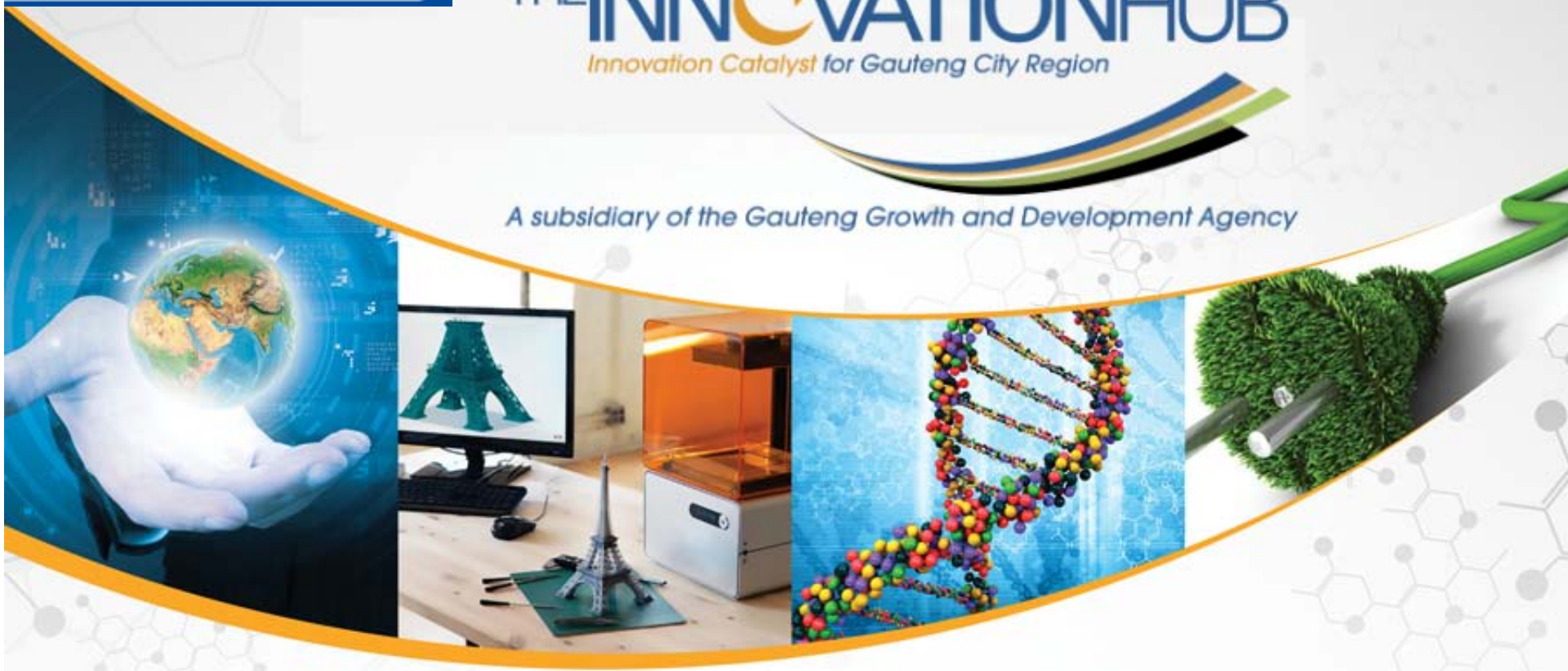


A subsidiary of the Gauteng Growth and Development Agency



Commercialising the Idea through Licensing

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GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA



Invention and Innovation

What is the difference

The process by which an idea or invention is translated into a good or service for which people will pay, or something that results from this process



- Invention or Intellectual property is putting money in and getting knowledge out
- Innovation is putting knowledge in and getting money out

Market-place is determinant of transformative nature of the idea

Commercialisation

Beyond the Idea

- ❑ **TECHNOLOGY:** Critical mass of 'platform technology' intellectual property
 - More likely more than just one form of intellectual property
- ❑ **MANAGEMENT:** Highly capable management team with critical skills sets, which include entrepreneurial flair
- ❑ **INVESTMENT:** Sufficient financing runway
- ❑ **PRODUCT:** Sustainable, differentiated advantage; ideally should be a complete product not just a component
- ❑ **MARKET:** A sense of reality of the size of the market and penetration; Understand the dynamics of the market including competition; Global market opportunity and perspective; and access to distribution channels

Licensing Considerations from Different Perspectives

ISSUE	LICENSOR ASPIRATIONS	LICENSEE ASPIRATIONS
Form of Licence	Non-exclusive / Sole	Exclusive / (most favoured licensee clause).
Rights Licensed	May wish to retain right to make product in order to police licence. Know How- extension of the licence beyond expiry of the patents	Depends on the situation
Definition of Intellectual Property	Limit to existing IP	Include any improvements, additions, modifications. Also include KNOW-HOW.
Definition of Product	Keep it vague. Also include component parts. But beware of S90	Wishes to limit the definition to only include products that fall within the scope of protection granted
Term	Exclusive licence need an “out or exit clause”, e.g.: <ul style="list-style-type: none"> •minimum performance •initial period followed by a renewal period 	The longer the better; especially where market has to be created i.e. medical devices or where large development costs incurred. Sensitive to having done the groundwork only to have the rug pulled out from under their feet.

Licensing Considerations from Different Perspectives

ISSUE	LICENSOR ASPIRATIONS	LICENSEE ASPIRATIONS
Territory	Neutral. Remember to limit to territories where have IP rights. Therefore include KNOW-HOW	Limit to territories where IP rights exist
Basis of royalty payments / Triggers <i>(Lump Sum / Running Royalty / Hybrid)</i>	Link to Gross or Net Sales Price. Maybe separate royalties iro patent and Know How (stacking)	Link to Profits (this is a problem for licensor because subject to manipulation)
Sub-Licence	Wishes not to permit sub-licensing, if necessary, only with consent, or subject to the inclusion of default provisions	Wishes to receive unrestricted freedom to sublicense

Thank You



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