

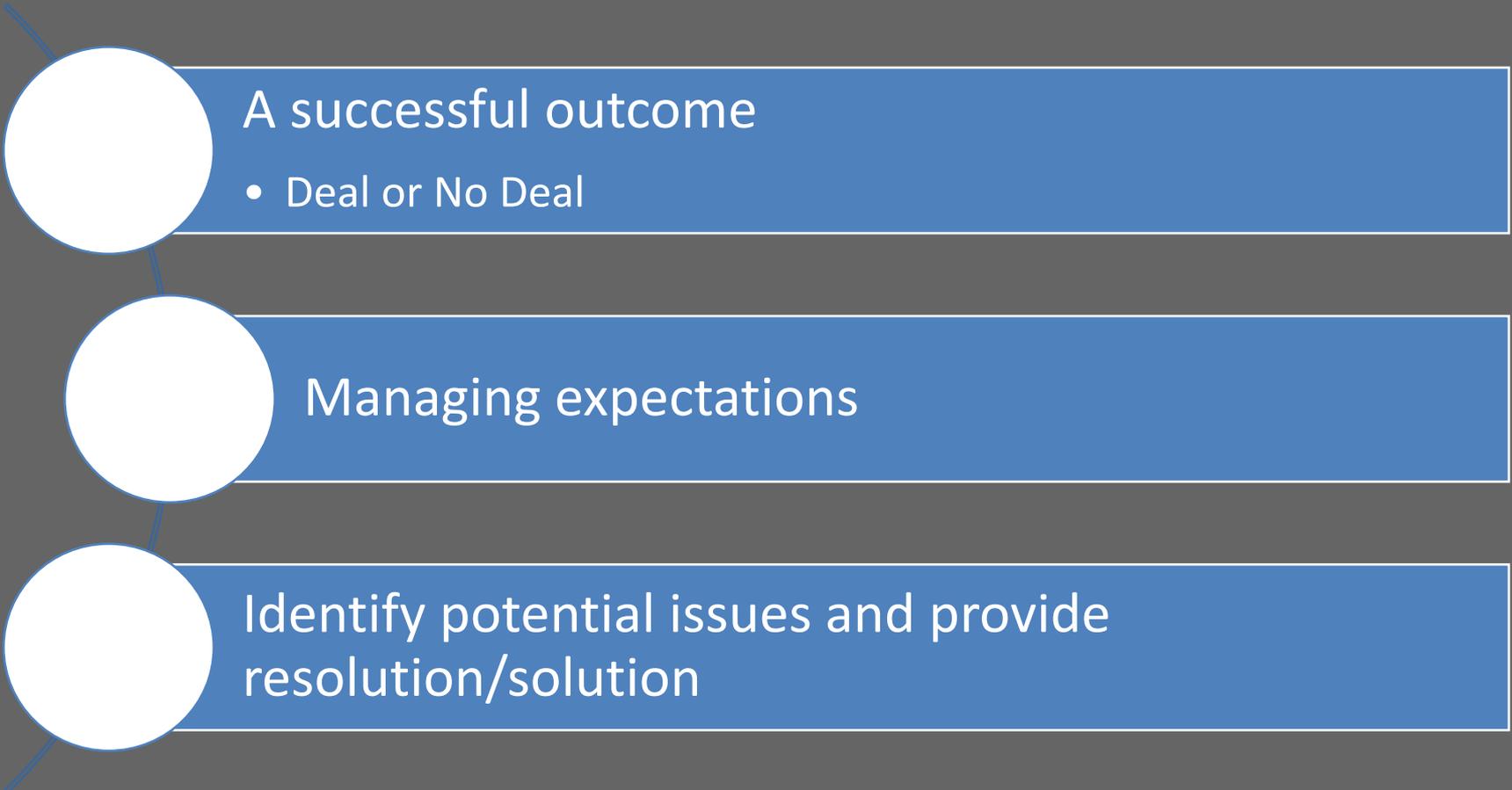
Your Move:

Case Study in Licensing

Ida C. Shum



Goals



A successful outcome

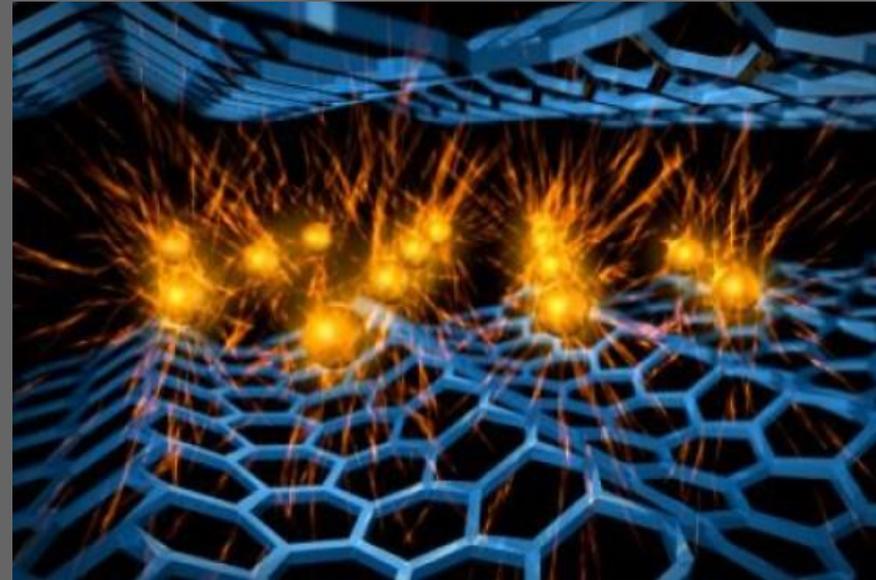
- Deal or No Deal

Managing expectations

Identify potential issues and provide resolution/solution

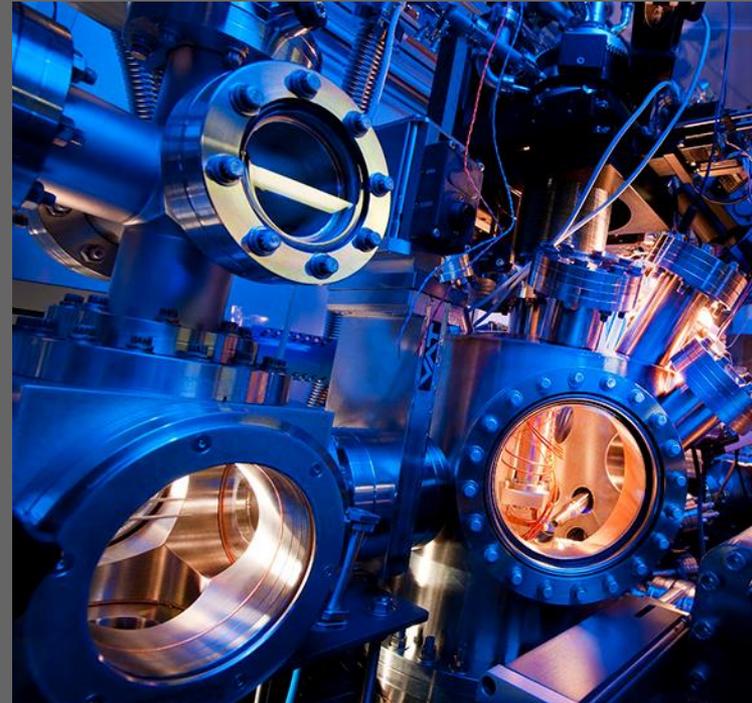
Background

Team of 6 scientists from Super Federal Lab working on a new material: Abel, Baker, Charlie, Delta, Echo, Foxtrot



Background

Material can be used for lots of different applications – industrial, clinical, molecular diagnostics, environmental, apparel, etc.

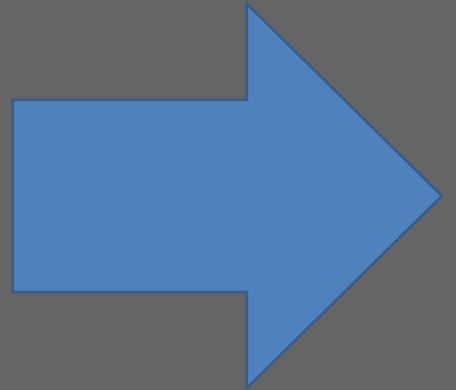


Background

Great fanfare!
Discoveries are published on the cover of Nature, Science and picked up by numerous news media.



What next?



Next steps



You receive 5 inquiries, all from different types of entities.



A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that they appear to converge towards the top of the frame, creating a sense of height and scale. The sky is a clear, bright blue with some light, wispy clouds. The overall tone is professional and corporate.

Start-up with CEO who is a serial entrepreneur. CEO mentions two lab employees may join after securing license.

Company A

Company B

Former Lab Employee
is CTO. Secured seed
round from a well-
known VC.



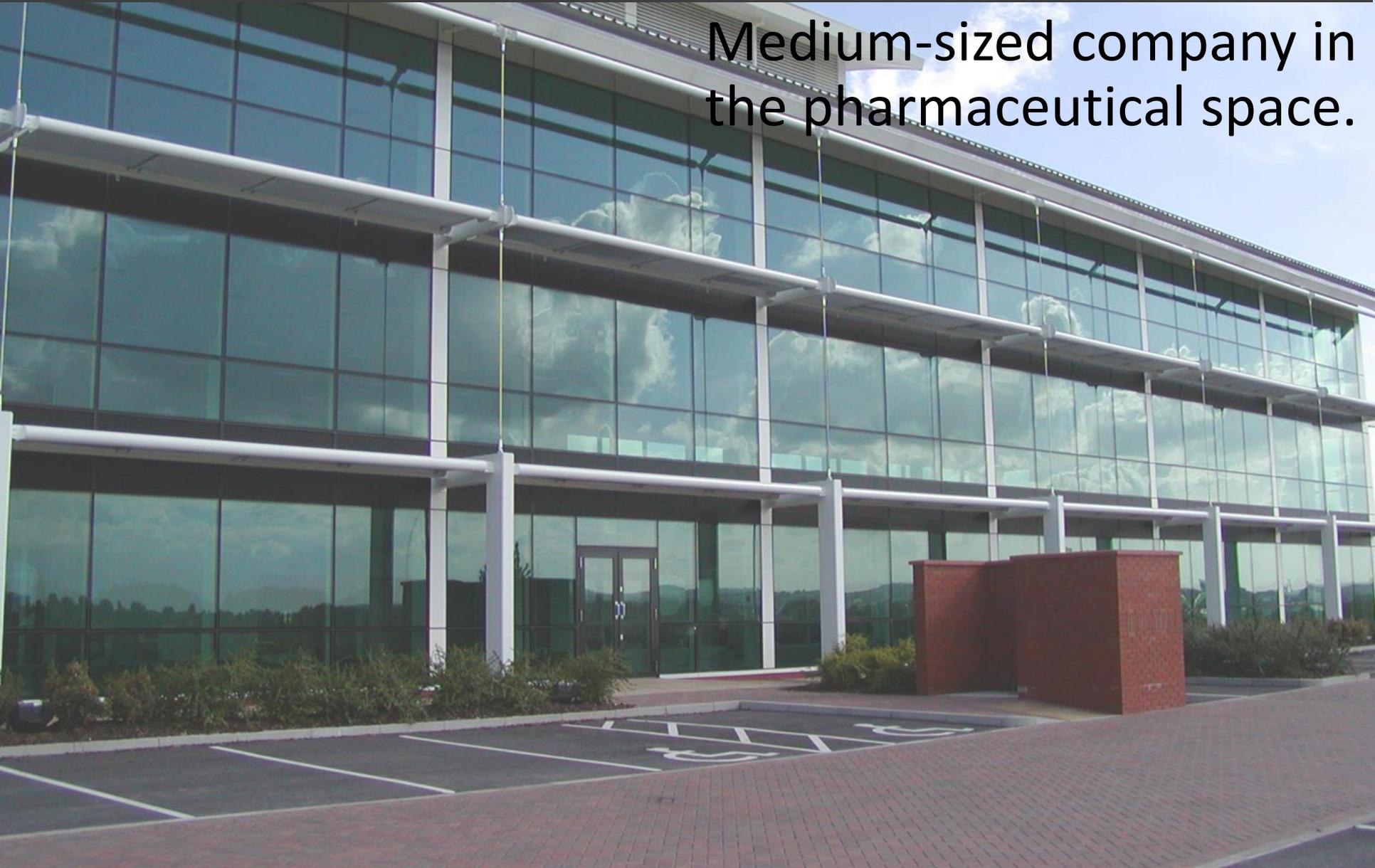


Entrepreneurial students from a highly respected technical university. Won a Business Plan competition and plan to fund the company with those proceedings.

Company C

Company D

Medium-sized company in the pharmaceutical space.



A blue-tinted image showing the silhouettes of seven people standing on a globe. The globe is the central focus, with the continents of North and South America visible. The people are positioned around the top edge of the globe, some standing upright and others in more dynamic, walking or leaning poses. The background is a solid, light blue color.

Large, multi-national company.

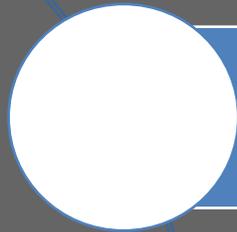
Company E

Which Would You Choose?

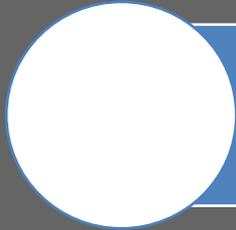
- Company A
- Company B
- Company C
- Company D
- Company E
- All of the Above



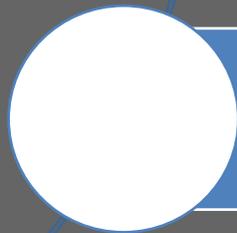
Get more information...



Request a business plan



Find out what each Company needs (e.g. license, CRADA, WFO, etc.)



Set deadlines

Companies A, B, C, D, and E all request an exclusive license.



Company A would like all fields and all countries



Company B would like exclusive for filtration applications



Company C would like the exclusive license for environmental uses, but plans to move into food and beverage



Company D would like the exclusive license for high value pharma/life sciences uses



Company E would like exclusive for water purification first and foremost and all other uses

Companies B and E are open to nonexclusive, but only if everyone gets a nonexclusive



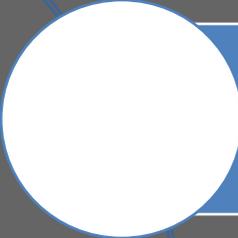
Now Who Would You Choose?

- Company A
- Company B
- Company C
- Company D
- Company E
- Grant nonexclusive and see who wants to take a license

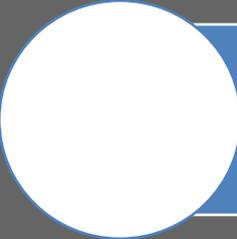


Don't forget federal lab
considerations...

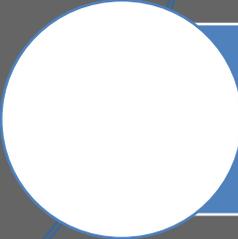
Small Business Preference



When licensing, Lab must make reasonable efforts to attract small businesses as licensees



Preference must be given to a small business when it has a plan for marketing that is equally likely to bring the invention to practical application



Federal agency may review the Lab's licensing program

Substantial US Manufacturing

- 35 USC 209: Licensing federally owned inventions considerations
 - Manufactured **substantially in the United States** – seek waiver to manufacture outside the United States (exclusive license, maybe nonexclusive license)
- 35 USC 204 – Waiver Requirement
 - *“under the circumstances domestic manufacture is not commercially feasible”*

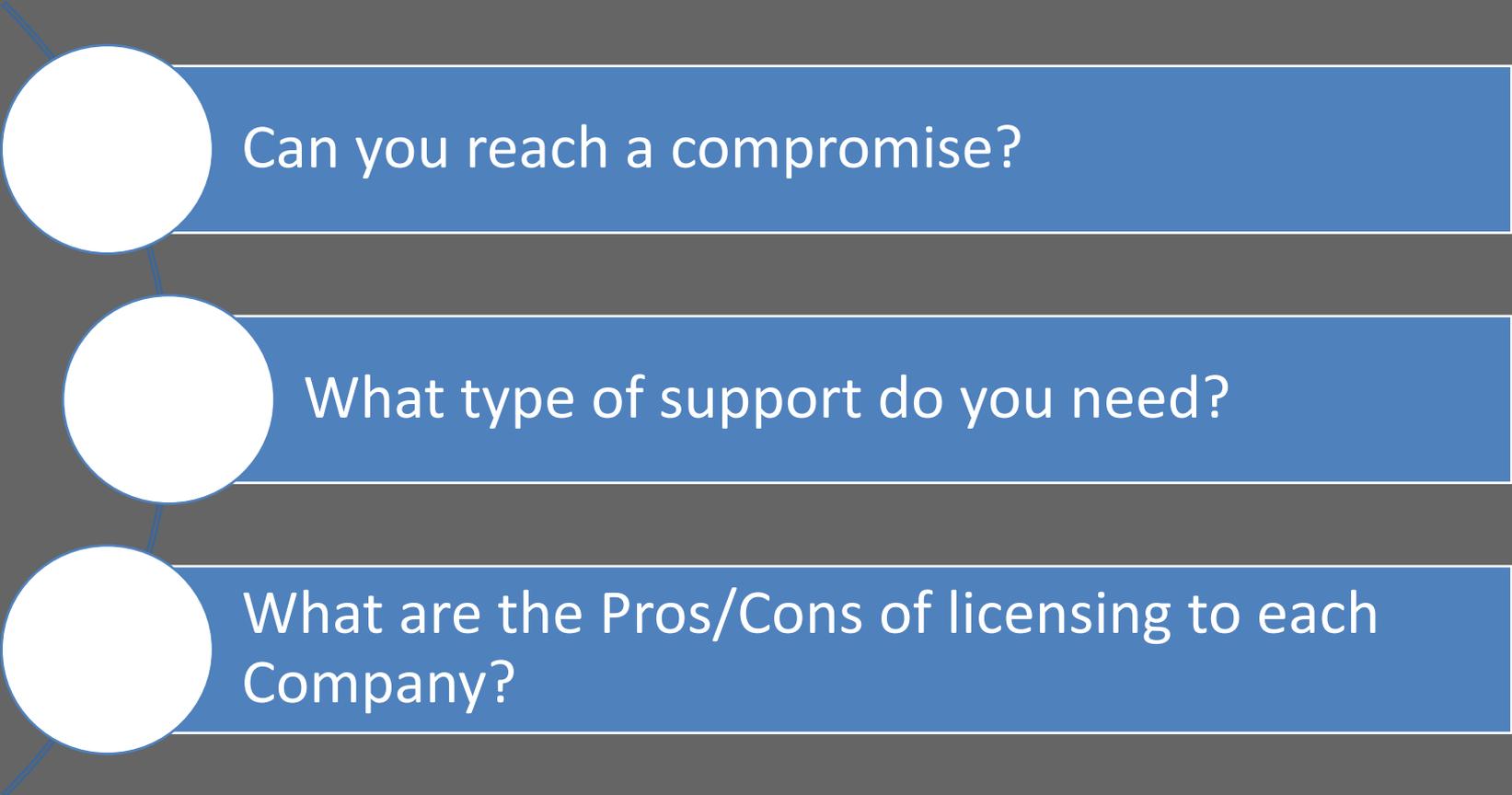
Conflict of Interest

Process **must not be biased** because of financial, contractual, organizational or other interests.

Avoid employee and organizational conflicts of interest or appearance of conflicts of interest.

- One party cannot obtain **unfair competitive advantage** over another
- Inventors may not participate in actual license negotiations.

More Considerations



Can you reach a compromise?

What type of support do you need?

What are the Pros/Cons of licensing to each Company?

Pros

A

- Serial entrepreneur who has had successful exits
- Abel and Baker plan to join the company after the license is executed. Company A will have substantial “know-how” to make the technology work.
- License Issue Fee plus Equity Stake

B

- Charley left the lab 2 months ago and is CTO. Charley has key know-how as to how to manufacture the technology.
- Charley raised a Seed Round funding and has a seasoned CEO at the helm. If they meet deliverables, will VC will fund a Series A Round.

C

- Would like to continue working with the Lab through a CRADA/WFO.
- Identified a manufacturing expert at another University to make the technology on a large-scale.
- Won a business plan competition at a prestigious university.

D

- High-risk, High-reward application.
- Likely carve this exclusive license out from the other companies.
- Offering the most money. Company is backed by a high net worth individual who wants to make sure the technology is available for humanitarian purposes.

E

- High Profile. viewed as a win for the Lab
- Large, multinational company with a commercialization plan. Significant US presence.
- Has the expertise, willing to fund Project.

Cons

A

- Serial entrepreneur has not had experience in the Industry
- Manage conflict of interest
- Fairness of opportunity
- Conflict of Interest waiver from Agency for Lab Employees *thinking* about leaving?

B

- Conflict of Interest waiver from Agency to grant exclusive license
- Fairness of Opportunity issue?

C

- Will need a CRADA/WFO with the laboratory. It is unclear whether the scientists left at the lab will be able to help.

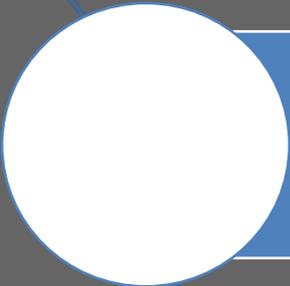
D

- Development will take substantial amount of time.
- No concrete business plan (still needs to recruit technical staff and business CEO).

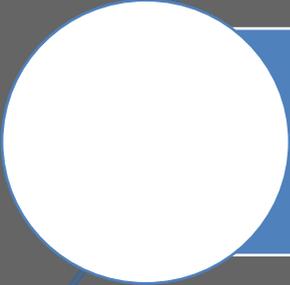
E

- Offering the least amount of money, but is interested in seeing that the patent is filed across the world.
- Manufacture outside the United States. Seek waiver of US Manufacturing with the Agency.
- Headquarters are in Asia and would like to enter into the license agreement with their Asian entity.

What are some options?



Do you have a plan?



What type of support do you need?
(Management, resources, etc.)

The fun begins...

How do you move
this deal forward?



“Do Nothing”

- No technology transfer
- Missing the market window
- Inventors may not get to share in royalties
- Anger the potential licensee



Nonexclusive



- Make technology widely available
- License to more companies
- Maximize royalty stream

- Jeopardize company with business plan for high-risk, high-reward application
- Disadvantage start-up companies who need to raise funding
- Diminished Market

Auction for Exclusivity

- Provide Model Term Sheet
- Ask Respondents to accept/counteroffer
- Forum with which to answer questions
 - Email Q&A
 - Conference Call
- Selection Process/Criteria
- Due date for Acceptance/Counteroffer





Time is of the Essence

- Fundraising
- Budget Constraints
- Miss the market



Dealing with Distractions

- Calls from Administrators (Department/Agency) and Representatives
- Inspector General
 - Make sure you have your documentation

Once the deal is signed...

Take a deep breath
and celebrate...



Once the deal is signed...

Work is just beginning



There is no right or wrong, but
there is for better or for worse...



Thank You!!



Ida C. Shum