



In-Licensing of Technology

Vidula Walimbe, PhD

Innovation Management: Venture center

Outline of presentation

- Terminology
- Technology in-licensing
- Common license agreement clauses
- Summary

What is technology?

- Technology is science or knowledge put into practical use to solve problems or invent useful tools.
- Technology is the useful application of knowledge and expertise into an operation
- Technology can be found at every corner

Technology progress



Technology Transfer & Innovation

- Technological innovation is a key component in technology transfer
- Technology innovation helps companies to face more and more increasing market competition.
- New products with new functions appear on the market on a regular basis, companies need to innovate by developing or acquiring technology.

Technology Transfer



- This can be from company to company or from university to company or from a national lab to a company

Technology Transfer: categories

Basic Research

```
graph TD; A[Basic Research] --> B[Applied research]; B --> C[Development]; C --> D[Production];
```

The diagram illustrates a four-stage process for technology transfer. It begins with 'Basic Research' in a dark green box, followed by 'Applied research' in a medium green box, 'Development' in a light green box, and finally 'Production' in a blue box. Each stage is connected to the next by a downward-pointing black arrow, indicating a sequential flow.

Applied research

Development

Production

Technology Transfer: categories

**Well known
Technology from
equipped
environment**

**Advancement
in new
environment**

Technology Transfer

- Vertical technology transfer: Means transfer of technology from an R&D organization to a firm
Such transfers are mostly for the technologies that are new and may often require further efforts in terms of establishing commercial viability
- Horizontal technology transfer: Implies transfer of technology from one firm to another.
Basically the swing of well-known technology from one organization to another.

Licensing

- Licensing is a contractual arrangement whereby the licensor (selling firm) allows its technology, patents, trademarks, designs, processes, know-how, intellectual property, or other advantages to be used for a fee by the licensee (buying firm).
- **Licensee** is the party that receives a **license**, while the **licensor** is the party that grants the **license**
- It is a strategy for technology transfer

Why License?

Helps as marketing and as a brand extension tool

Benefits all involved parties

Parties has its own goals and aims that ultimately adds value to the final product or service.

Each participant in the licensing process has certain responsibilities to fulfill

What Is a Licensing Agreement?

- A licensing agreement is a written contract between two parties, in which a property owner permits another party to use that property under a specific set of parameters.
- A licensing agreement or license agreement typically involves a licensor and a licensee.

Types of license agreements

Exclusive vs Non-exclusive

- Technology licensed to only one entity
- Licensor is permitted to license the technology to other parties

Patent License Agreement

- Patent rights are licensed from the licensor to the licensee

Know-how agreement

- Covers all of the information relevant to practicing a technology

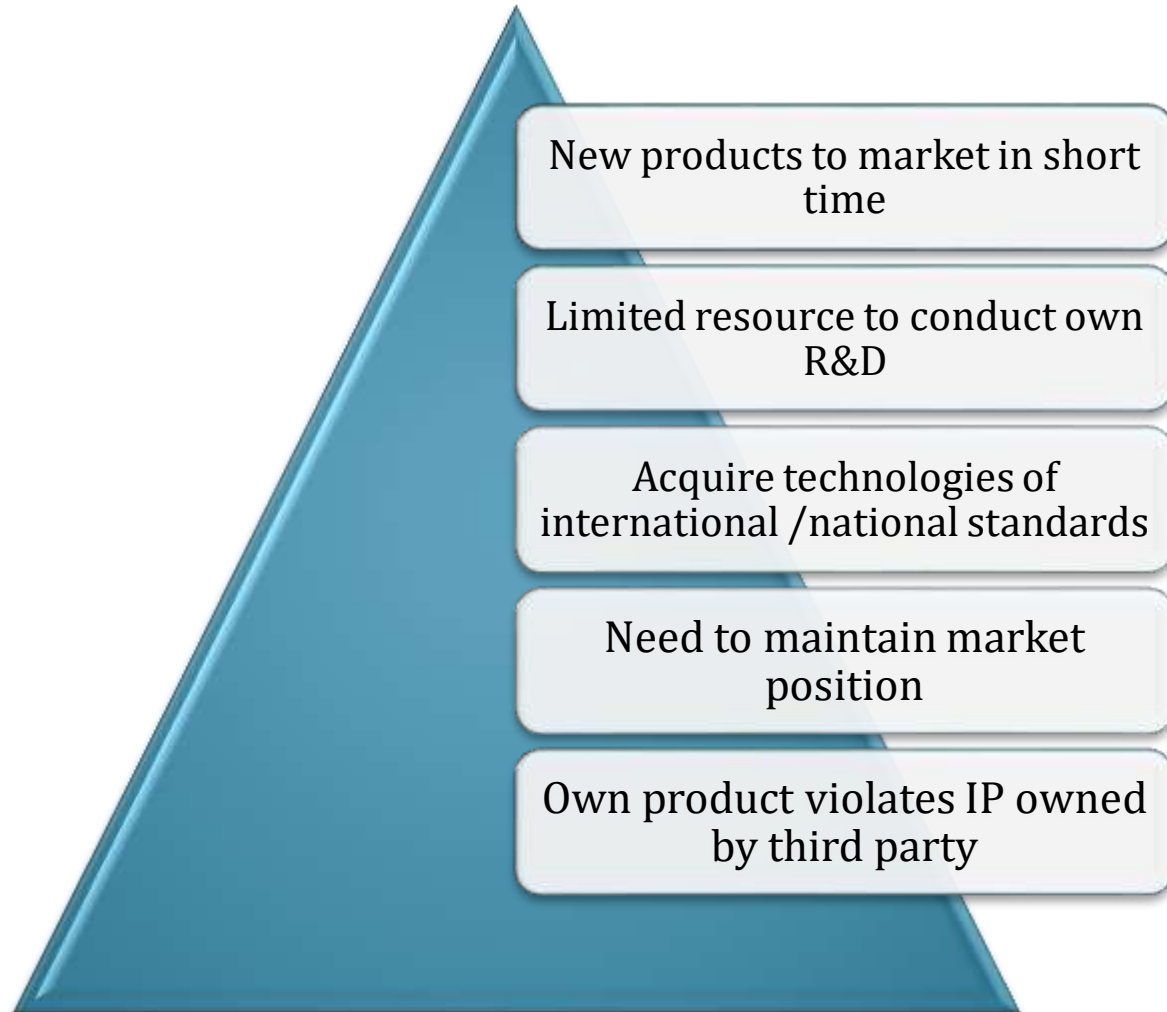
Technology in-licensing

The process of acquiring the rights related to a third party's technology through a license agreement is indicated as technology licensing-in.

Technology in-Licensing

- If I license a product from you, I am in-licensing it and you are out-licensing it. If I license a product to you, then I am out-licensing and you are in-licensing.
- Licensing is basically giving another party permission to use your property.
- So, if you produced a drug lead and did not have the resources to continue with clinical trials, you might out-license the patents to a larger pharmaceutical firm for them to complete development. Large companies tend to be execution-strong, so they often in-license technologies from smaller firms, in the hopes of obtaining approval to market the resulting drugs.

Why Technology in-licensing



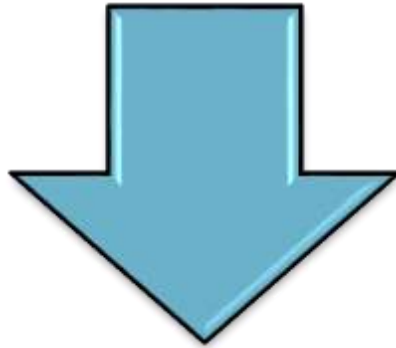
How to do Technology in-licensing?

Technology	Intellectual Property
Inventions	Patents, Trade secret
Know-How	Trade Secret
Computer Programs	Copyright, Patent

Using third party's IP protected technology is possible upon authorization:

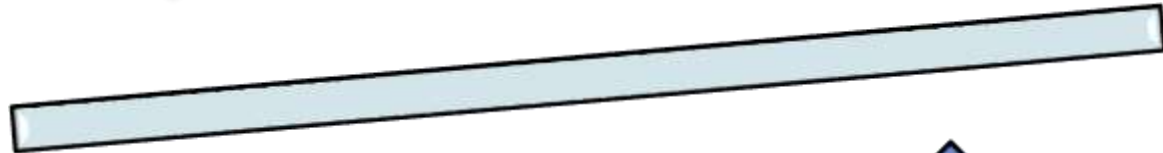
- Entering into a license agreement - a contract under which the holder of Intellectual Property (licensor) grants permission for its use to another person (licensee).
- Without such an agreement, the use of third parties' IP protected technology could be considered an infringement.
- If technology is not protected (i.e. technology in public domain), it is freely available and no need of license exists

Advantages and risks of technology in-licensing



Advantages: Licensee

- » Can get faster access to certain markets
- » Access innovative technologies and expertise without investing in in-house R&D
- » Obtain rights to product/process whose effectiveness has been proved



Risk

- » Licensed technology may be obsolete
- » High royalties to be paid
- » Licensee may become technologically dependant on licensor ; may impose unfavourable terms
- » If non-exclusive license; same technology could be licensed to competitors



Tech in-licensing: What to look for?

Technology of interest

Fitting company's needs and objectives

Where to find technology:

- » Patent information
- » Web-blogs, Websites, databases
- » Online platforms: publish opportunities on available technologies

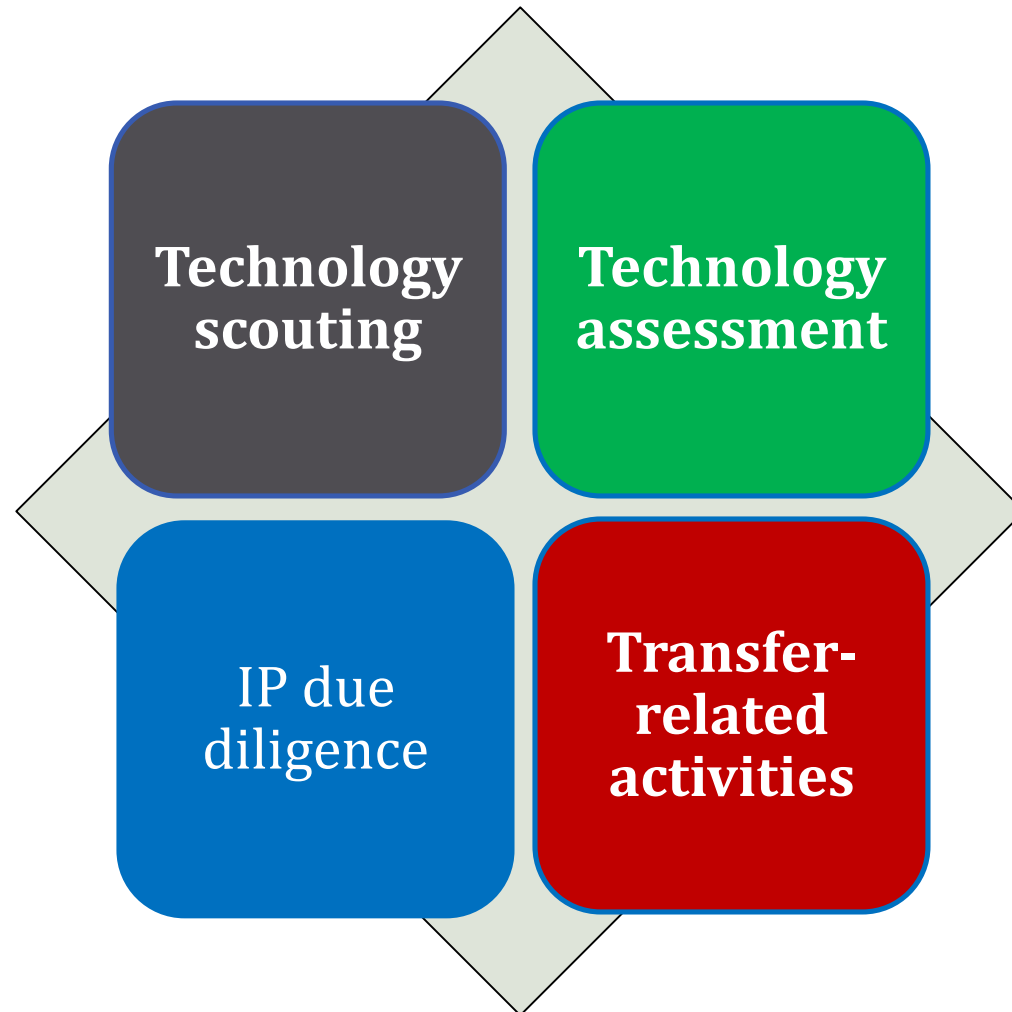
Public domain assessment

Technology not IP protected

Patent protected:

- » Expired
- » Non-payment of fees
- » Invalidation in court
- » Check validation in countries

Tech in-licensing: What to look for?



Common Structure of License agreement

- Simplify drafting and interpretation

Definition



- State the agreed meaning of key terms

Definition



- Technology should be described in detail

Definition



- Identify the technology & IPR

Definition



- Patent no/ application number

Definition

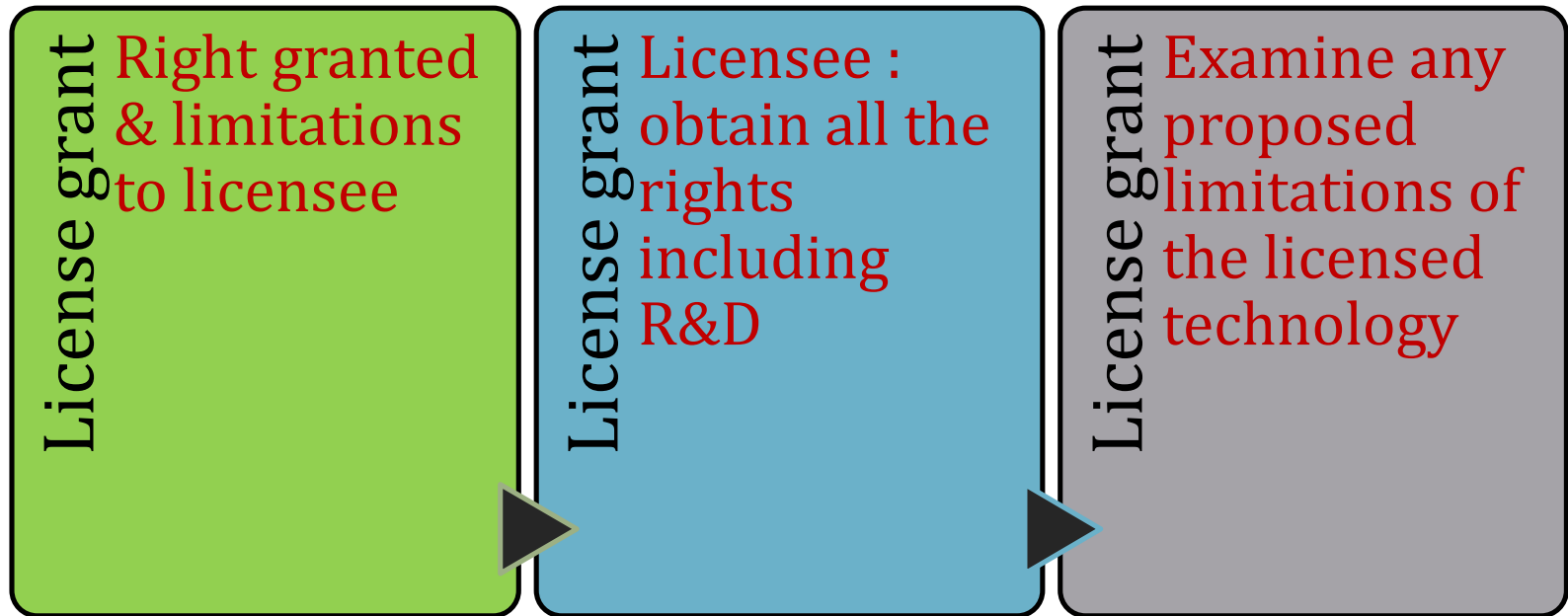


- Know-how: reference, features & development status

Definition



Common Structure of License agreement



1. Parties: who is entitled to exercise the rights?
2. Subject matter: What matter is being licensed
3. Rights: What the licensee is allowed to do with the subject matter
4. Territory- where can rights be exercised?
5. Exclusivity
6. Term: how long can the rights be exercised
7. Payment: Royalty based or royalty free
8. Any restrictions

Common Structure of License agreement

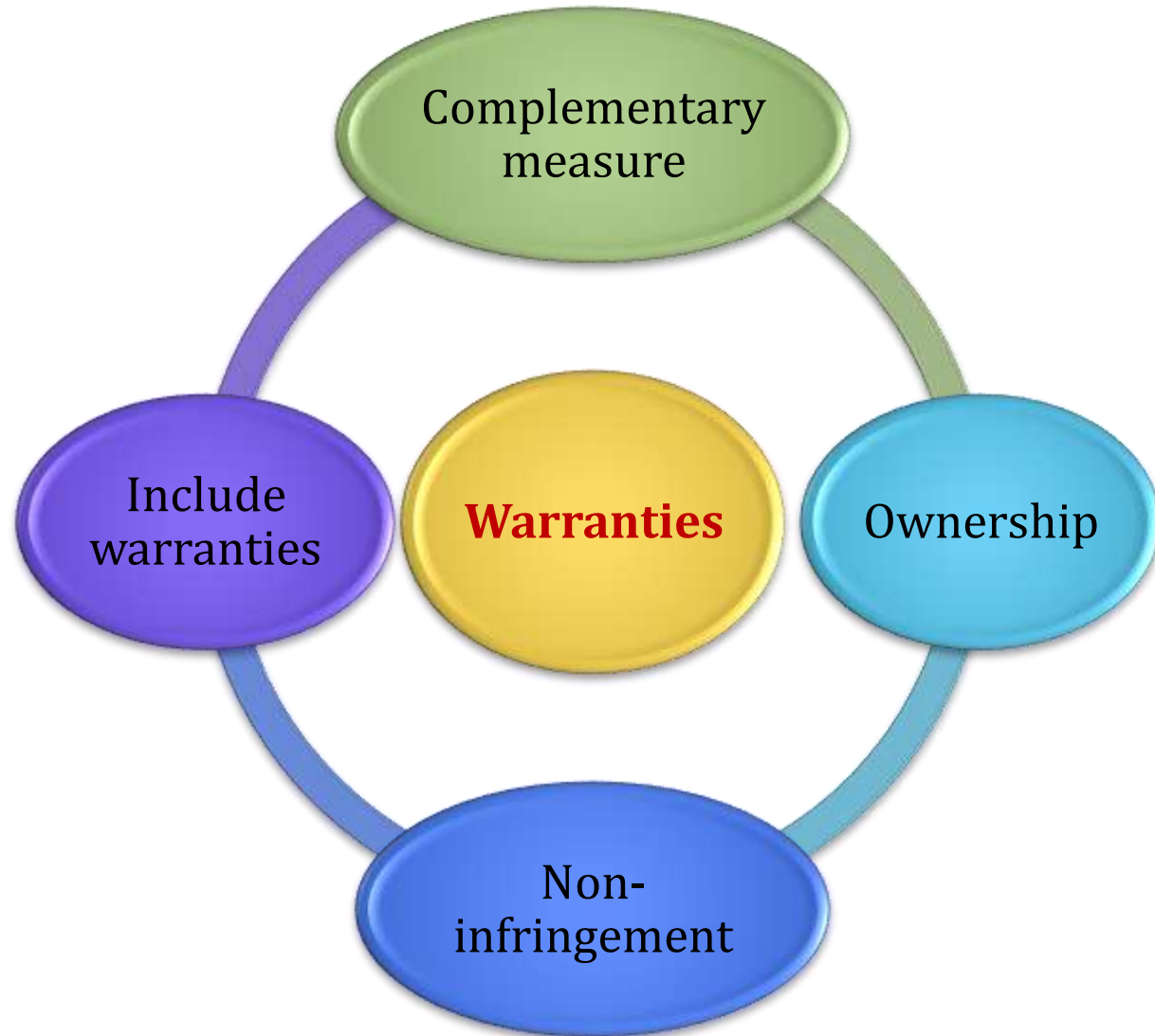
Considerations: Any contract generally has "consideration": something valuable flowing between the parties.

- In a technology license agreement, the consideration of the licensor is the grant of the right to use the protected technology. The consideration of the licensee is generally the payment in exchange for the license grant.

Payments

- The payment calculation may be determined on the basis of an IP valuation. Usually the licensee will pay a lump-sum (amount determined up-front) or royalties (periodic amounts calculated on the base of the licensee's selling performance).

Common Structure of License agreement



Common Structure of License agreement

Indemnity

- If the licensor's warranty concerning ownership and non-infringement is wrong, then the licensee risks exposure to Intellectual Property litigation.
- Since the licensor is providing the technology and is making money from the transaction, licensee has to insist upon the licensor indemnifying him against the risk of litigation.

Common Structure of License agreement

Termination

- A license agreement should specify the date it commences and an expiration date, unless it is intended to be a perpetual agreement.
- However, it is critical that a licensee has the right to terminate the agreement if the licensed IP right is declared invalid or, in case of license of know-how, the confidential information has been disclosed to the public by no fault of the licensee.

Common Structure of License agreement

Improvements : Along the duration of the contract, licensed technology can be subject to further R&D activities both by the licensor and the licensee.

Licensee should care to:

- set broad definition of improvements encompassing any development enhancing the usability, functionality, performance or other characteristic of the original technology;
- Include the future licensor's improvements, so that any improvement will automatically fall in the scope of the license.
- Include among the granted rights the right of performing R&D activities on the licensed technology

Common Structure of License agreement

After the signature: registration of the license agreement

In some countries, licenses of IPR are subject to registration in dedicated registers (usually at the relevant Intellectual Property Office). If such formality is not performed, the agreement may be considered void or the licensee may lose some rights (such as the right to damages or to request an injunction in case of a third party infringement).

Case study

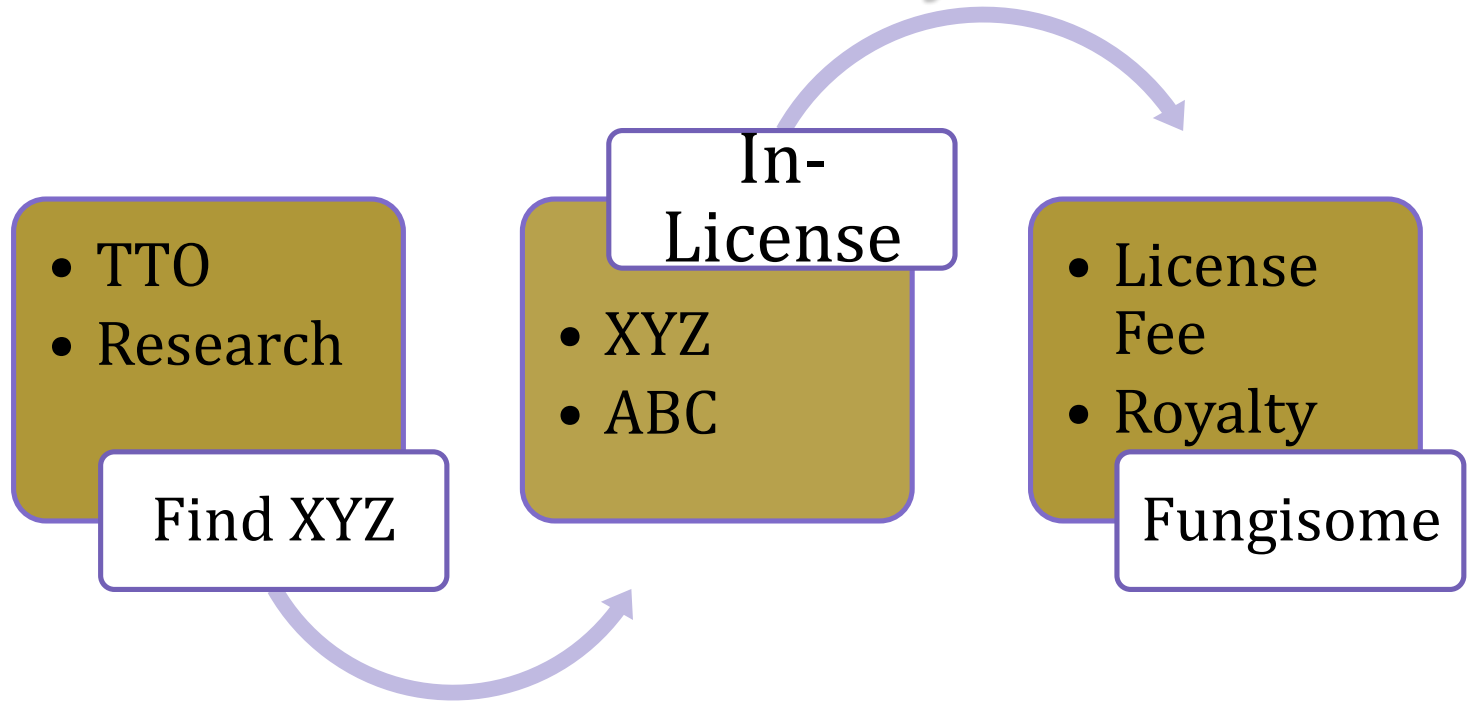
Pharmaceutical Company XYZ

- Antifungal: Amphotericin B
- Limited only to topical use due to toxicity
- US counter-part: Costly
- Looking for affordable Indian option

University: ABC

- Research on Amphotericin B
- **Tech Dev:** Liposome as a carrier & delivery system for Amphotericin B
- **Tech Innovation:** Highly effective, less toxic, drug carried to specific site, low concentration & affordable
- **Stage of development:** Formulation ready, Pre-clinical & clinical studies ready

Case study



- XYZ further improved formulation for scale-up.
- Product launched: Fungisome: Successful product, least toxic, various dosage forms, affordable

Tips for Licensee

Before entering into license agreement

- ✓ Check is the technology of interest is in public domain
- ✓ Conduct an IP due diligence on technology of interest

Tips for Licensee

In negotiation phase:

- ✓ Ensure you obtain a license to use all the IP rights that are necessary for the optimal exploitation of the technology
- ✓ Carefully consider any proposed limitation concerning the granted rights and the field of use, taking into account the planned exploitation of the licensed technology
- ✓ Consider the intended use of the licensed technology when setting the royalty calculation method
- ✓ Insert specific cause allowing the termination of the contract once the licensed IP rights is declared invalid or the confidential information has been disclosed to the public
- ✓ Explicitly address the treatment of technology improvements

Tips for Licensee

After the signature of the agreement

- ✓ If required in the territory of the license, register the agreement at the relevant Intellectual Property Office



THANK YOU