



The following presentation reflects the personal views and thoughts of Benjamin C. Dibling and Pamela L. Cox and is not to be construed as representing in any way the corporate views or advice of the University of Pennsylvania or Marshall, Gerstein & Borun LLP, nor the views or advice of the Association of University Technology Managers (AUTM).

The content is solely for purposes of discussion and illustration, and is not to be considered legal advice.



## Overview

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



## Framework of the University License

From the university's perspective:

- License agreements further the mission of transferring knowledge for the public benefit
- Often, the licensed rights are necessary to incentivize investing in the technology

From the licensee's perspective:

- License agreements provide access to cutting-edge technology with an inherent high degree of risk
- Therefore, seeking terms to provide a sufficient return on investment is required



## Framework of the University License

- License agreement, in the US, is a contract 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, term sheets and other documents, will not be considered for interpreting the agreement
- License is for intellectual and tangible property rights, each governed by their own legal doctrines



## Framework of the University License

- Often the license including more than 1 form of intellectual property rights:
  - Patent rights
  - Copyrights
  - Technical Information (e.g. could be anything within the spectrum from trade secret data or source code to confidential information to know-how)
  - Trademarks
- May include other tangible property rights:
  - Biological materials
  - Prototypes
  - Software



## Scope of the License

### Key Definitions

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

### Grant of Rights

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

### Compliance with funding obligations



## 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.*



## 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 or relating to 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
- Tangible materials provided in bailment within scope of license



## Definition of Technical Information

More on Technical Information that includes tangible property rights:

- If tangible material, definition typically includes not only the original materials but also all progeny and derivatives of the materials made by Licensee and/or Sublicensee
- If software, definition typically includes other copyrightable work, and all derivatives of such work made by Licensee and/or Sublicensee



## 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.



## 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.



## 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 – above is patent centric and if copyrights are granted the wording might be: reproduce, prepare derivative works, distribute, perform and display



## 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



## 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)
  - Is provided to university (including amendments and termination notice)
  - States that university is a third party beneficiary under the contract
- Licensee may be required to obtain consent to grant
- “Affiliates” are treated as “Sublicensees” although the requirement for a written contract may be evidenced by corporate documents



## 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) even if innovation 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)





## Examples of Financial Consideration

- License fee paid within [x] days, [non-refundable] [non-creditable]
- Royalty of [x%] on Net Sales (or Net Revenue for copyrighted subject matter)
- 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



## 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



## 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



## 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?



## Non-cash Consideration

- 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



## 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



## 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)



## Allocation of Risk

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



## 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?



## 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



## 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 primary coverage insurance sufficient to ensure obligations, and may need to name university as additional insured



## 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



## Dispute Resolution

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



## Pamela L. Cox



❖ **Chair of IP Transactions**  
 ❖ **J.D., B.S., CLP**  
 ❖ **312.423.3451**  
 ❖ **pcox@marshallip.com**

Pamela L. Cox, partner and chair of IP Transactions at Marshall, Gerstein & Borun LLP, is talented at unraveling complex deal structures and devising creative agreement solutions. Starting her career in-house, Pam focuses her practice on intellectual property transactions, protection and dispute resolution for clients ranging from multinational corporations to non-profit institutions. She is a patent attorney who understands her clients' intellectual property and agreement needs, and remains passionately engaged until their strategic objectives are achieved. Clients consider her an invaluable member of their team.

Ms. Cox is Co-Founder and Chair of Women in Licensing Alliance (WILA), Past Corporate Secretary and Member of the Board of the Licensing Executive Society International (LESI), Founder of LESI Life Science Advisory Board, and former Vice-Chair of External Relations Committee, Chair of LESI Life Science Committee, International Delegate for LES USA-Canada and Chair of the LES USA/Canada Chicago Chapter. She is a Certified Licensing Professional (CLP) and is past president and Chair of the Board of Governors of CLP.



## Benjamin C. Dibling



- ❖ **Deputy Managing Director, PCI**
- ❖ **B.Med.Sc., Ph.D, CLP**
- ❖ **215.898.9272**
- ❖ **bdibling@upenn.edu**

Ben Dibling is Deputy Managing Director of the Penn Center for Innovation at the University of Pennsylvania, where he leads the licensing, corporate contracting, and corporate outreach groups. Ben's team is responsible for working with Penn faculty, staff, and students to evaluate, protect and commercialize Penn inventions and discoveries, and to facilitate engagement with industry and start-up company formation. Prior to joining Penn in 2016, Ben was Senior Associate Director of Licensing in the Office of Intellectual Property and Industry Sponsored Research at UCLA. Ben started his career in technology transfer in 2004 as a marketing intern at UChicagoTech, the office of technology and intellectual property at the University of Chicago, and was the Program Manager in Oncology at the time he moved to UCLA in 2011.

Ben holds a Ph.D. in Clinical Medicine from the University of Leeds and a Bachelor of Medical Science from the University of Birmingham and is licensed to practice before the United States Patent and Trademark Office. Ben is a member of AUTM, LES and immediate past-chair of the Board of Governors for Certified Licensing Professionals (CLP).



## Thank you!

Benjamin C. Dibling, Ph.D.  
 Deputy Managing Director  
 Penn Center for Innovation  
 University of Pennsylvania  
 3600 Civic Center Boulevard, 9<sup>th</sup> Floor  
 Philadelphia, PA 19104  
 (215) 898-9272  
 bdibling@upenn.edu

Pamela L. Cox  
 Marshall, Gerstein & Borun LLP  
 233 South Wacker Drive  
 6300 Willis Tower  
 Chicago, IL 60606  
 (312) 423-3451  
 pcox@marshallip.com

