Essentials of technology licensing

Vijay K Vijayaraghavan. RTTP

The key to academic technologies commercialization

- Academic technologies generate economic value through licensing

- What is a license?

What is a license?

A legally enforceable business agreement for access rights

Technology licensing is a series of business process driven by multiple considerations

Which element influences most the success of licensing

CHOOSING THE LICENSEE

The choice of licensee & licensing process depends on business predictability & business modelling

- What are potential products/services?
- Dominant IP – Disruptive?
- Fields of use
- Market potential and USP
- Timescale – translational – regulatory - markets

OPTIONS ON LICENSEE

- License to a large company (Blast-out)
- License to unaffiliated start-up (startup licensing)
- License to inventor led start-up(startup licensing)
- Create University owned venture for commercialization (Spin-out licensing)
- License to a venture with University interest in ownership (Spin-out licensing)
- **Domestic options**
- **International options**

Academia creating interest in another legal vehicle for moving research results to markets

Assessing Market Relevance

- **Characterize the invention technically**

  Define all the inventive features

  How does it work?

  How does it compare with existing methods

  Is it faster, harder, cheaper, more accurate, etc.?

  Does it create new opportunities?

- **Assess its economic relevance**

  What problems does it solve?

  Is that problem economically important?

  How important?

- **Determine its applications and assess its potential impact in application**: Agriculture, human medicine, food, communications, etc.

Assessing Market Relevance

Is the problem widespread and significant or localized and trivial?

Is there a definable market for the problem solved?

How does the technology compare to existing solutions to the problem?

Why would someone use the technology instead of currently available?

Characterizing technical viability/market relevance

Is the technology:

- a paradigm shift (truly disruptive)?
- a significant improvement?
- a minor improvement?
- no better than the alternatives?

Each of these will create different dynamics that will make commercialization more or less difficult

Characterizing technical viability/market relevance

- Can the invention be commercialized as a "stand-alone……or are other components needed?

  (will licensing be complicated?)
- Is the surrounding technology space in a declining, advancing, or stagnate stage?
- Is the relevant industry innovative or conservative?

Pre-negotiation Patent Valuation

Describe its competitive advantages

Don’t forget to understand its disadvantages

Can you quantify its advantages?

Can you imagine how to overcome its’ disadvantages?

License Agreements

- License agreements are core to tech transfer process
- All license agreements are unique and hence negotiation is paramount
- Negotiating license agreement presupposes due diligence on right to license

General components of the agreement

Grant of license: Defines what the licensee secures and what licensor retains - Transfers rights to licensee

Non-assertion elements incorporated

University grants to Licensee an exclusive license under the Patent Rights and a nonexclusive right under Know-How to make, have made, use, have used, sell, have sold, practice, provide, import and have imported, and offer for sale Licensed Product in the Field in the Territory during the Term, including the right to sublicense.

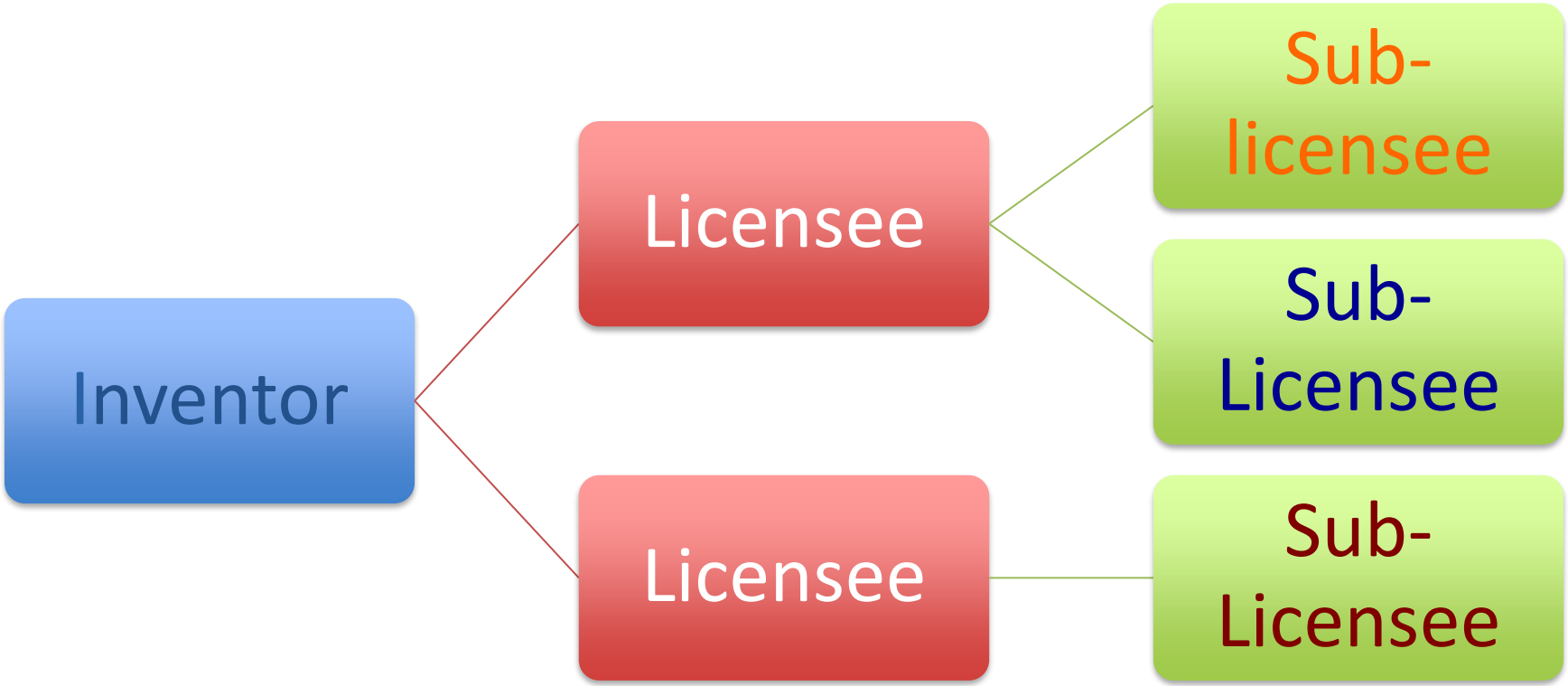
Definitions

- specific meaning to words and phrases
- “Definitions” determine what the license really (and legally) means
- Several elements such as Licensed products - Territory – Field of use
- Clarity – Relativity – Language indicating intent

Benefits and benefit sharing

- Key to link payment terms to business model
- Upfront payments – Milestone payment – Royalty payments – Royalty on what???
- Benefit payments now or later
- Minimum benefit accruals
- Considerations such as patents pending /granted
- Fiscal / tax implications
- Pre-existing license covenants

Sub-Licensing rights



Patent prosecution obligations

- Management of patent filings
- Responsibility for payments and maintenance
- Patent prosecution obligations and costs (more complex for non-exclusives)

- Same elements for Infringement

Terms and termination

- Needs very careful articulation for life science patents
- Continuing stewardship issues
- Regulatory challenges
- Foreseeing end to relationship if things go either way

Post – Execution dynamics

- A license agreement is a dynamic agreement
- Post – Execution issues many times results in revisions and re-negotiations
- Product development necessities
- Review of financial terms
- Regulatory challenges
- Prosecution elements
- Technology stacking and Royalty stacking
- Matters arising from audits and compliance reviews

Diabetic Retinopathy product

- Technology on reformulated microfilament for diabetic retinopathy have yielded promising results
- License granted to a Ophthalmic devices entity
- Post license " Road-block " encountered due to one of the multinationals possessing patent for a critical polymer deployed in development – Freedom to Operate negotiations became unsuccessful
- License terminated prematurely