Tech Transfer Online

Session 13 : Understanding the activities of a TTO

Negotiation, closing deals, Post-deal contract life cycle management
Exercise 4

John Fraser, Richard Cahoon, Manisha Premnath

Who's Speaking

John Fraser

CLP, RTTP

John is a global expert in technology transfer and knowledge exchange, with extensive experience in maximizing innovation impact. Having led four technology transfer offices across two countries, he understands the complexities of translating research into market-ready products. As a former AUTM President, he has advised global technology transfer professionals on country-specific challenges. Through Burnside Development, he consults for WIPO, Chilean institutions, Serbia's Innovation Foundation, and India's Department of Biotechnology.

Affiliation

- Past President Association of University Technology Managers, USA(AUTM)
- President, Burnside Development & Associates LLC
- Head of Tech Transfer for Florida State University & Simon Fraser University

Who's Speaking

Richard Cahoon
PhD

Richard Cahoon, Adjunct Professor at Cornell University, specializes in technology transfer, IP management, and commercialization. With over 30 years of experience, he has advised governments, universities, and global organizations on innovation ecosystems, IP strategy, venture creation, and technology-driven economic development in over 25 countries.

Affiliation

- Past Association of University Technology Managers, USA (AUTM) Board of Directors
- President, BioProperty Strategy Group, Inc.
- Head of Tech Transfer, Cornell University

Who's Speaking

Manisha Premnath

PhD

Manisha Premnath is a seasoned expert in science-led enterprise incubation and innovation acceleration. As COO at Venture Center, she leads a 60+ member team supporting deep-tech startups, building innovation ecosystems, and enabling academia-industry collaboration. Over her 15+ year tenure, she has established national programs, bioincubation facilities, tech transfer offices, and mentored hundreds of startups—earning multiple national and Asian awards. A PhD-trained microbiologist and biotechnologist, Manisha is also a Chevening CRISP Fellow, board member of several healthtech ventures, and trained in tech transfer by global leaders.

Affiliation

- Executive Director & COO, Venture Center

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Negotiation and closing the deal

John Fraser

Session 13: Contents

- Negotiation and closing the deal: How does a typical negotiation for a tech transfer deal play out? Organizing for faster decisions.
- Exercise 4: Mock negotiation
- Post-deal contract life cycle management: What are the next steps after a tech transfer agreement (TTA) is signed and concluded? How are TTAs managed post-signing?

Negotiation and closing the deal: How does a typical negotiation for a tech transfer deal play out? Organizing for faster decisions.

Steps to take for a Negotiation-1

- Be familiar with the Disclosure, the Evaluation results, the Hypothetical product and features, the Value Proposition Statement and the 1-page Marketing doc.
- Educate the researchers on the steps of the negotiation and the role they will play. Discuss what is their priority in this negotiation – money up-front for R&D or money via longer term royalties?
- Discuss that they will address science issues, and you will address Agreement issues. Lawyers should be alerted to the process and invited to participate, but given guidelines to not dominate the discussions with the Company.
- Discuss the likely numbers ($$) that will be discussed.

Steps to take for a Negotiation-2

- You and the researchers meet the Other Party just before Negotiations to discuss your Institution and decision-making process and their Company and Decision-making process in some detail.
- Ask what they would do with your technology and how they would do that i.e. their Plans. Ask how they are justifying an Agreement to their senior Management.
- It may be useful to visit the Lab and tour the key facilities before negotiating – this may build confidence within the Company and stimulate ideas by Company.

Steps to take for a Negotiation-3

- Sit down, re-introduce everyone and the roles they will participate in.
- Introduce the AGENDA: i. Welcome. Ii. Short presentation of the research project and the results and the Invention, hypothetical product and Value Statement. Iii. Encourage a Q&A session so the Company is clear what is on the table. Iv. Ask the Company: Is this what you are interested in and have we identified potential products of interest to you?
- Listen to the Company response. Leave the room to discuss briefly any surprises and how to respond.
- At this point, consider breaking up into 2 groups – the scientists and the negotiators. The scientists visit the labs and facilities and sort out scientific details and budgets for any collaborations as previously agreed to internally.

Steps to take for a Negotiation-4

- The Negotiators sit and the 'Licensor' presents a draft 'Term Sheet' which is discussed/negotiated line by line for clarity and completeness but remains open in case the scientists identify new issues.
- The 2 groups reconvene and the scientists are invited to briefly present what they have discussed. The negotiators present the results of the Term Sheet discussion. There is a Q&A session.
- If interests remain align, the Licensor will outline the next steps, timelines and decision-making. The key next step is that the Licensor will present the Company within 10 business days with a full legal Agreement (incl Appendices such as a detailed research collaboration agreement with budget) based on the Term Sheet.

Steps to take for a Negotiation-5

- The meeting adjourns and depending on the Company travel plans, they leave or attend a dinner or lunch, then leave.
- The legal Agreement is sent withing 10 business days as agreed and then a ZOOM call is arranged to discuss any outstanding issues.
- Once agreement is reached the Licensor signs and forwards the Agreement (incl Appendices) for signature within 5 business days.
- Once the fully signed Agreement is received back, (hopefully within 10 business days of receipt), a KICK-OFF meeting is scheduled to launch the collaboration and identify key people on each side.
- The Licensor reviews the Agreement and calendars dates for Reports, Monies to be received and regular Progress Review Meetings.

THANK YOU for LISTENING !

John Fraser, President
Burnside Development & Assoc LLC

Moab , Utah, USA

Post-deal contract life cycle management

Richard Cahoon

Post-signing License Agreement Monitoring

- Why it is important
- How to do it

Post-signing License Agreement Monitoring

The Cornell example: a cautionary tale

- Rapid growth in the annual number of licenses signed
  1990: 35 licenses signed per year
  2000: 100+ licenses signed per year
- In early days, one person and their paper filing system was sufficient
- As # of licenses grew, spreadsheets were used
- Despite TTO efforts, licenses were neglected
- No one regularly reviewed compliance
  (some licenses neglected for up to 8 years!)
- Contacting a licensee to tell them they owe 8 years of back payments and royalties = HIGHLY PROBLEMATIC
- A systematic approach was clearly needed

Post-signing License Agreement Monitoring

Why it is important: the Cornell example

- Lack of attention by Licensor results in lack of attention by Licensee
- This lack of attention causes:
  - missed payments
  - neglect to collect and pay royalties
  - missed milestones
  - unreported failure to comply
  - failure of diligence
- These result in **FAILURE** of IP/tech commercialization
- Unhappy inventors (faculty) and administrators
- Overall failure to effectively steward the technology

Post-signing License Agreement Monitoring

Why it is important: Cornell example

A Major TTO Management failure

Post-signing License Agreement Monitoring

How to do it

- Accept the importance of effective monitoring
- Develop a systematic approach, process, system
- Implement now, regardless of number of licenses (don’t wait until the numbers are high)
- Agreements should contain provisions that make systematic monitoring feasible
- Agreements have explicit auditing provisions

Post-signing License Monitoring

How to do it

Agreements should contain provisions that make systematic monitoring feasible

- Regular reports are required
  (failure to report is a breach)
- Make explicit exactly what information is required:
  sales and royalty calculations are clear
  milestone events clearly described
- Burden of reporting event-based Milestones must be on the licensee

Post-signing License Monitoring

How to do it

- Consider providing all licensees with a standard license reporting form (require its use?; put it in license as an attachment)
- Using a standard form allows for systematized management by TTO contract management team
- Consider a "warning" system in which contract managers flag problems, notify Tech Manager who negotiated license

Post-signing License Monitoring: Systematic Approach

- Develop a comprehensive database system
  - with flagging and reminders
- Agreements with obligations for Licensee to proactively report on a regular basis
  - payment reports (even if none owed!)
  - milestones status, etc.
- Monitoring exclusive licenses vs. non-exclusive
- Agreements contain random audit provisions
- "Time-based" milestone much easier to monitor than "event-based"
- Dedicated staff to manage licenses (Cornell):
  - 1990: 1.5 staff manage 200 licenses
  - 2015: 5 staff manage 2000 licenses

Post-signing License Monitoring

Managing License Contract Problems: How to do it

Establish a phased system for managing license/licensee problems (phased intensity/legality)

- Initial notification by contract team
- Friendly inquiry by Tech Manager; resolution path
- Letter from Director (more formal)
- Letter from institution's legal office
- 2nd letter from institution's legal office
- Weigh cost/benefits of legal action
- Terminated licensee → an infringer
- Engage outside lawyer? File lawsuit

Post-signing License Monitoring
Final Comments

- Nothing is more important for long-term sustainability of a TTO

  and the Director’s job
- Develop a system now, regardless of the number of signed licenses in the portfolio
- Utilize an electronic database with a system for flagging and reminders
- Require proactive reporting obligations by Licensee
- Link provisions of the Agreement with database
- Establish a procedure for a “hand-off” of license from negotiator to contract manager

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Post-signing License Monitoring Final Comments

- Make regular contact with all licensees
- Have a dedicated contact person for each party, responsible for communications
- “Important” exclusive licenses should have regular meeting provisions
- Regular contact with licensees and regular monitoring of licenses will result in:
  - “happy customers” (licensees and inventors)
  - increased & reliable revenue
  - satisfied administrators
  - TTO Director/Manager with job security
  - A TTO with good reputation on campus

Cornell Certificate Program

Invention and IP Management

eCornell

Key Course Takeaways

- Define what makes an idea inventive
- Explore the benefits and costs of an invention
- Explore additional intellectual property and bioproperty tools to help protect your invention
- Assess the inventive features, property control position, and marketability of an invention to identify potential value
- Select the best commercialization and implementation pathway for an invention
- Establish a system for managing and collecting inventions

Learn more:
bit.ly/3SxhF3o

TIME COMMITMENT
3 months with 4-6 hours of study per week.

FORMAT
100% online with most learning on your schedule.

PERSONALIZED FEEDBACK
Enjoy meaningful feedback on assignments from expert facilitators.

Exercise coming up next

Focus mode: ON

Exercise 4:

Mock Negotiation

John Fraser, Richard Cahoon & Manisha Premnath

Learning goals

- This exercise is designed to teach the following:

❑Tech transfer negotiations have many levers to pull and tweak. It is not be thought of as price haggling exercise

Instructions

- What is available to you:
  - A Case

- What you need to do:
  - Listen to the conversation
  - Participate in the discussion

- Time plan:
  - 7 min: Background of the case
  - 13 min: Mock negotiation
  - 10 min: Discussion

The Case: Outline

- About Party 1: Academic institution UC, represented by John Fraser and Richard Cahoon, TTPs
- About Party 2: Small business SmallCo, represented by Manisha Premnath, Founder

- Facts:

- SmallCo is a 4 year old company that sells wound dressings. It has a turnover of $ 1m/ year. It has made inroads into several hospitals in India. It is profitable. Margins are around 10%. Manisha is keen to grow faster with more investments and show much higher margins. She thinks she needs to produce and sell a high value premium dressing for diabetic wound care – a growing global need.
- UC has an unencumbered technology to make Advanced Wound Care dressings that has been shown in animal studies to work very well on diabetic wounds. It is a crowded area but UC technology has shown better results than a market leader. UC has filed patents and received grants in US, EU, IN, CN, JP. Patents are finishing Year 5. No licenses so far.
- SmallCo approaches UC for a license. Manisha's asks are:
  - -- Worldwide license
  - -- Exclusive license with option for assignment of patent
  - -- Minimal upfront fee
  - -- Deferred payments/Running Royalty is preferred
  - -- SmallCo will use this to raise money from investors for advancing the technology
- SmallCo requests UC for a proposal.

Information with UC

Confidential to UC

- Technology and IP:
  - -- Has been granted. Has FTO
  - -- Preclinical data is quite strong
  - -- UC does not have any other enquiries at this time.
  - -- Inventor is planning an academic human trial but needs to raise funds
- Further development costs and timelines:
  - -- CTs and regulatory approval will take 2 years
  - -- Investments towards CTs, regulatory approvals (IN, US), mfrg facility ~ 1 m$
  - -- Licensee cannot earn anything for at least 2 more years
- Market:
  - -- Global: 500m$; CAGR ~ 7%
  - -- US (50%), EU (25%), IN (2%), RoW (23%)
- Industry:
  - -- Crowded with many players; fragmented market share amongst many players; Regional leaders vary
- UC's technology valuation exercise based on some assumptions (secondar research) indicates:
  - -- Estimated valuation ~ 2 m$
  - -- With no upfront fee, RR would be 5% on net sales
  - -- AUTM database indicates median range of royalty in industry is 3-4%

Information with SmallCo

Confidential to SmallCo

- Technology and IP:
  - -- SmallCo thinks this technology can be useful for other chronic wounds as well
  - -- Published data looks good but SmallCo's clinical advisor thinks tech may not be differentiated enough
- Further development costs and timelines:
  - -- SmallCo has identified predicate devices in IN and USA which may reduce costs and time significantly.
  - -- Superiority studies in humans will be needed to establish performance edge of the products.
  - -- SmallCo expects considerable spending in studies by KOLs in USA
- Market:
  - -- SmallCo wants to focus sales on IN, MENA and SEA
  - -- SmallCo will go for US FDA approval only for branding & KOL studies . Not immediate sales
- Industry:
  - -- Competitive industry but key market leaders have no product for diabetic wounds
  - -- There is a chance of an M&A by a large player to fill a gap in their portfolio
- SmallCo analysis:
- -- Target margins ~ 50%
- -- Target growth rate ~ 200% Y-o-Y for first 5 years
- -- This kind of margins and growth are impt to attract Venture Capital funds
- -- Investors will prefer company has ownership rights of patents
- Fund raise plan:
- -- Seed round (in next 6 months): 2 m$
- -- Series A (in 24 months) : 6 m$
- -- Series B (in 48 months): 18 m$

Non-negotiable for SmallCo

Confidential to SmallCo

- Essentials:
  - -- Exclusive (Investors will insist on that)
  - -- US, EU, IN surely
  - -- No limitations on scope of product and indications

- Desirables:
  - -- Option to seek assignment (Investors will prefer that); Makes it more attractive for M&A

- Preferences:
  - -- Upfront fee low
  - -- Every 1% in RR will decrease company valuation by 5%
  - -- Investors may be willing to pay out UC to the extent of 5% of a funding round

The proposal from UC

- License terms:
  - World wide
  - Exclusive License
  - Duration: 15 years or till date of expiry of longest lasting patent
  - Option to seek assignment and close all ongoing obligations

- Financials:
  - Upfront ~ 200K $
  - RR ~ 5% of net sales
  - Assignment fee ~ 2 m$

The conversation

- Manisha: Prices quoted are unreasonable and not commercially viable for SmallCo.

- Manisha: I wish to bring the following to your attention:
  - -- The technology is at an early stage. There is considerable risk of failure ahead.
  - -- Considerable costs are involved in CTs, regulatory approvals, KOL studies, adoption
  - -- Industry is very crowded with multiple product offerings
  - -- In this industry, manufacturers make much lesser margins than distributors.
  - -- We are a small company founded by a women entrepreneur under the Startup India Mission

- Manisha: The upfront fee is unrealistic and need to be reduced considerably for it to be viable.

- Manisha: We can assure you that we will put in all efforts and investments to take the product to market globally. It can be a great success story for UC.

- Dick/ John: Okay. Let see how to restructure the deal.

Deal structure options

- **Richard/ John:**
- Can you tell me your plan for the next 5 years?
- Can you share your projections?

- **Regarding license terms:**
- World wide: Do you really need a world wide license? Can we define regions? Can we phase the rights?
- Exclusive License: Do you really need exclusivity? Will a non-exclusive do? Will limited exclusivity work for you?
- Option to seek assignment and close all ongoing obligations: Why do you need this? Why would an exclusive license not be good enough?

- **Regarding financials:**
- Upfront ~ 200K $
  - Can you consider milestone payments? If so, what will be the milestones?
- RR rate ~ 5% of net sales
  - What in your view is a viable RR rate?
- Assignment fee ~ 2 m$
  - This kicks in only if you choose to seek assignment. I presume this will happen only if an investor desires so.

Discussion

- Is there a deal to be closed?
- What should UC and SmallCo agree on?

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Well done & thanks for participating

Contact Us

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