

# **Guidebook of IP/Technology Transfer**

# **Track 1**

## **Entry-level Tech Transfer Professional**

### **Topic 1.13.4**

## **Anatomy of a License Agreement**

# Licensing Basics

License vs. sale

Definition: granting certain use rights without transfer of title (ownership)

Sale = transfer of title

Real estate: Licensing = renting property

Requires something to license (i.e. property rights), typically IP (and/or bioproperty)

# Why Non-Profit Research Institutions

**License....  
.....never sell**

- Retaining ownership necessary to achieve mission of dissemination of technology for the public good (no technology “shelved”)
- Maintains connection with inventor
- Allows stewardship of technology
- Easier to negotiate the value of a license than a sale
- Assures FTO for all non-commercial uses, for life of IP

# Licensing Basics

## Advantages:

- separates technology creation from commercialization
- allows non-profits to have commercial partners
- avoids marketplace risks
- allows stewardship by technology creator

## Disadvantages

- retain some liability
- not in full control
- requires ongoing management of license

## Licenses are flexible

- can be tailored for the technology and the parties

# Types of Licenses

- Option: a pre-license agreement
- Commercial vs. research use, evaluation
- Exclusive vs. non-exclusive
- Exclusive licenses:
  - world-wide, all fields
  - by territory, and/or field-of-use
  - time-limited
  - consortia
- Non-exclusive licenses:
  - typically available to all qualified
  - non-exclusive in one territory, and exclusive in another territory

# Developing Licensing Strategy:

## evaluating alternatives

### **Exclusive or non-exclusive licenses?**

- Balancing maximum return  
vs. wide dissemination
- Consider short, medium, long term returns
- Need for key partners (remote management,  
R&D collaborations, infringements)
- Exclusive licensees as agents vs. internal  
management
- Investment required to develop
- Institutional philosophy

## **Parties defined**

## **Whereas clauses**

(no legal power; provide context)

## **IP defined (ownership & scope)**

(precisely defined; territory; also bioproperty)

## **Grant of rights**

(type, territory, field-of-use, exclusivity)

## **License fees**

(amount & schedule, usually non-refundable)

## **Royalty**

(structure & amount)

## **Minimum royalty & milestones**

(timing, event-based, other)



.....continued

**Reporting & accounting**

**Term (duration) & Termination**

**Managing liability risk**

**Future inventions**

**Infringements by 3<sup>rd</sup> parties**

**R&D collaboration**

**Legal boilerplate language**

# Structuring License Financial Terms

## **License Fee**

(typically upfront, lump sum, non-refundable,  
but, can be phased:

over time, or

events (a favorite!)

generally linked to value of the opportunity

## **Royalty**

(usually linked to sales, industry standards)

## **Minimum royalties & Milestone Payments**

(assures diligence, shares risk)

## **Amounts & schedule**

## **Ongoing cost sharing**

(patents, R&D, bioproperty, etc)

## **License Fee: the factors**

Inventiveness of the technology

(uniqueness & superiority)

scope & value of the IP

market and product

demand

investment to date and future

cash flow needs

market size & characteristics

competition

opportunity cost

exclusivity

development status

## **Royalty: the factors**

Industry standard range

Goldschieder's "25% Rule"

## Royalty: the factors

What is the “Goldscheider 25% Rule”?

The owner of a patent that **fully enables** a product deserves 25% of the net value of the sale of the product

- “fully enables” = patent covers entire product  
car versus windshield wiper analogy
- Net Value = Gross Sales Price – COGS  
(Cost-of-Goods Sold)
- Only a “rule of thumb” – usually not ideal

## **Royalty: the factors**

Industry standard range

Goldschieder's "25% Rule"

business model of licensee

market characteristics (i.e., typical margins)

COGS and pricing

Value and scope of technology & IP

royalty stacking (3<sup>rd</sup> parties)

NOTE: it is in the interest of both parties that the license product/service be profitable

## Minimums & Milestones

Assures diligent commercialization efforts

Ideally, linked to product development  
schedule

Time-based

Event-based

Allows Licensor to capture value while allowing  
Licensee and Licensor to share some of the new  
technology risk

## **Special Issues & Topics**

R&D collaboration

Future inventions

Personnel exchanges, equipment sharing

Public Relations, advertising

Disposition of license product inventory in case of early contract termination



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**Thank you**