

# Licensing Strategy

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# Develop the Licensing Strategy

- ❑ The fundamental question:
  - ❑ Are we going to license this to an existing company?
  - ❑ Or a new company?
- ❑ Truly revolutionary inventions frequently need a new company
- ❑ Incremental inventions are licensed to existing companies

# Licensing Strategy

- ❑ Are there multiple products that come from the technology?
  - ❑ If answer is “Yes”, which market is most attractive?
  - ❑ Do we need separate sets of patent claims to protect each market?
- ❑ Are the products used in the same industry?
  - ❑ If so, can the same company exploit them?
  - ❑ If answer to either is “No”, then we will need to license by field of use and find multiple licensees

# Licensing Strategy

- ❑ Does the license(s) need to be exclusive?
  - ❑ Maximizes the incentive to the licensee
  - ❑ Maximizes the risk to the licensor
    - ❑ Maximizes the potential return to the licensor
      - ❑ Generally exclusive licenses have higher royalty rates than non-exclusive
- ❑ Does the technology provide everything that's needed for a finished product?
  - ❑ If so, do we want to provide the maximum incentive for a licensee to invest in developing the technology?
    - ❑ Exclusivity provides that
- ❑ Is there a clear market leader?
  - ❑ They may be the most attractive/only viable licensee
- ❑ Is it a crowded market?
  - ❑ If so, #2 or #3 may be a more motivated licensee

# We're only no.2

# We try harder

**AVIS**

We are number two. **Therefore**, we work harder. **We try harder.**

# Licenses Granted in US

- ❑ 20% start-up companies
- ❑ 50% small companies
- ❑ 30% large companies
  
- ❑ 33% exclusive
  - ❑ Start-Ups almost always need an exclusive license to all fields of use
- ❑ 67% non-exclusive

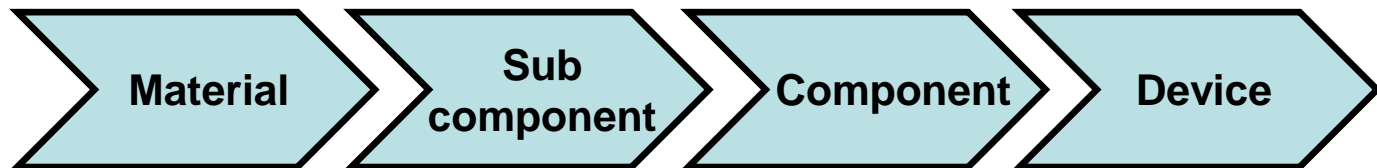
*Source: AUTM Annual Licensing Activity Survey*

# Licensing Strategy

- ❑ What are the key steps the licensee needs to do to get a product into the market
  - ❑ These will become your due diligence mechanisms
  - ❑ Should have at least one milestone each year
    - ❑ Perhaps more in first year
    - ❑ Ensure that licensee is developing the technology
    - ❑ Terminate the license if not
  - ❑ If start-up, include corporate development milestones
    - ❑ Fund raising
    - ❑ Hiring of key individuals

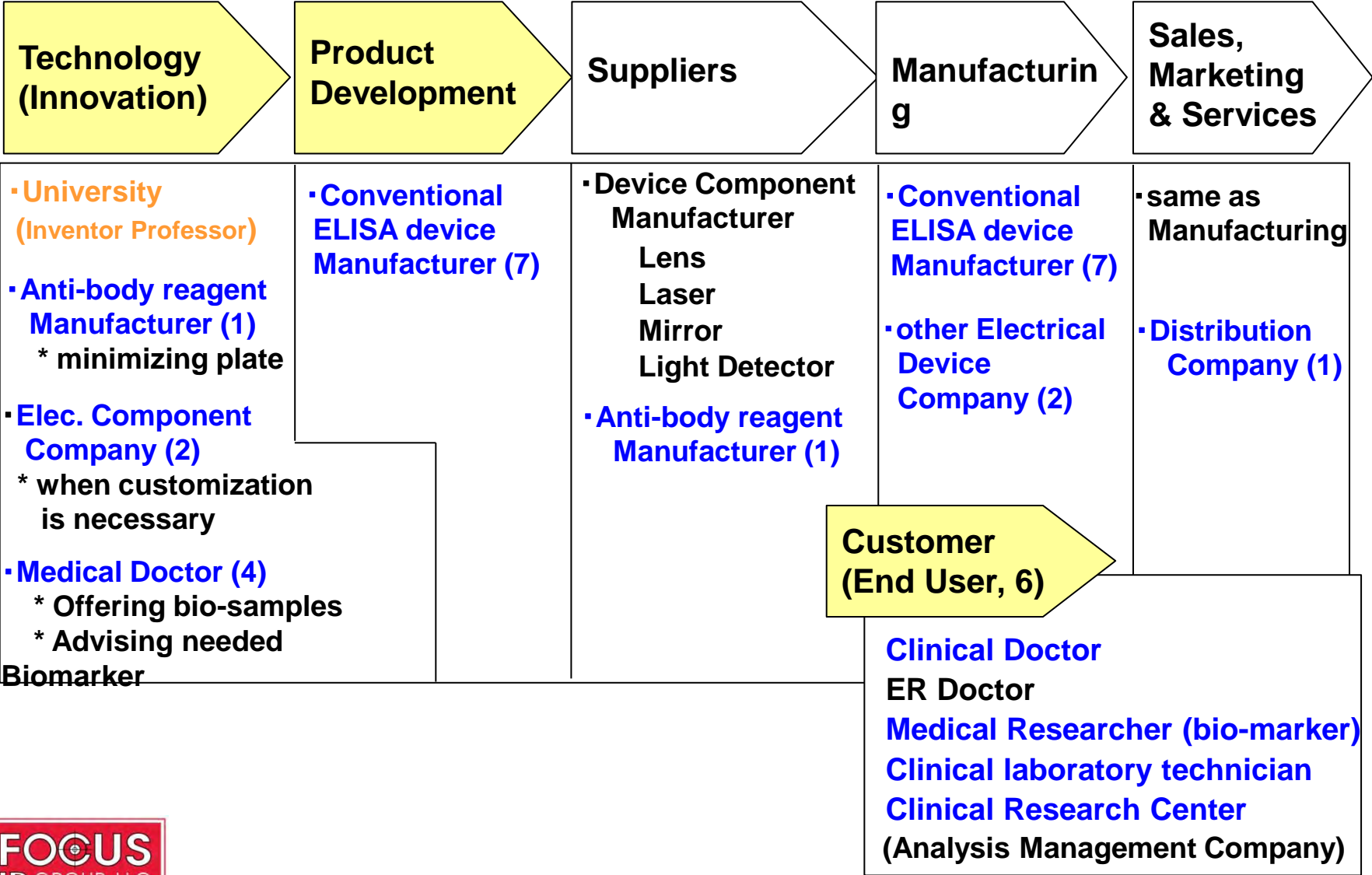
# Value Chain Analysis

- ❑ Where in the supply chain does your technology fit?
- ❑ How far forward in the supply chain does the technology's value add let you integrate?
- ❑ The further forward you go, the more value you capture
  - ❑ e.g., a new material



- ❑ Most supply chains have been so disaggregated that you can usually find a contract manufacturer





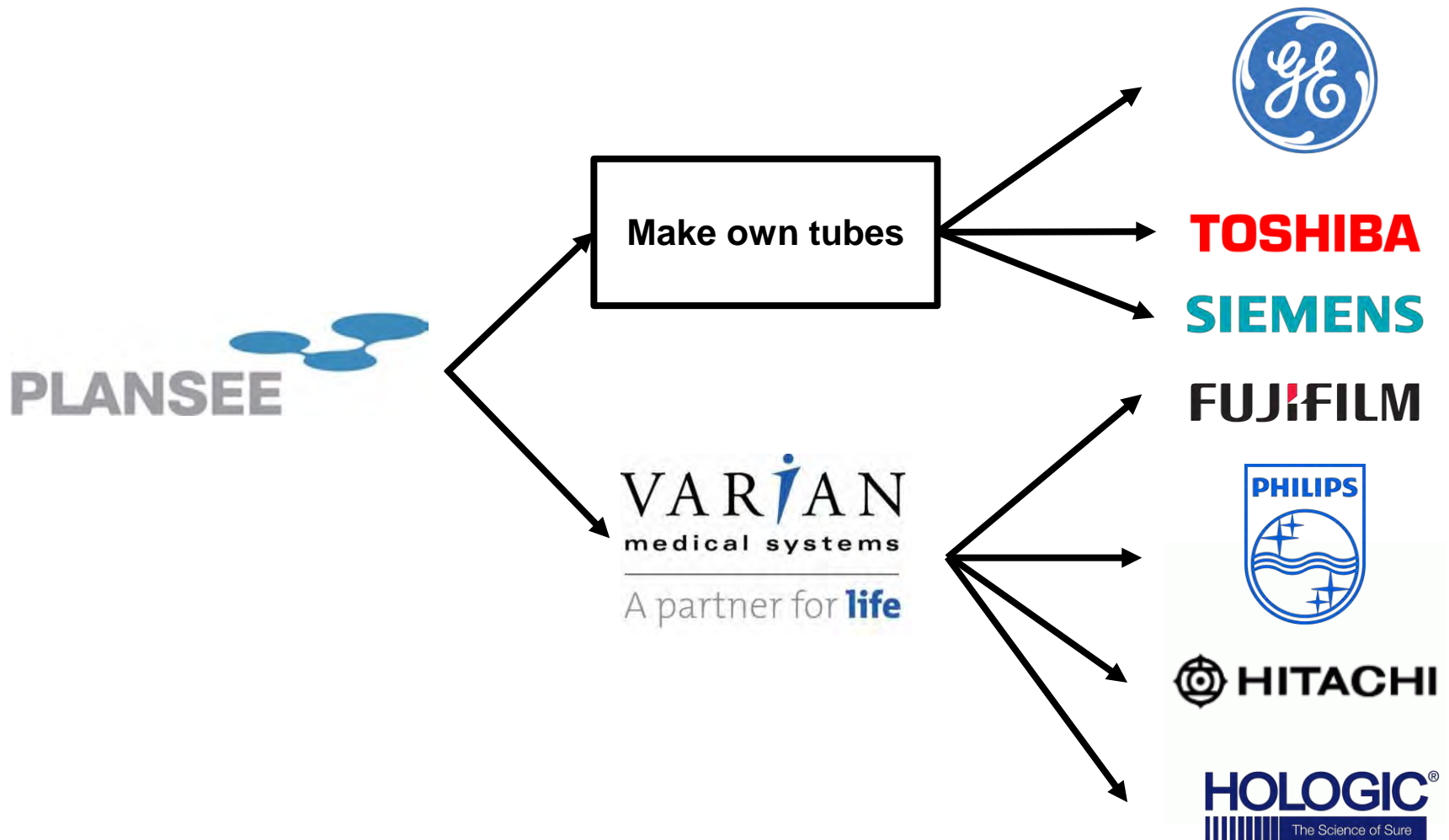
# Example: A Material for an Improved X-Ray Anode

- ❑ The supply chain options:
  - ❑ Make the material and sell to anode manufacturers
  - ❑ Make anodes and sell to X-ray tube manufacturers
  - ❑ Make X-ray tubes and sell to X-ray system manufacturers
  - ❑ Make and sell X-ray systems to healthcare providers
- ❑ The supply chain realities:
  - ❑ Only a few manufacturers of X-ray systems
  - ❑ Only one manufacturer and seller of X-ray tubes
    - ❑ Several X-ray systems sellers make their own tubes
  - ❑ Only one manufacturer of anodes

X-Ray Anode  
Manufacturers

X-Ray Tube  
Manufacturers

X-Ray Machine  
Manufacturers



# Example: A Material for an Improved X-Ray Anode

- ❑ The only strategic options:
  - ❑ Make anodes and sell to the four tube manufacturers; or
  - ❑ Make the material and sell to the one anode manufacturer
- ❑ Licensing strategy:
  - ❑ Talk to the four tube manufacturers:
    - ❑ Are they happy with Plansee?
      - ❑ A monopoly supplier
      - ❑ They may have created ill-will over the years
    - ❑ If they are happy with Plansee
      - ❑ Only strategic choice is to license to Plansee
    - ❑ If they are not happy with Plansee
      - ❑ There **MAY** be an opportunity for a start-up to make anodes