Commercialization Procedures: Licensing, Spin-offs and Start-ups

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Different Ways of Commercialization
Privately Funded Research and IP
Licensing
Licensing Agreement
Licensing Negotiation
Start-up and Spin-off
Commercialization

What types of commercialization of research results should the university support and encourage?

- Donation, licensing or sales of IP
- Start-up and Spin-off
Commercialization

Based on the idea of publicly founded research belongs to the Public.

Potential problems:

- IP may be exploited by a third party outside the country
- Commercialization may involve use of existing IP (Who pays the costs for the use of the IP?)
- Company may not invest (no exclusivity)
- No incentive to commercialize
Commercialization

<Licensing>

- A route of commercialization where an IP rights holder gives another entity the authority to exploit to make, have made, use, sell, copy, display, distribute, modify, etc.) the IP - in return, the licensee will pay royalties

- The most popular and sustainable way of commercializing IPR

- Managed through written legally bound agreements

- Agreements stipulate details of extent of rights of exploitation (key terms: subject matter, scope, exclusive or non-exclusive, fields of use, territory coverage, amount of royalties, periods of royalties, length of exploitation etc.)
<table>
<thead>
<tr>
<th></th>
<th>Spin-off</th>
<th>Start-up</th>
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</thead>
<tbody>
<tr>
<td>Created by</td>
<td>University</td>
<td>Outside Univ.</td>
</tr>
<tr>
<td>Technologies</td>
<td>Owned by University</td>
<td>Licensed to the start-up by University</td>
</tr>
<tr>
<td>Financed by</td>
<td>University</td>
<td>Outside funder</td>
</tr>
<tr>
<td>Managed by</td>
<td>University staff</td>
<td>Outside Univ.</td>
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Privately funded research is where the resources are supplied by private enterprises or organizations:

- **Contract research:**
  Research which is conceived and funded by industries to provide a solution to a specific problem

- **Sponsored research:**
  Where a university conceives a research project and prepare a proposal for funding and where the funding agency is not directly a beneficiary of the research results

- **Collaborative research:**
  Research collaboration between a public university and private research unit of an enterprise or private organization
Research collaborations are managed by legal agreements such as:

- Contract research agreement
- Collaborative research agreement
- Consulting/know how Agreement
- Material transfer agreement (MTA)
- Confidentiality agreement (NDA)
- Participation agreement
- Licensing agreement
Non Disclosure Agreement (NDA)

- known as “confidentiality agreement”
- Any information disclosed to another party
- NDAs prevent third parties from using the information disclosed without the permission
- NDAs are often exchanged before licensing negotiation
- Companies often request researchers to sign NDAs before entering research contracts
Non Disclosure Agreement (NDA)

NDA provisions include:

- Identification of parties
- Identification of confidential information
- Definition of purposes for which information can be used
  - E.g., solely for purposes of evaluating a licensing opportunity
- Requirements for return/destruction of confidential information
NDAs does not apply to:

- Information in the public domain
- Information already possessed by the recipient
- Information disclosed to the recipient through legitimate means
Material Transfer Agreement (MTA)

- Contracts that govern the transfer of physical assets,
- Typical materials are biological materials (reagents, cell lines, plasmids, and vectors) that are transferred for the purpose of research or commercialization
- Chemical compounds
- MTA ensure transfer of possession but not legal title
Material Transfer Agreement (MTA)

Provisions

Definitions/scope

Materials
- E.g., genetically-modified mouse

Progeny
- E.g., mouse offspring

Unmodified derivatives
- E.g., proteins expressed by DNA/RNA

Description of use of materials
- “For noncommercial research use only”
Material Transfer Agreement (MTA)

- Confidential information
- IP rights
  - May require recipient to assign or license inventions back to the provider
  - Complicated negotiations
- Warranties
- Liability and/or indemnification
- Publication
  - Review permissible, prohibition is not
- Governing law
- Termination
To encourage privately funded research, the institutional IP policy should provide clear provisions on:

- Approval procedures for privately sponsored research proposals
- Ownership of IP generated from privately sponsored projects
- Licensing of IP generated from privately sponsored projects
- Confidentiality issues of privately sponsored projects
It may follow a research agreement or collaboration. After the IP is developed, the university may then grant a license to the funder.

When a spin off is created, IP generated by the university are often licensed to the “spin off” company from the university.
Licensing Agreement

- The subject matter of the agreement: What is licensed?
- Scope of the license: What are you allowed to do with it?
- Financial Terms
- Licensing Conditions
- The licensor’s obligations
- Obligations common to both parties
Key Terms and Conditions

- Subject matter (use specification, technical description, patent No., name of the invention, trademark, standards?)
- Scope of the license (make, use, sell, make copies, distribute?)
- Field of use (technical fields?)
- Ownership
- Confidentiality
- Exclusive or non-exclusive
- Sub-licensing
- Territory
- Duration (How long? Does this depend on events?)
- Financial terms (Royalty, Lump-Sum, stock, payment method)
- Development rights
- Derivative works, improvements
- Future version of the technology
- Warranties (for risk of technology defect, defect in title, infringement)
- Dispute settlement (where settled? Who indemnifies against risk from 3rd party claims?)
Licensing Negotiation

Four Phases:
1. Preparation Phase
2. Discussion Phase
3. Proposing Phase
4. Bargaining Phase

Preparation for Negotiation

- What is the business reason for this license?
- What is the best result that can be obtained from this agreement?
- What outcome do you want to avoid?
- What leverage do you and the licensee have?
- What are your and licensee’s positions on the key issues?
- What are your and licensee’s lowest and highest limits?
- What are you willing to compromise?

Source: Kitisri Sukhapinda, United States Patent and Trademark Office
Negotiation Tips

- Win-Win
- Start with A Minor – Easy to resolve issue
- Best Case v. Worst Case Scenario
- Protect Credibility/Be Accurate
- Assess & Trade Variables Carefully
- Separate People From the Process
- Listen to What is Being Said & Not Said
- Remember - Everything is negotiable

Source: Kitisri Sukhapinda, United States Patent and Trademark Office
Licensing Negotiation

Key to successful licensing negotiation

3Ps
1) Preparation
2) Preparation
3) Preparation

Source: Kitisri Sukhapinda, United States Patent and Trademark Office
Example: US in 2010

- 651 new companies were created based on new technologies generated in some 200 US universities
- 80% were based in the university’s home state
- Over 600 (15% of total US licensing) licensed to these companies
- 50% of all licensing agreements to SMEs
- 3657 start-ups still operating by the end of 2010

Source: AUTM U.S. Licensing Activity Survey FY2010
University-Industry Collaboration Infrastructure

Universities and R&D institutions
- IP Policy
- IP Committee
- TTO

Government
- Economic Development (SME Policies, market creation)
- National IP Infrastructure (laws and Regulations)
- Enforcement
- IP Strategy
- R&D Enhancement
- IP Education
- Research Funds

Industry
- Research Funds
- Research Collaborations
- Licensing
- Marketing
- Production and Commercialization

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University general attitude is poor do not view industry as a ‘Customer’

Arrogance, do not like working with small firms

Complexity of deal & weird expectations

Too cumbersome

In some cases licensing fees for university technology are too high

Universities rarely license-in research from any source

University research is generally at a too early stage of development

Univ. rarely engage in research in our line of business

Univ. policies regarding delay of publication are too strict

University often refuses to transfer ownership to our company

We are concerned about obtaining faculty cooperation for further development of technology

Source: Jerry G. Thursby & Marie C. Thursby / Dato Mohamed Shariff
Addressing Conflicting Values and Common Interest

Knowledge for Knowledge’s Sake

Teaching
Research
Service
Development

Commercialization of New and Useful Technologies

Profits
R&D

Management of Knowledge for Profit
Confidentiality
Limited Public Disclosure

UNIVERSITY
INDUSTRY

Academic Freedom
Open Discourse

Source: Louis P. Berneman, 1999
Necessary Ingredients for effective Technology Transfer

- Adequate IP protection and enforcement legal framework
- Funds
- Marketable Technologies
- HR with Right Expertise
- Infrastructure
- Networking/Collaboration

Source: Yumiko Hamano
Thank you for your attention