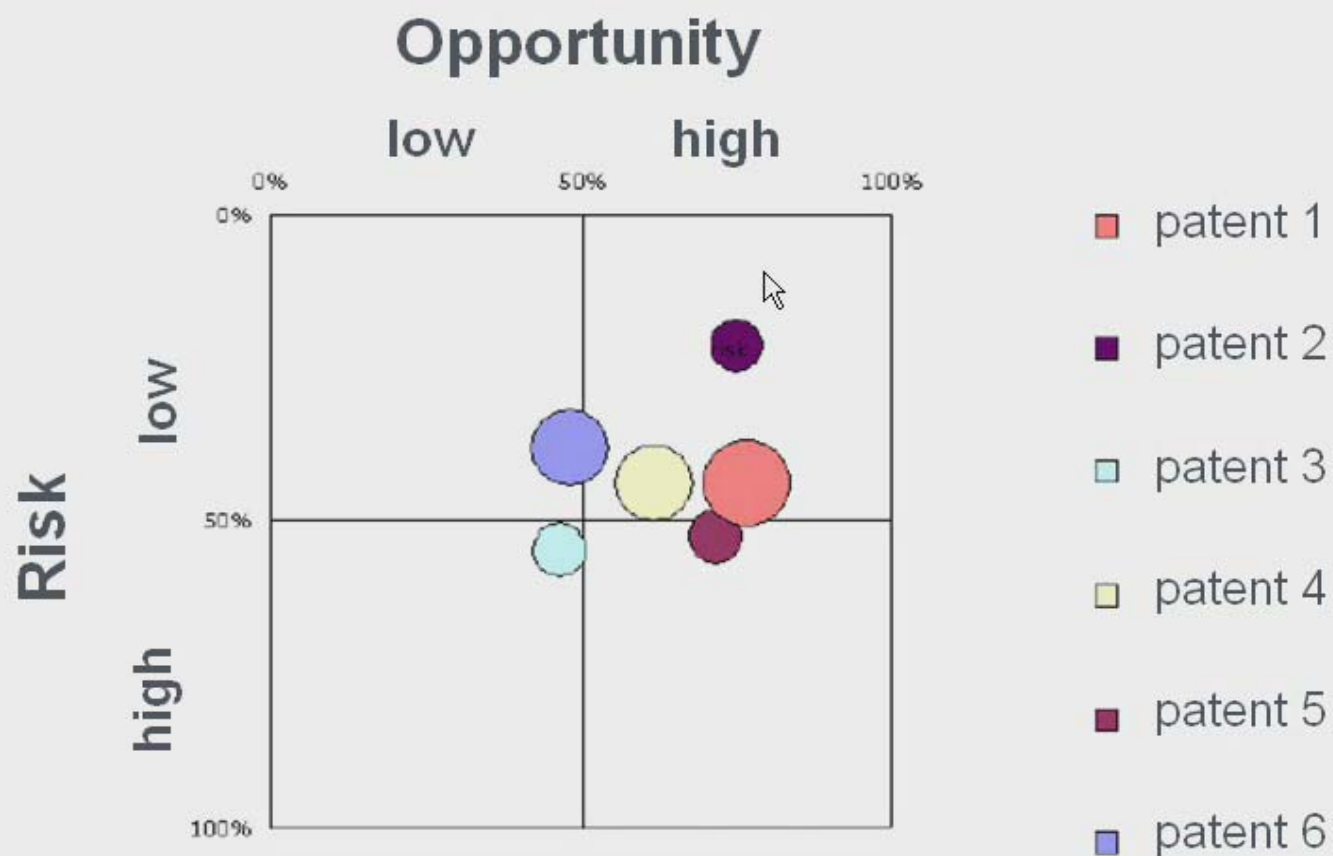


## User input

- 1: no market known
- 2: no particular market targeted
- 3: well known market for techn.
- 4: 3 & marketing options
- 5: 4 & other prominent markets



# Patent portfolio



[www.epo.org](http://www.epo.org)

The size of the bubble shows the profit generated by each patent

- 
- Simple
  - Experience
  - Information

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# GRACIAS

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