



How to survive the University-to-industry early stage technology licensing process

(and live to tell the tale)



Agenda

- People on the University side of the table who are typically involved in the licensing process
 - Incentives and objectives for licensing a technology
 - Personalities and skillsets
- What the licensee wants and needs
- Alignment (and misalignment) of interests
- Implications for licensing transactions
- A special case: the University start-up company



Disclaimer

- This presentation entails **gross** over-generalizations
- It is an equal opportunity offender
 - Apologies in advance to anyone in the room who may fall into one of these categories
 - (Since you're at this session, you're automatically the exception to the rule)



University players

- The inventor
- The technology transfer officer
- The lawyer



Incentives and objectives: The inventor

- Do more and more and more and more and more and more and more and more and more and more and more **research!**
 - Raise more money for more research
 - Does licensing further this purpose? What does the inventor believe?
- Take care of all his or her post-docs
- Startup his or her own company
- And last but not least:
 - **WIN THE NOBEL PRIZE** (or slightly more modestly, gain academic recognition)



Incentives and objectives: The TTO officer

- Care and feeding of university faculty/researchers
- Enhance the University's reputation as an academic institution
- Move the technology out the door
- Minimize costs
 - Stay within their patent budget
- And if time permits, and it doesn't detract from any of the above:
 - ***MAKE A LITTLE MONEY***



Incentives and objectives: the University IN-HOUSE lawyer

- Protect the University and its endowment from all commercial risks
- Follow all of the University rules, regulations, guidelines, policies, procedures, operating statements, and everything else, to the letter
 - Disinclination to “bump up” any issue to the university bureaucracy



Incentives and objectives: the University OUTSIDE lawyer

- Protect the University from all commercial risks
- Generate billable hours
- Try very hard not to look ***completely*** incompetent



Personalities and skillsets: The inventor

- Arrogant
- Strong believer in “academic purity”
 - Enamored with the technology’s “elegance”; not so enamored with its commercial applications
- Disdain for the negotiation process
- Particular disdain for lawyers, contracts and “the suits”



Personalities and skillsets: The TTO officer

- Generally new on the job
- Overtaxed and understaffed
- Very little political clout within the University
- Little to no industry experience
 - Very rare for TTO officer to come from outside the University
- Limited intellectual property licensing experience
 - Background is usually technical, not commercial



Personalities and skillsets: the University IN-HOUSE lawyer

- Extremely inexperienced, especially in licensing
 - TTO's generally lack “dedicated” lawyer
 - University counsel not a well-defined legal career path
- Bureaucratic



Personalities and skillsets: the University **OUTSIDE** lawyer

- Little to no ***transactional intellectual property*** experience
 - Patent lawyers doing transactional work
 - “Deal” lawyers doing intellectual property work
- Defensive
- Nit-picky



Recap: The inventor

- Incentives/objectives
 - Research
 - Raise research money
 - Take care of post-docs
 - Start up own company
 - Academic recognition
- Personalities/skillsets
 - Arrogant
 - Technology focused
 - Doesn't like negotiations
 - Hates lawyers and contract process



Recap: The TTO officer

- Incentives/objectives
 - Keep inventor happy
 - Enhance University's reputation
 - Move the technology out the door
 - Control costs
 - Make money
- Personalities/skillsets
 - Inexperienced
 - Little political clout
 - Little industry knowledge
 - Little IP licensing experience



Recap: The lawyer

- Incentives/objectives: in-house lawyer
 - Risk averse
 - Follow the rules
- Incentives/objectives: outside lawyer
 - Risk averse
 - Rack up billable hours
 - Don't look completely incompetent
- Personalities/skillsets: in-house lawyer
 - Inexperienced
 - Bureaucratic
- Personalities/skillsets: outside lawyer
 - Out of own element
 - Defensive
 - Picky



What the licensee wants and needs

- Get the technology as cheaply as possible
- Sign up to as few “firm” commitments as possible
- Get access to the inventive source (a brain-dump)
- Get ongoing flow of technical help, improvements, and new developments



Alignment (and misalignment) of interests



Implications for licensing transactions

- Need to educate university side due to lack of industry experience
 - Unrealistic financial expectations
 - Little to no financial analytic skills or resources
 - Unrealistic timeframes, particularly with regard to performance milestones
 - Little understanding effort required to bring technology to market
 - Establishing credibility and rapport is critical



Implications for licensing transactions

- University's negotiation style can be inflexible, due to:
 - Need to conform to all University policies and procedures
 - Inexperience and defensiveness of several university players
 - Dislike of and discomfort with the entire negotiation process
 - Not commercially driven to compromise to get the “best deal” from a financial standpoint



Implications for licensing transactions

- A license coupled with a sponsored research agreement is **very** desirable to the university
 - A little money can go a long way
- Provisions that can be seen to impinge on academic freedom are a real hot-button
 - Rights to university improvements
 - Publication restrictions



Implications for licensing transactions

- University's needs may dictate timing of a deal (can be both good and bad)
 - Patent filings



A special case: The university startup

- A startup is **very** desirable to the University side
 - “All my friends have startups; why can’t I have one?”
 - “Look what we’re doing to create jobs! Give us more money so we can create some more!”

but....



A special case: The university startup

- Is the technology “ventruable”?
- Alternative paths to commercialization:
 - A straight “flip” to a commercial licensee
 - A development project
 - A venture
- What makes a technology venturable?



A special case: The university startup

- Special problems with University startups
 - Who gets what % of the startup company?
 - University and inventor overvalue technology
 - Undervalue importance of and difficulty raising capital
 - Fail to appreciate technical effort required to succeed
 - If we build it, they will come



A special case: The university startup

- Special problems with University startups
 - University wants strings attached that may make the startup un-financable
 - Claw-back rights, fields of use carve-outs
 - Performance milestones
 - Unrealistic anti-dilution requirements
 - Role of the inventor
 - Need for ongoing access to inventor
 - Need for competent management



Personalities 101

Larry Schroepfer