Session 9 : Understanding the activities of a TTO

Licensing, Deal Structuring
Exercise 2

Richard Cahoon, Pradnya Aradhye, Premnath V

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

Pradnya Aradhye

RTTP

Pradnya is a Registered Technology Transfer Professional (RTTP) and currently leads technology marketing, industry engagement, lead management, and deal structuring at TechEx.in, the Regional TTO at Venture CenterShe has successfully supported several ventures in securing government grants and funding. Pradnya holds an M.Tech in Biological Sciences and Bioengineering from IIT Kanpur and brings deep expertise in innovation commercialization and startup support..

Affiliation

- Manager- Innovation Management, Venture Center

Who's Speaking

Premnath Venugopalan

PhD, RTTP, FSTEM

Dr. Premnath, Director of Venture Center and Head of NCL Innovations, is a leader in technology transfer, IP commercialization, and venture creation. He has shaped national policies and established award-winning innovation management initiatives, fostering technology commercialization, startups, and deep-tech incubation across India through CSIR-NCL and Venture Center.

Affiliation

- Director, Venture Center, Pune

Licensing
Deal structuring and term sheets

Richard Cahoon

License vs Sale
Why we (PSRIs) prefer to license

- Retaining ownership assures commercialization diligence by licensee – assures tech advancement
- Maintains a connection between inventor and implementor (usually arm's length)
- Arriving at a mutually-agreed price for an invention with unknown market value is difficult
- The license is ideal means for tech creator and implementor to fairly share returns and risks
- Licensing is the foundation of a sustainable TTO and IP/tech transfer function at a PSRI

Licensing & Technology Transfer

What is the goal?

IP/Technology TRANSFER

Why do we want to TRANSFER the IP/Technology?

Technology Development & Advancement

which serves the Public Good – the PSRI Mission

Why do we need to TRANSFER?

The PSRI cannot/should not commercialize

PSRI must have a commercializer-partner

How? Establish a legally-structured partnership (i.e., a License) wherein the IP creator/owner PSRI transfers commercial-use rights to its IP, to a commercializer-partner in exchange for certain compensation, and a sharing of rights & obligations

Licensing & Technology Transfer

Licensing new IP/technology is challenging

Why?

- New IP/technology is risky
  - its' value is unproven and uncertain
    it might have significant value, or not
- Effective Licensing/Tech Transfer requires that both parties (Licensee and Licensor) face this fact
- How?
- First, by facing the facts
  of the technology & IP
  and the market

Licensing & Technology Transfer

Second, by designing an ***instrument*** that reasonably,
realistically, and fairly SHARES
the value-capture
and
risk
of commercialization/implementation
of new IP/technology

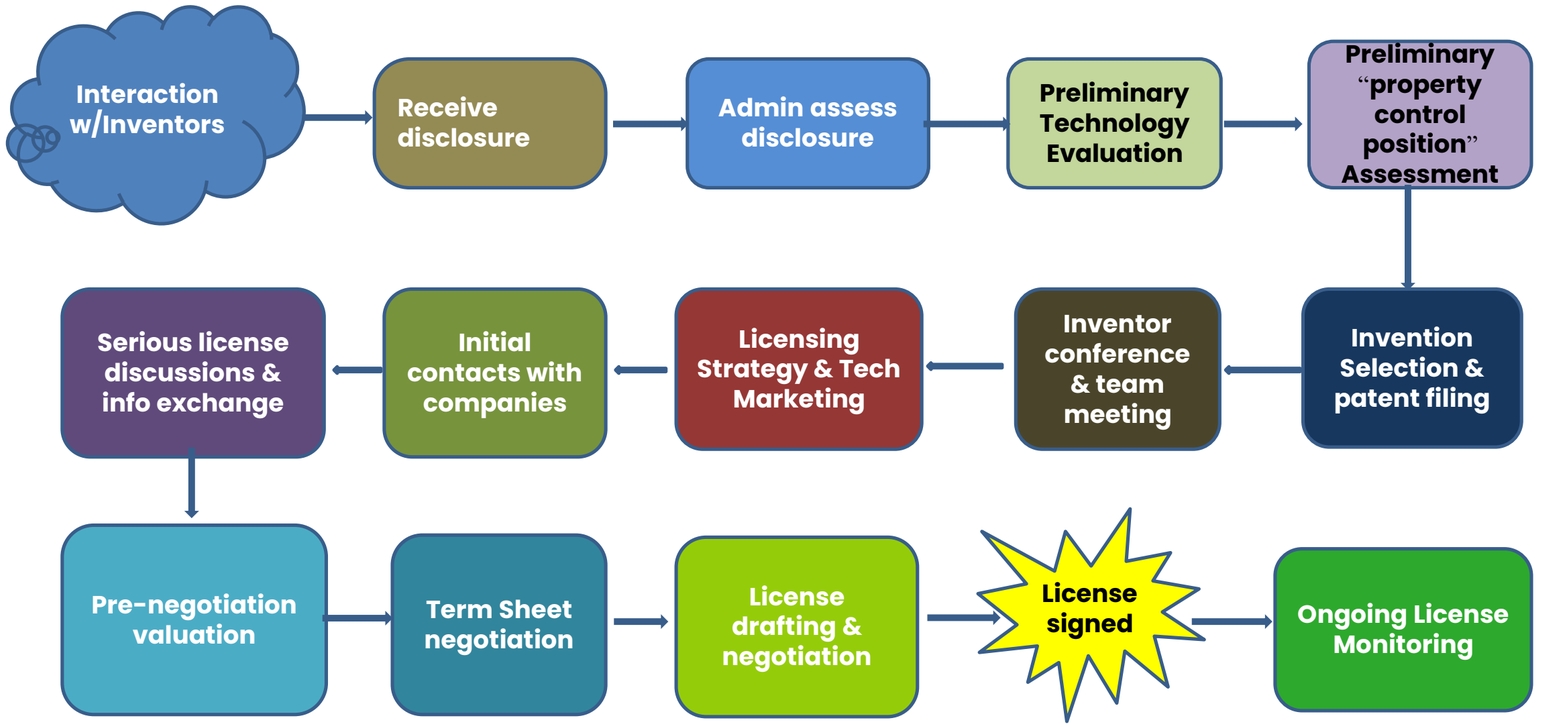
- The Tech Transfer Professional
is a “License Designer”

Designing the License "Value-capture/Risk-share System"

- The License has various mechanisms for allocating the share of risk and reward between Licensee & Licensor
- **The ideal balance equilibrates for:**

the potential market-value of the technology,
the risk it may not achieve that value,
the investment risk the licensee must make,
the value of the IP (inventiveness),
the IP owner's "opportunity cost"

The IP/invention Commercialization Process



Designing the License "Value-capture/Risk-share System"

Consider all these as "moving parts" in a fine-tuned "value capture/risk-sharing" device:

Scope of the license (field of use, geography)

License fee

Royalty on sales

Milestone payments

Minimum annual royalty

Sublicensing rights and revenue sharing

Future IP

IP costs

IP enforcement

Transfer of License to 3rd parties

The License as Value-capture/Risk-Share System: Various mechanisms allow balance

- Scope of the license
  - what are you transferring? (IP, field-of-use, geography)
- License fee
  - “guaranteed” compensation
- Royalty on sales
  - the marketplace determines value
- Milestone payments
  - assures diligence & shares risk
- Minimum annual royalty
  - the price of exclusivity

The License as Value-capture/Risk-Share System: Various mechanisms allow balance

- Sublicensing rights and revenue sharing
  - powerful mechanism in exclusive licenses
- Future IP
  - could be very significant
- IP costs
  - critical for Public Sector TTOs
- IP enforcement
  - ultimately essential
- Transfer of License to 3rd parties
  - can have significant impact

The License as Value-capture/Risk-Share System: Various mechanisms allow balance

- All the components should integrate
- Tech Transfer Professional as “license designer”

- The license components comprehensively combine to function like a “Swiss watch”

Designing the Value-Capture/Risk-share System

- Use multiple value-capture/risk-share mechanisms

  Upfront fees, milestone payments, exclusivity payments

  Royalty on sales

  Sub-license revenue sharing

  equipment, other in-kind

- Establish valuation assumptions, justify them, be prepared to modify them in a professional dialogue
- Consider alternative benefits (e.g. cross-licensing, technical and/or business linkages)
- “front-loaded” vs. “back-loaded” value capture

Capturing Technology Value: some basics

- No one can accurately predict the true (market-based) value of a new technology
- The license should be designed so that both parties realize a fair share of IP/tech value
- Remember the risk commercial partner is taking
- Balance inventiveness & IP value and the risk
- The commercial partner probably understands their industry and business assumptions better than the you .....ask questions.... listen and respect their knowledge.

License as Value-capture/Risk-sharing System
“Front-loading” vs “Back-loading”

Royalty on Sales

Upfront License Fee

License as Value-capture/Risk-sharing System "Front-loading" vs "Back-loading"

Front-loading

- capturing more value in early stages of license
- higher license fees/lower royalty shifts risk to licensee
- Maybe less value capture in the long term

Back-loading

- Lower license fees/higher royalty, higher later minimums and milestones
- Lower early return, maybe more value capture in long term

Designing a Value-Capture/Risk-sharing System

Example: Invention valued at $250k NPV

$250k up-front, no minimums, 2% royalty

.....or

$100k up-front, (3) $50K annual payments, 2% royalty.....or

$50k up-front, (4) $50k annual payments, 3% royalty.....or

$25k up-front, (5) $45k annual payments, 5% royalty.....or

Be flexible and creative in creating the value-capture envelope

Anatomy of an IP License Contract

Parties defined

Whereas clauses
(no legal power; provide context)

Definitions
(where the action is)

IP defined (ownership & scope)
(precisely defined; territory; also bioproperty)

Grant of rights
(type, territory, field-of-use, exclusivity)

License fees
(amount & schedule, usually non-refundable)

Royalty
(structure & amount)

Minimum royalty & milestones
(timing, event-based, other)

Anatomy of an IP License Contract

.....continued

Reporting & accounting

Term (duration) **& Termination**

Managing liability risk

Future inventions

Infringements by 3rd parties

R&D collaboration

Legal boilerplate language

Structuring License Financial Terms

License Fee

(typically upfront, lump sum, non-refundable,
but, can be phased:
over time, or
events (a favorite!)
generally linked to value of the opportunity

Royalty

(usually linked to sales, industry standards)

Minimum royalties & Milestone Payments

(assures diligence, shares risk)

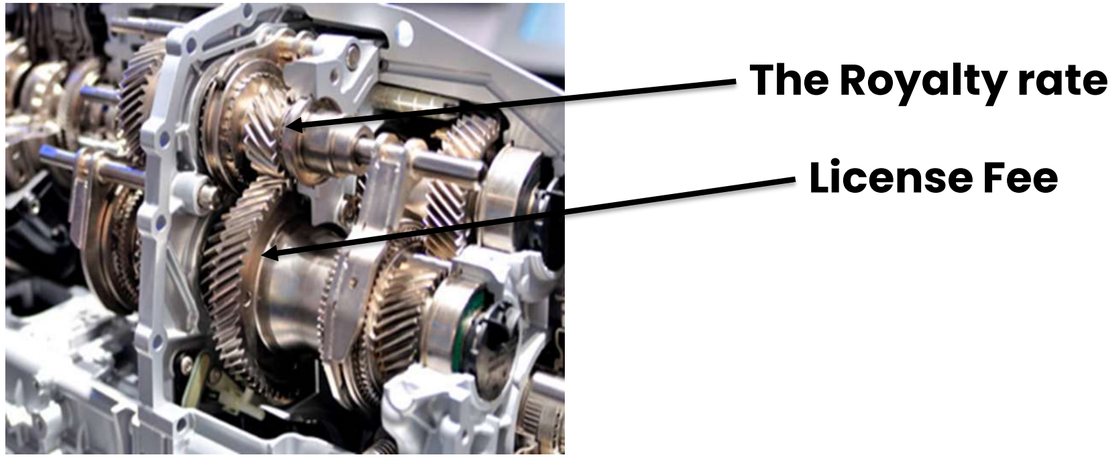
Amounts & schedule

Ongoing cost sharing

(patents, R&D, bioproperty, etc)

License as Value-capture/Risk-share System Various mechanisms allow balance

- All the components functionally integrate



- The “License Designer”/Tech Transfer Professional uses the Zoom-in/Zoom-out approach

Structuring License Terms

License Fee: the factors

Inventiveness of the technology
(uniqueness & superiority)
scope & value of the IP
market and product
demand
investment to date and future
cash flow needs
market size & characteristics
competition
opportunity cost
exclusivity
development status

The License as Value-capture/Risk-sharing System

Establishing a License Fee

- A pre-negotiation valuation: NPV, Cost, Comparables, etc.
- Opportunity cost
- Scope of rights granted
- Earnest money (depends some on company size)
- Investment is at its riskiest

  this can make for difficult negotiations since the sides may not agree on risk level and/or potential market value of technology
- Upfront vs. spread out (time or event-based)

  risk sharing, especially if event based

Building the Value- Capture/Risk-sharing System

Factors in determining up-front fees & milestones

Based on eventual revenue generation

(market size, sales, etc.)

Risk factors

Cost-to-develop

Are there other who want it?

the “Buyer/Seller” negotiation

License as Value-capture/Risk-sharing System

Establishing a License Fee: Example

- NPV = $500,000
- Lumpsum upfront = $500,000 due on signing
- Scheduled (time-based):
  - $100,000 due on signing
  - $100,000 each year for next 4 license years
- Scheduled (event-based)
  - $100,00 due on signing
  - $100,000 due on first prototype
  - $150,000 due on 1st sale
  - $150,000 due on anniversary of 1st sale

Structuring License Terms

Setting a Royalty: the factors

- Gross Profit of enabled product as basis

  Sales Price – COGS = Gross Profit

  (COGS = Cost of Goods Sold)

- Industry-standard range
- Goldschieder's "25% Rule"
- Royalty as a % of Net Sales vs. a Fixed Fee

Structuring License Terms

Royalty: the factors

What is the “Goldscheider 25% Rule”?

The owner of a patent that **fully enables** a product deserves
25% of the Gross Profit of the sale of the product

- “fully enables” = patent covers entire product

  car versus ***windshield wiper*** analogy

- Gross Profit = Sales Price – COGS

  (Cost-of-Goods Sold)

- Only a “rule of thumb” – usually not ideal

Structuring License Terms

Royalty: the factors

- Industry standard range
- Goldschieder's "25% Rule"
- business model of licensee
- market characteristics (i.e., typical margins)
- COGS and pricing
- Value and scope of technology & IP
- royalty stacking (3rd parties)

Setting a Royalty

Royalty (typically tied to sales)

- The standard: % of Net Sales (not fixed)
  - both parties share market risk
  - linked to sales and profit margins
- Ideally based on business reality
  - COGS vs pricing: gross profit margins
- Excellent means of getting the parties on same page (important for building the partnership)
- Industry standards (use as guide, not absolute)
- Remember: it is in Licensor's and Licensee's best interest that the licensee will be able to sell profitably

Setting a Royalty Rate

- Use industry standards as a guide (ranges)
- The "25% Rule as *starting point*:

The Rule: the owner of the patent that fully (100%) enables the product deserves 25% of the gross profit on sale of the enabled product.

Example of a patent that fully enables the product:

$200 sale price

$100 Cost of Goods Sold (COGS)

= $100 Gross Profit

Patent owner share: 0.25 x $100 = $25

Royalty = $25/$200 = 12.5%

Setting a Royalty Rate

Using the “25% Rule” & Enabling Factor

For a product with a $100 Gross Profit
on sale of $200

Patent 100% enables product: royalty = 12.5%

Patent 75% enables product: royalty = 9.4%

Patent 50% enables product: royalty = 6.25%

Patent 10% enables product: royalty = 1.25%

Setting a Royalty Rate

The “25% Rule”

- Provides a starting point
- Adjusted according to “enabling value” (%)
- Typically, after analysis of manufacturing cost, market pricing dynamics, value-add by licensee….
- The parties agree to a simpler approximation

  5% not 4.85%

  8% not 7.89%
- 25% Rule is a good starting point but almost never the final royalty rate agreed-to

Royalty rate variations

Royalty % can:

- Remain constant over life of the license

  or

- increase over time

  or

- decrease over time

  or

- Some creative combination

License as Value-capture/Risk-sharing

Scope of the license

- Exclusive vs. non-Exclusive, co-Exclusive, time-limited
- Field-of-use
- Territory
- All commercial-use rights, mfg only, sales only, etc.

License as Value-capture/Risk-sharing

Royalty – some variations

- Per “seat” or per “site” royalty
- Fixed with periodic, pre-agreed adjustments
- Technology value-add in market application
- Pick an industry standard

License as Value-capture/Risk-sharing

Milestone Payments

- Should be based on business & technology reality
- Parties should agree on development plan and timeline, understanding hurdles and their risks
- At key de-risk events, a payment to be made
- Time-based milestones can also useful

Structuring License Terms

Minimums & Milestones

- One of the most powerful tools for:
  - value capture
  - risk sharing
  - licensor control
- Typically linked to product development schedule
  - Time-based
  - Event-based

License as Value-capture/Risk-sharing

Minimum Annual Royalty

- Should be based on business and technology reality
- Based on Parties' agreement on development plan and timeline
- Based on sales projections (timing and amounts) of Licensee
- Economic "teeth" of duty of commercial diligence
- Protects the public interest by economically penalizing failure to commercialize
- Ongoing leverage by university to assure development

License as Value-capture/Risk-sharing

Minimum Annual Royalty: how it works

- The parties agree on sales projections
- Royalty projections are based on sales projections
- Consider giving licensee a “forgiveness cushion” of 25%-35%
- Licensee pays minimum at BEGINNING of license year
- At end of license year, royalty owed is calculated and minimum already paid is deducted
- Licensee either:

  met sales projections (no more royalty owed),

  exceeded sales projections (more royalty owed),

  or didn’t meet projection (paid royalty without sales)

License as Value-capture/Risk-sharing

Sublicensing rights and revenue sharing

- A value to be negotiated not given away lightly
- Licensee/licensor can share sublicense revenue in any manner they negotiate
- Mandatory sublicensing clauses can be used
- Incentives for sublicensing can be used

(assures widespread dissemination)

may be integrated with milestones or minimums owed

License as Value-capture/Risk-sharing

Future Inventions/IP

- A value to be negotiated not given away lightly
- Ownership and disposition
  - based on trust-filled relationship
    - (and focus on success of IP/technology)
- Strive for solutions that are in best interest of both parties

License as Value-capture/Risk-sharing

IP costs & Enforcement

- IP is usually a significant expense
- Related to scope (exclusive vs. non-exclusive)
- Who pays is a matter of philosophy, policy, negotiation, and a practical matter
- For universities with limited IP budgets, sustainable operation points to the (exclusive) licensee paying;

  can be a factor in setting other financial terms

Building the Value Capture/Risk-sharing System

- Create multiple value-capture mechanisms

  Upfront fees, milestone payments, exclusivity payments

  Royalty on sales

  Sub-license revenue sharing

  equipment, other in-kind

- Establish valuation assumptions, justify them, be prepared to modify them in the professional dialogue
- Consider alternative benefits (e.g. research support) philanthropic/ humanitarian issues?
- “front-loaded” vs. “back-loaded” value capture

Types of Licenses

Option: a pre-license agreement

Commercial vs. research use, evaluation

Exclusive vs. non-exclusive

Exclusive licenses:

- world-wide, all fields
  - by territory, and/or field-of-use
    - time-limited
      - consortia

Non-exclusive licenses:

- typically available to all qualified
- non-exclusive in one territory, and exclusive in another territory

The Term Sheet:

Precursor to the License Agreement
Vehicle for Negotiation

Term Sheets as License Precursor

- What is a “Term Sheet”?
- Why do we use them?
- How to use it
- When to use it
- What does a Term Sheet look like?
  what is in a Term Sheet?
- The art of negotiation,
  and the role of the Term Sheet

Term Sheets as License Precursor

What is a "Term Sheet"?

- A clear definition of the key terms of a potential license agreement
- The License Agreement stripped down to its basic elements
- The License Agreement contains many provisions and clauses, and "legalese"
- So, the License Agreement can be cumbersome and difficult to negotiate with
- A typical License Agreement = 15-20 pages + attachments
- A typical Term Sheet = 2-3 pages
- It is **NOT** a legally-binding contract

Term Sheets as License Precursor

Why do we use them?

- They are an efficient means of developing/designing, and articulating the “value capture envelope” for internal purposes
- They are more efficient vehicles for negotiation than License Agreements
- They mitigate/eliminate the confusion, uncertainty (and anxiety) that the License Agreement can generate
- License Agreements are cumbersome legal contracts

Exclusive License Agreement

This License Agreement is made on _____ 202_ ("Effective Date") by and between _____ ("Licensor") and _____ ("Licensee), individually described as "Party" and collectively as "Parties". The Parties hereby agree that:

WHEREAS, LICENSOR owns intellectual property ("IP") related to LICENSOR's invention concerning a technology related to xxxxxxxxx and the systems and methods comprised within the patent applications described and listed in Attachment 1, attached hereto, as well as data, procedures, proposals, presentations, know-how, manuals, and trade secrets, and other information related to the IP (collectively, " Licensed Technology"); and,

WHEREAS, LICENSEE has business and professional experience and expertise in the field of Licensed Technology; and,

WHEREAS, LICENSOR and LICENSEE wish to establish a mutually beneficial business relationship the purpose of commercializing the Licensed Technology such that LICENSEE will develop, manufacture, and sell products and services that embody the Licensed Technology and which are covered by the IP;

Term Sheets: Development & Evaluation

How to use them?

- They are almost always preceded by significant discussions of:

  the technology,

  the IP,

  the licensee's business,

  and the business opportunity

- Also discussions of:

  Cost of Goods Sold, Pricing, Royalty rates

  the challenges (flaws?) of the technology

  the stage of development of the technology

  projected steps and cost of further development

Term Sheets as License Precursor

How to use them?

- The first written description of the terms that have been considered and discussed
- They act to “crystalize” the negotiator’s thinking about the terms and how they all fit together
- Remember: think about the terms as “moving parts” of an overall mechanism of
  “value capture”
  and shared rights, obligations, responsibilities
- The Term Sheet is tailor-made for this perspective
- They are well-suited for the iterative back-and-forth between negotiators and their teams

Term Sheets as License Precursor

When to use it

- Soon after initial meetings and discussions of
  - the technology
  - the licensee, their industry, and their business practices
  - the opportunity
- My rule: the owner of the IP creates the first Term Sheet
  - allows the licensor to carefully craft the terms
- This is anxiety-producing: are the terms
  - too much?
  - too little?
- My suggestion: prepare the recipient for the Term Sheet
- Transition to License Agreement

Term Sheets as License Precursor

What do they look like?

- They are varied, in terms of font and format
- They should be concise
- Bullet points
- Table formats
- The precise format is not critical

I prefer: concise, and precise

letter format

Term Sheet (template)

The Parties:
Licensor:
Licensee:
Purpose of the Agreement:

The Technology:

Licensed IP:

Grant of Rights: Exclusive (?) or non-Exclusive right to make, use, and sell products and services covered by Licensed Patent; includes (or doesn't include) sublicense rights;

Territory: Country(ies) XXX; option to expand to other countries on a country-by-country basis

Term of Agreement: terminates on termination of last-to-expire patent (typical); terminates only when Licensor discontinues the making, using, or selling of the Licensed IP

License Fee: XXXXXXXXXX (typically upfront and non-refundable; can be staged over time or triggered by events)

Royalty: X% of Net Sales (typical; Net Sales=Gross Sales less deductions of shipping, taxes, commissions, returns)
Minimum Annual Royalty Payment (also potentially an "Exclusive License Fee")

Term Sheet (template)

Commercialization Due Diligence Milestones:

IP Management & Cost Responsibilities

Rights to Future Inventions:

Consulting arrangements:

Use of Names

Special Arrangements: (co-manufacturing, cooperative marketing, joint R&D, etc., etc.)

Term Sheet of Bank Loan (USD)

Item	Contents
Loan term	Repayment schedule as per the feasibility research report
Gross credit line	To be determined according to actual demands of the project, we can underwrite all the credit business
Security/ collateral/credit	Credit
Drawing conditions	Provide the payment contract and other evidentiary materials for the loan purpose
Interest rate	We commit that the loan interest rate shall not be higher than the interest rate quoted by any other bank, and will be properly adjusted downwards provided that it is approved by the head office.
Interest accrual period	Semi-annually
Advance repayment and terms of repayment	Not restricted
Commission and other relevant charges	Nil
Penal terms	Overdue and diverted loans etc.
Taxes	Stamp duty, at a rate of 0.5/10000 of the contractual amount
Other terms/provisions	Nil
Conditions and commissions of opening a banker's acceptance bill	Free of cash deposit within the credit line, with a commission at a rate of 5/10000
Conditions and commissions of opening a payment or performance guarantee	Free of cash deposit within the credit line, performance guarantee fee at a rate of 1‰ each quarter, with a minimum of RMB500/quarter; payment guarantee fee at a rate of 1.5‰ each quarter, with a minimum of RMB500/quarter, and if the effective period exceeds one quarter, the fee rate will increase by 0.5‰ each quarter

Term Sheets as License Precursor

What is in it?

Basically, “the Deal” broken into its key parts:

- The Parties defined precisely
- The IP (and tangible property)
- The Grant of Rights
- The Territory
- Financial terms (fees, royalties, etc.)
- Ownership and management of IP (and bioproperty)

License Term Sheet (example)

The Parties: Licensor: Licensee:
Technology: [short, descriptive title for the technology – different than "Licensed IP"]

Licensed IP: All patent applications and issued patents listed in Attachment 1; Trade Secrets listed in Attachment 2; copyrightable material including any manuals, related reports, analyses, formula, test data and other data and information as defined and listed in Attachment 3; the Trademark described in Attachment 4. **Countries where IP is valid:**

Grant of Rights: Exclusive (?) or non-Exclusive right to make, use, and sell products and services covered by Licensed IP; includes [or doesn't include] sublicense rights;

Licensed Territory: Country A; option to expand to other countries on a country-by-country basis

Term of Agreement: Until the expiration of the last-to-expire patent [typical Term]; as long as Licensee is in compliance with all license terms and conditions and at least one Licensed IP is being used by Licensee

License Term Sheet (example)

Commercialization Due Diligence Milestones:

Year 1: Beta Testing
Year 2: first sale of Licensed Product
Year 3: Beta validation of spin-off service
Year 4: successful field trial

License Fee: $XXXXXX [typically upfront and non-refundable]

Royalty: X% of Net Sales (Gross Sales less deductions of shipping, taxes, commissions, returns)
Minimum Annual Royalty Payment (also potentially an "Exclusive License Fee")

IP Management and Payments:

Rights to Future Inventions:

Consulting arrangements:

License Term Sheet (example)

IP Management Responsibilities and Payments:

Rights to Future Inventions:

Consulting arrangements:

Collaborative R&D:

Term Sheets as License Precursor

The Art of Negotiation
& Role of the Term Sheet

- Consider all the “moving parts” of the
  “value capture/ risk-sharing system:
  scope of IP
  grant of commercial-use rights
  license fee, royalty, milestone payments,
  minimum royalty payments, etc., etc.
- Use the Term Sheet to craft the overall mechanism
  be sure all the parts are in synchrony

Term Sheets as License Precursor

The Art of Negotiation

& Role of the Term Sheet

- The Term Sheet is the “playing field” where negotiations play out
- In early stages, look to emphasize areas of agreement
- In areas of disagreement, consider leaving the Term Sheet blank; discuss them over the phone before putting them in the Term Sheet

Term Sheets as License Precursor

Practical Matters

- Have someone in your office read through your Term Sheet before you send it:
  - is it all clear and understandable?
    - make certain there are no silly errors or typos
      - do all the terms make sense – no logical errors
- Give the recipient a phone call or email heads-up
- Term Sheet negotiations optimal as a one-on-one dialogue (support persons ok)
- Use “Track Change” mode to document all changes, and to make comments/ask questions

Term Sheets

Preparing the Recipient

- Phone call particularly important if there are any surprises in the Term Sheet

  (based on prior discussions)

- Request that the recipient NOT over-react to the terms, and to allow for mistakes to be made

Term Sheets as License Precursor

Practical Matters

- Use “Track Change” to document all changes, and to make comments/ask questions
- Be very careful to keep track of the latest version and “who touched it last” (name the file, label with negotiator/modifier’s name, date of version)
- Openly agree or disagree with proposed changes; accept or reject modifications
- Do NOT make any changes to any agreed-upon terms unless accompanied with an explanation

NEVER ever try to “slip one by” the other side

Term Sheets as License Precursor

Practical Matters

- Transition to the License Agreement when the negotiations are at a positive stage
- **My rule:** the owner of the IP ALWAYS uses its License Agreement template
- **My suggestion:** prepare the recipient for any legal “boilerplate” issues that you know could be a problem

Exercise coming up next

Focus mode: ON

Exercise 2:

Term sheet

Pradnya Aradhye

Learning goals

This exercise is designed to understand the following:

- ❑ Understand the deal structuring process
- ❑ Understand how to structure the licensing terms
- ❑ Understand how to structure the financial terms

Instructions

- What is available to you:

❑A case for which preliminary licensing terms have to be structured

❑A term sheet template

- What you need to do:

❑Discuss the case in your table

❑Propose key aspects of the licensing deal structure

- Time plan:

❑7 min: Read and Discuss

❑7 min: Finalize deal structure

❑15 min: Tell us what you decided and why?

The Case: Key inputs 1

About Party 1: Academic institution

About Party 2:

1. Pfizer (Base Case)
2. Glenmark (Variation 1)
3. Startup (Variation 2 – To be discussed if time permits)

Technology package:

- Patent (has a priority date is 1 June 2023; IN + PCT)
  -- Claims: Composition, Process, Product, Method of use
- Pre-clinical data

Product:

1. API
2. Formulated product comprising API

Field of use:

1. Treatment of prostate cancer
2. Others

The Case: Key inputs 2

Motivations of Party 1:

-- An impactful drug in extensive use globally
-- Credits as originator
-- Financial returns

Motivations of Party 2:

-- New markets
-- Market share in existing market segment (retaining/ gaining)
-- Higher profits; maintain profit levels
-- Overcome IP barriers
-- Create IP barriers for others; Competitive advantage
-- Extend IP protection
-- Option to play the game if needed

The Case: Issues to consider

- IP scope, life, coverage, strength
- How the licensee will use the IP? Scenario building for life of IP.
- How the industry works? For ex, what happens when generics enter
- **Task for you is maximize for:**
  -- Chance/ scale of success of licensee (and hence of technology)
  -- Reasonable financial return
- Plan for fail safes

Proposed license terms and deal structure

Duration of agreement	
Exclusivity	
Limitations	
Duration of the license	
Revocation	
Sub-licensing	
Access to future improvements	
Access to foreground IP of licensee	

Proposed financial arrangement structure

Upfront	
Milestone (how many and when?)	
Annual license maintenance fee	
Running royalty	
Patent cost reimbursement	
Other reimbursements	
Lawsuits	
Upfront	

Well done &
thanks for participating

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Contact Us

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