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Licensing University Technology 101	
AUTM Webinar April 11, 2017	
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Licensing University Technology 101	

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Overview

- Framework of the university license
- Scope of the license
- Consideration (payment and diligence)
- Allocation of risk
- Miscellaneous terms

Overview



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Framework of the University License

From the university perspective:

- Licenses further its mission of transferring knowledge for the public benefit
- Often, the license is necessary to incentivize investing in development

From the company perspective:

- Access to cutting edge innovations with high degree of risk
- Sufficient return on investment required

Framework of the license



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Framework of the University License

- Legal agreement, in the US, governed by state law
- The intent of the parties should be what's written within the "four corners" of the license, and unless those terms are ambiguous, other evidence, e.g., conversations and documents, will not be considered for interpreting the agreement
- Pertains to intellectual and tangible property rights governed by their own legal doctrines

Framework of the license



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Framework of the University License

- Typically, licenses patent rights
- May include other intellectual property rights:
 - Copyrights (e.g., software and apps)
 - Trademarks
 - Technical Information (e.g. data, confidential information and know-how)
- May include other tangible property rights:
 - Biological materials
 - Prototypes

Framework of the license



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Scope of the License

Key Definitions


– Patent Rights	– Licensed Products
– Technical Information (Software, Materials, etc.)	– Field and Territory

Grant of Rights

– Exclusive/sole/nonexclusive	– Transferability
– Permitted activities	– Reserved rights

Compliance with funding obligations

Scope of the License



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Definition of Patent Rights

(a) patents and/or patent applications listed in an exhibit;


(b) U.S., PCT and foreign patent applications claiming priority to any of the foregoing;

(c) all patents issuing from any of the foregoing; and

(d) reissues, reexaminations, and term extensions of and supplementary protection certificates allowed on any of the foregoing;

in each case, only to the extent of the claimed subject matter sufficiently supported by the disclosure in (a) to satisfy 35 U.S.C. § 112.

Patent Rights



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Definition of Technical Information

- Unpatented information and materials describing the Innovation, its manufacture or use, including Confidential Information:
 - (a) in existence as of the Effective Date;
 - (b) referenced in the disclosure of Innovation; and
 - (c) identified in some manner in the license once selected by university to provide to Licensee.
- Rarely licensed exclusively by universities
- Manner and frequency of transfer should be understood by the parties

Technical Information



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Definition of Technical Information

When the Technical Information includes tangible property rights, additional definitions may apply:

- If Licensed Material, meaning
 - Original materials, all progeny and derivatives of the materials made by Licensee and/or Sublicensee
- If Licensed Software, meaning
 - Software, other copyrightable work, and all derivatives of such work made by Licensee and/or Sublicensee

Technical Information



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Definition of Licensed Products

Any product or process that is:

- (a) claimed in whole or in part by the Patent Rights and/or whose manufacture and/or use is claimed in whole or in part by the Patent Rights; and/or
- (b) the development, manufacture, use, sale or importation of which is, incorporates, uses or is derived from any Technical Information.

Licensed Products



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Definitions of Territory & Field

- Territory means [worldwide] or [insert list of countries].
- Field means [insert specific applications] and excludes all other uses[, including...express exclusions to these definition if desired].
Depending on the terms of art used to define the Field, you may want to state that the terms are to be given their meaning as known in the art as of the Effective Date.

Field and Territory



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Scope - Grant of Rights

Subject to the terms and conditions of this Agreement [and Licensee's compliance therewith]:

- (a) an exclusive, [a non-exclusive,] non-transferable license, with[out] the right to subcontract and/or sublicense, limited to the Territory and the Field, under the Patent Rights to make, [have made,] use, sell, offer for sale and import Licensed Products;
- (b) a non-exclusive non-transferable license, with[out] the right to subcontract and/or sublicense, limited to the Territory and the Field, to use the Technical Information to develop, manufacture and sell Licensed Products.

Note - when Technical Information includes Licensed Software, the wording might be: reproduce, prepare derivative works, distribute, perform and display

Scope - Grant of Rights



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Scope – Reservation of Rights

- No other right, title or interest is granted and none shall be implied. Licensee to provide written notice of the Field and Territory restrictions to prevent any implied license.
- Reservations to consider expressly stating:
 - Research, development and/or education (ideally both for university and other non-profits), including transfer of materials and publishing
 - Clinical use and patient care
 - Public service

Scope Reservation of Rights



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Subcontractors & Sublicensees

- Subcontractor acts on behalf of licensee, i.e., makes product for licensee to sell
- Sublicensee acts for its own behalf, i.e., makes product for it to sell
- Either way, licensee grants these rights by written contract that is:
 - Consistent with license, except not further transferable
 - Terminates with license termination (unless university elects to license directly)
 - States that university is a third party beneficiary under the contract
- Some university's require licensee obtain prior consent to grant, and all require a copy with sufficient detail to confirm obligations are met
- "Affiliates" are treated as "Sublicensees" although the requirement for a written contract may be evidenced by corporate documents

Subcontracts/Sublicenses



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Address Funding Obligations

- Specific terms vary depending on the type of funding (e.g. federal, state and/or foundations)
- Typically, subject to compliance with Bayh-Dole Act (35 U.S.C. § 200 et al., 37 C.F.R. 400)
 - Included even if invention was not conceived with funding because first actual reduction to practice may be done with federal funds
 - Government retains a non-exclusive license to practice and have practiced subject inventions (defined in Act)
 - Exclusive licenses require substantial manufacture in U.S. of subject inventions and products produced through the use of subject inventions (unless waived)

Funding



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Financial Consideration

Options:

- License fee paid within [x] days, [non-refundable] [non-creditable]
- Royalty of [x%] on Net Sales
- Annual minimums/license maintenance fee paid by [x], starting in [year that is negotiated], [non-refundable] [non-creditable] – if creditable then state when
- Milestone payments paid within [x] days of reaching milestone, [non-refundable] and [non-creditable]
- [x%] of non-royalty remuneration received, [non-refundable] [non-creditable]
- Equity

Payments




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Net Sales

- Which transactions qualify, i.e., transferred or performed by whom/to whom?
- Defines when Licensed Products are considered “transferred” or “performed”
- Defines when Net Sales accrue (e.g., upon delivery or invoice)
- Describes the only deductions permitted
- Addresses non-cash consideration, affiliated party transfers and Licensee’s/Sublicensee’s use
- May be the basis for royalty adjustments

Net Sales



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Interplay Between Licensed Products and Net Sales

- Strive for symmetry between the scope of rights licensed (Licensed Products) and what triggers payments
- Net Sales are calculated on worldwide sales so long as the product transferred or performed is a “Licensed Product” in any country
- Understand the effect of any narrowing in the definition of Net Sales
- If Licensed Products use a “but for infringement” definition, address whether development milestones triggering before the definition applies should be due, and if so, when paid

Interplay Between Licensed Products and Net Sales



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Payments

- State whether payments are in U.S. dollars or something else
- If USD, foreign currency conversion on last day of reporting period
- Late payment penalty, prime rate + [x%] or the maximum amount permitted by state’s usury laws
- If Licensee pays taxes on royalty income, may it deduct amounts from payment to university with documentation?

Payments



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Consideration via Diligence

- Heart of the university license to bring products to market and meet market demand
- Consider milestones with dates certain and development plan updated annually
- Consider reversionary rights where university provides evidence of other Licensed Products, indications, global access needs, and Licensee does not develop or sublicense within a defined period of time
- Dispute resolution provisions specific to breach of diligence obligations

Diligence



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Reports

- State frequency and content and whether they must be certified
- May require even if no payments are due
- May require confirmation of “small business firm”
- May require confirmation of entitlement to “small entity” status

Reports



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Records and Audits

- Keep continuous, accurate and complete records on payments and development of Licensed Products
- Maintain for at least [x] years after creation
- Inspect, audit and copy at single U.S. location (at Licensee's expense if underpayment is [x]% or more from notice of audit)

Records and Audits



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Allocation of Risk

- Patent Management
 - Who controls filing, prosecution, maintenance and defense (litigation and IPRs)?
 - Licensee pay/reimburses
 - Only licensed for rights Licensee supports
 - Cooperation with patent term extension and SPCs
 - Marking

Allocation of Risk



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Allocation of Risk

- Enforcement
 - Notice of infringement or misappropriation
 - Negotiation limited to which party has first right to enforce and for how long
 - Allocation of costs
 - Allocation of awards
 - Settlement procedures
 - No waiver of sovereign immunity
 - Participation in suit if necessary for the purposes of standing?

Allocation of Risk



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Representations, Warranties & Disclaimers

- University typically makes no representations or warranties and disclaims all
- Licensee represents and warrants:
 - Legal entity
 - Fully authorized to execute and perform agreement
 - Compliance with applicable laws and regulations (including export controls) and the terms of the Agreement

Representations Warranties & Disclaimers



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Risk Management of Third Party Claims

- University typically seeks indemnification for
 - Practice or exercise of the rights granted (use and misuse)
 - Product liability
 - Death, injury to person or property
 - Negligence/malfeasance
- Require sufficient insurance, and may need to name university as additional insured, and coverage will be primary

Third Party Claims



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Termination

- Due to:
 - Uncured breach following [x] days' notice
 - Insolvency, although U.S. Bankruptcy Code currently prevents enforcement of this provision in U.S.
 - Suit by Licensee of university
 - Election by Licensee
- Survival of rights and obligations previously accrued

Termination by university



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Dispute Resolution

- Process (amicable resolution, mediation, arbitration and/or litigation)
- Choice of law and venue (avoid waiver of sovereign immunity)
- Costs and attorneys' fees

Dispute Resolution



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Thank you!

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Thank you!