Licensing Intellectual Property
Strategies and Pitfalls

#KTCF2015

Over 150 people attended Knowledge Transfer Ireland's licensing Intellectual Property symposium on 13 November 2015 at the Killashee House Hotel, Naas. Delegates included members of industry, entrepreneurs, representatives from the higher education institutions (HEIs), and technology transfer (TT) professionals working in a variety of functions including contracting, business development and relationship building.

"It's terrific to see what we've done in Ireland and how far we've come in such a short time," said Alison Campbell, director of Knowledge Transfer Ireland (KTI). "We've been seriously investing in research in Ireland for only the last 15 years and in the capacity and capability in our technology transfer offices for only nine years. The volume of licences that the TT offices execute is growing year on year, ensuring we are getting new IP and technology into the hands of companies to help them innovate."

Panel Discussion: What industry wants from a licence deal

- Dr. Jeanne Bolger, Johnson & Johnson Innovation
- Leonard Hobbs, Director, Global Public Affairs, Intel Ireland
- Philip Noone, Managing Director, Aalto Bio Reagents
- Alan Phelan, CEO, SourceDogg

Facilitator: Brendan Cremen, Director Enterprise & Commercialisation, UCD

Key takeaways

- Understand the context as this will determine the deal you strike. For example is the licence part of a bigger collaboration?

- Be clear about what is being licensed: patent, copyright, know-how, design rights, etc.

- There's a huge effort to standardise licences but one size does not fit all. For instance, comparing an ICT and a pharma licence, the number of patents required and the lifecycles are very different and that dictates a different type of licence.

- SMEs need more consistency in contracts between universities (and institutes of technology) so they can move quickly to license the technologies they need and build value.

- If a deal takes too long, company interest may move on. Higher education institutions need a sense of urgency, because delays kill multinationals' appetite for a deal.

- When licensing to a start-up, consider the start-up's journey. It could get funded or bought at some stage, or it could grow. The technology licence has to match the most likely scenario.

- The key is to demonstrate the technology's value to the company. If it's going to be the core of the start-up, there will generally be agreement on a mix of equity and royalties so that the college and the inventor receive a fair share of the proceeds. It's more difficult with technology that's going to be a small part of that company.

- If SMEs are looking at a standalone technology, they want to see that it has potential and is going to generate tens of millions of euro.

- Licensing IP into an existing company will see a product to market more quickly as it will have a supply chain and distribution channels in place.

- Multinationals generally look for an exclusive technology licence to avoid competition.

- If you slice and dice the technology and license it to too many people, this makes it worthless and start-ups will walk away.

- In the life sciences sector, you need to have a clear view of a technology's path towards a product. Is it going to be the product or enable the product? There is a world of difference in licence terms.

Platform Technology: How to maximise the commercial deal flow

- Dr. Diarmuid O'Brien, Director, Trinity Research and Innovation

Diarmuid O'Brien offered a strategic licensing case study to illustrate how intellectual property arising from a research collaboration fully funded by industry could be licensed to multiple companies in different fields. He showed that maintaining a good working relationship with the collaborating company made this possible and led to further projects funded by that company.

Key takeaways

- Understanding the market opportunity, and its diversity, was critical.
- Working with a principal investigator (PI) who really understood the broader commercial implications of the technology, and was able to communicate this, was helpful to the company collaborator and the TTO.
- It's critical the TTO understands the technology and how the research programme is likely to evolve and has good working relationships with the PI, the research centre and the companies involved.
- It is vital to identify exactly what the partner company wants, and why, to ensure that it has the access it needs to the IP. It may not need exclusivity.
- Trinity moved quickly to get a first exclusive licence negotiated which resulted in product to market within 18 months. This was good for the company and good for the college.
- Across the different licences there was a range of terms negotiated, depending on the situation. Some of the licences incorporated large upfront fees; some incorporated royalties; some incorporated significant milestone payments; some incorporated the right to sub-license (which would provide additional revenue streams). All covered patent protection costs and all had reporting requirements.

Common pitfalls in licensing

Mark Anderson, Managing Partner, Anderson Law LLP

With in-depth experience of drafting and negotiating IP contracts in the higher education sector, Mark Anderson presented on some of the things that can go wrong in licensing. Drawing on his experiences, he explained what might be done to reduce the associated risks.

Key takeaways

- Companies and HEIs often assume the other party has the same drivers. An HEI wants to see IP put to use, and to get it back if it isn't. A company sometimes thinks it's buying an asset and expects a guarantee. IP deals are not sales of goods and that mind-set is inappropriate. Also HEIs are not commercial entities and can't always behave in the same way.
- Communication helps solve differences, particularly being open about objectives, and identifying the various players. Sometimes the university could do more to prepare the ground and line up the various stakeholders. It's helpful to have clear expectations at the start of the negotiation.
- Communication, particularly within the HEI, is important during the negotiation. Often side conversations between company people and researchers or others in the HEI can derail the process.
- Sometimes licence terms can be hidden in a Material Transfer Agreement or Non-Disclosure Agreement. Beware.
- A licence may be too wide for the intended use. Exclusive in all fields and territories is not always appropriate. It's important to limit this from the outset. But avoid "salami slicing" exclusive licences in different fields that aren't so different.
- Be careful about assigning IP. This can result in: loss of control over getting technology into public use; royalty obligations which are not binding on a subsequent owner; difficulty in recovering IP, e.g. if the assignee is in liquidation.

- Deal terms can get too creative and may not fit with standard agreements. Go for plain deal structures; use conventional templates – there is a range available on the KTI website.

- At the start of a relationship, no one likes to talk about what could go wrong, but this needs to be addressed. Include termination agreements in the contract. If a licensee does not perform as expected, concrete obligations help. Avoid generic terms like "best endeavours or efforts."

- Oblige the other party to talk to you, perhaps annually, to monitor performance.

- Managing existing relationships is vital. Have a mechanism to address a breach and define what happens subsequently. Don't let breaches go unanswered.

There's no such thing as a free licence – or is there?

Dr. Kevin Cullen, CEO, UNSW Innovations

Kevin Cullen explained how and why the Easy Access IP (EAIP) model had been created and implemented, including its success. He challenged the audience to think about tech transfer's purpose. It's the means to support the university's mission to create (through research) and disseminate (through publication, teaching and tech transfer) knowledge. Ultimately, it's research users (companies), not universities, that create impact. This makes them vital partners in delivering this impact into the economy. Impact can include sales of products and services, business growth, jobs, etc. In turn, this impact can stimulate research funding – by companies and governments. The current model of technology transfer is inefficient and expensive. It's not happening at the rate it should be. Many governments worry about the relatively low investment in R&D and innovation by companies. Easy Access IP is presented as a pathway to increase interest in R&D.

Key takeaways

What is Easy Access IP?

- Only a very small proportion (five to 10 percent) of university research has significant commercial value. It's important to do these commercial deals. But for the rest, make it as easily available to industry as possible so that companies can start innovating quickly.

- Through EAIP, IP is transferred free to anyone who can realistically demonstrate how they will use it for social and economic benefit.

- To date 24 HEIs world-wide (and CERN) have adopted EAIP.

How does EAIP work?

- Prospective licensees must explain how they will use the IP. This challenges the demand side; the goal is to work with companies who want to use IP to do something useful and interesting. And by opening it up in this way, there are no state aid issues.

- There is a simple one-page agreement – non-negotiable.

- The licensee must show that it has usefully used the IP within three years or the IP reverts to the university.

- The university maintains research rights.

- The company must acknowledge the university in any commercial outcomes. By forgoing a small probability of a financial return, the university gets an important reputational return.

- Whilst the licence is free, it's reasonable where the company gets exclusive rights to ask the company to take on the future costs of IP prosecution. This is not about subsidising companies.

- An HEI wanting to trade using the EAIP banner is asked to sign a memorandum of understanding in which it agrees to adhere to the principles – for free, using the one page licence.

Outcomes

- With EAIP, relationships start positively. This leads to consultancy calls, employment for graduates, research collaboration and other long-term benefits. It also refreshes existing relationships.

- At UNSW, EAIP has led to other opportunities with companies and generated a significant increase in research funding, something that university presidents care about.

- The business community loves it; it's something for nothing. Media coverage is positive, the university loves that and the government loves it too.

- UNSW has executed 41 EAIP licences with a 61% conversion rate of technologies available to licence. This is significantly higher than for conventional licensing.

- It has also increased focus on commercialisation of the five to 10 percent of research deemed of commercial (financial) value.

- EAIP seems to strike the right balance; taking a commercial approach to the small proportion of valuable IP and "Easy Accessing" the rest. It reduces costs and increases transaction volume. It lets business get to work creating value and jobs, impact that policy makers and politicians want to see. This has helped raise the university's and tech transfer's profile. The proposition for commercial partners is more compelling now and more people now come to talk about commercialisation than ever before.

Success factors

- EAIP is not a dumping ground for worthless IP; this discredits the IP and the office. It's about quality IP. If there is no direct line of sight to a million dollars, license it for free.

- It is a genuine contribution to economic development. It complements commercialisation, which is focused on opportunities to make money from the small proportion of IP with a genuine route to money.

- The EAIP Model works for HEIs that have a more sophisticated approach to industry engagement. It works when it's part of a bigger business development strategy. It's not just another commercialisation contract. And it works when the university and TTO have an aligned strategic mission.