

Standard Agreements: What do we really mean by “standard?”



Robin L. Rasor

President Elect

Association of University Technology Managers

Director of Licensing

University of Michigan



Association of University Technology Managers®
Advancing Discoveries for a Better World



Association of University Technology Managers

- AUTM is a community of over 3500 technology transfer professionals working in academic, research, government, legal and commercial settings
- Dedicated to transferring research from academic/research institutions for the benefit of the public through commercial avenues
- Celebrating 30 Years of Bayh-Dole in December
- Collaborate with other Academic Organizations (AAU, APLU, COGR etc) on issues related to research and technology transfer

Standard Agreement Activity in the United States

- Standard “Agreements” vs. Standard “Terms”
- Complaints by Industry and Entrepreneurs:
 - Takes too long to close deals
 - Universities are “holding technology back”
 - Universities “over value” technology/want too much money
 - Universities are “too hard to deal with”
- University view
 - Trying to get fair compensation for University IP
 - Startups aren’t so easy to work with

Standard Agreement Activity, cont'd

- Kaufman Foundation/University of North Carolina promote “Carolina Express” License Agreement
 - Aimed exclusively for UNC startups
 - Sets standard royalty rate and equity
 - 1% on products requiring FDA approval
 - 2% on others
 - 0.75% equity (of either (i) Aggregate Consideration (and Trailing Consideration, if any) for a Liquidation Event or (ii) Pre-Money Valuation for an Initial Public Offering
 - Standard annual minimums
 - \$5-\$15K for 3-5 years; \$10-30K after 6 years

Carolina Express, cont'd

- No milestone fees
- Royalty not passed along to sublicensees, instead:
 - 10% of sublicense revenue
 - 20% of sublicense royalty revenue
- Diligence terms to be negotiated
- 26 pages of other boilerplate
- A Few Other Universities Have Similar Process
 - Primarily for startups
 - “standard” equity, license fee and royalty terms

Does This Really Solve the “Problem?”

- Most Universities have boilerplate agreements
 - License (ex and non-ex; software, materials, patents)
 - Options
 - IIA, MTAs etc.
- Most time negotiating is on:
 - Diligence
 - business plan for the company
 - management of the company
- Lita Nelsen from MIT:

“A one-size-fits all agreement takes away from the uniqueness of each technology. For example, terms for a license in the pharmaceutical space, where margins on future sales could be rather large, should be different from terms for an energy startup, since margins on sales of a commodity can be significantly smaller. Every deal is so different that [the express agreement] is going to cheat it at one end or the other. It’s going to underprice sometimes and overprice other times.”