

Technology Transfer at The University of Tennessee: Technology Licensing and License Agreements

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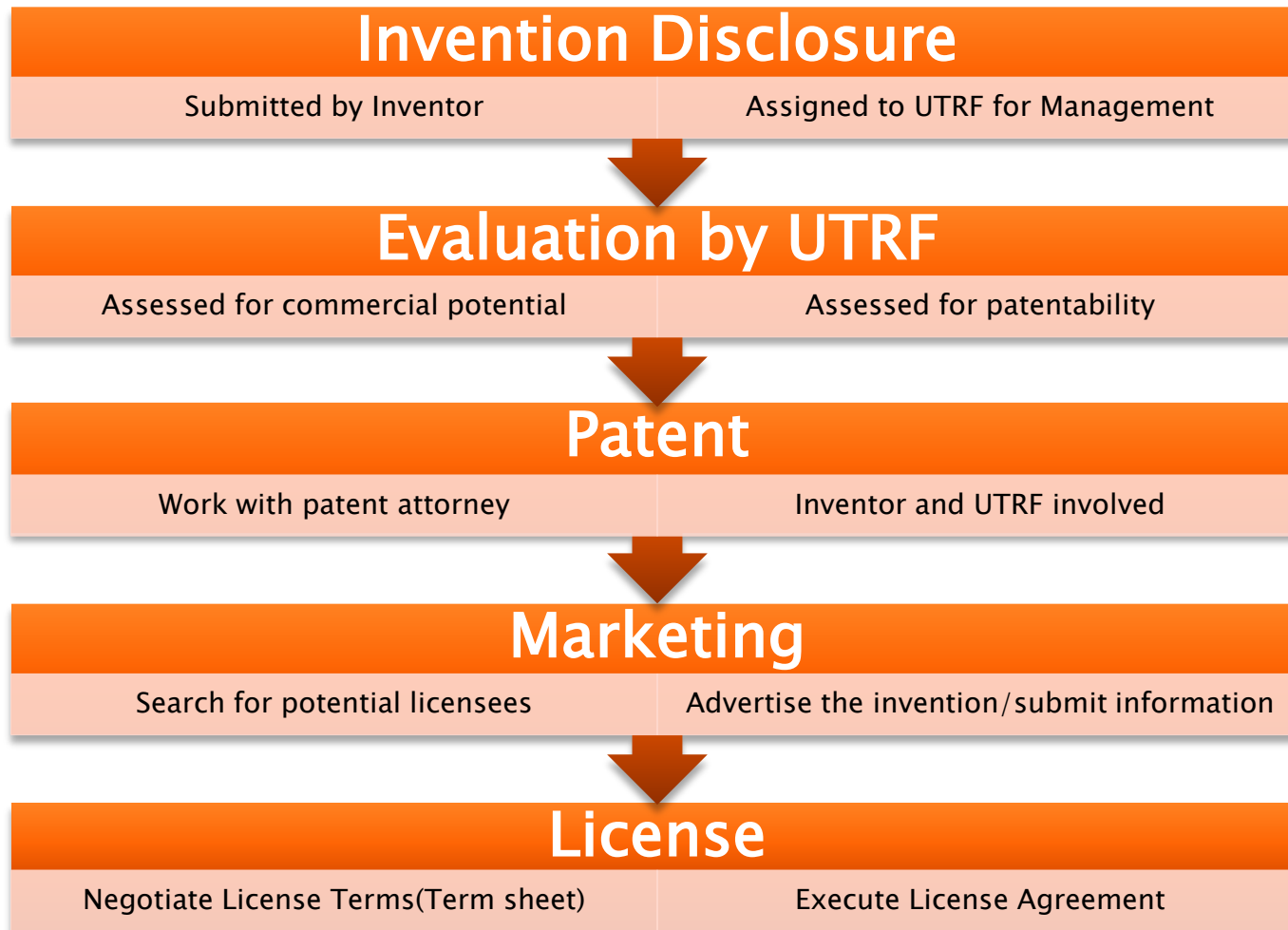
What is a license?

- ▶ **Gives permission/rights to another party to use and commercialize the university technology**
 - UT retains ownership of invention/technology
- ▶ **Provides a way for university technology to be developed and ultimately reach the public**
- ▶ **Parties involved**
 - UTRF
 - Company(Licensee)

Licensing and UTRF

- ▶ Consistent with UTRF 's Mission and Goals
 - Protect, manage and commercialize UT inventions
 - Our goal is to find partners for all viable inventions
 - A partner strongly committed to turning the invention into a marketed product.
 - A partner with the financial and personnel resources to develop, manufacture, and sell the product.
 - A partner who is willing to pay the university a fair price for the invention.

What Happens before a License



Term Sheet

- ▶ **Important Terms are Negotiated**
 - Rights granted
 - Term
 - Payments
 - Patents
 - Diligence of Licensee

Option Agreement

- ▶ Gives the company opportunity to conduct due diligence before entering into a license
 - Evaluation/testing
 - Reporting
- ▶ Limited time(Option period)
- ▶ Exclusive
- ▶ Fee for the option
- ▶ Exercise option and negotiate license

Anatomy of License

- ▶ Header
- ▶ Recitals
- ▶ **Definitions**
- ▶ **Grant**
- ▶ **Sublicense**
- ▶ **Diligence**
- ▶ **Royalties and Payments**
- ▶ **Patent Management**
 - Prosecution, infringement
- ▶ Insurance
- ▶ **Warranties**
- ▶ **Export Control**
- ▶ **Use of Names**
- ▶ **Confidentiality**
- ▶ **Assignment**
- ▶ **Term**
- ▶ **Termination**
- ▶ **Disputes**
- ▶ **Communications**
- ▶ **Publications**
- ▶ **Signatures**

Definitions

▶ Licensed Patents

- Generally defines the scope of the technology being licensed
- How are future improvements going to be handled

▶ Net Sales

- Basis of royalty payment
- Licensor Royalty = Royalty rate * net sales
- Deductions are allowed for
 - Refund, taxes, shipping costs—typical

▶ Patent Expenses

- Costs associated with patent filings

▶ Sublicense Revenue

- Amount licensee receive from sublicensee
- Licensee may receive upfront cash, royalties, milestones
- Sublicense royalty = sub rate * sublicense revenue (UTRF's share)

Definitions Cont'd

▶ Territory

- Where can licensee sell product

▶ Licensed Product

- Important definition.
- Royalties are only paid on licensed product.
- “....any product, method, procedure, service or process whose manufacture, use, sale, lease, or import: (a) Is covered by a Valid Claim of the Licensed Patents ; or (b) Is derived from, made with, uses, or incorporates, in whole or in part, Licensed Materials.”



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Grant

- ▶ Defines actual rights company/licensee is receiving
- ▶ What the company is allowed to do
- ▶ Exclusive/nonexclusive
- ▶ What are the limitations
 - Territories or Fields of use
 - Reserved rights (academic freedom)
 - 3rd party rights (US Gov't rights)
 - No assistance

“During the Term hereof, and subject to the terms and conditions of this Agreement, UTRF hereby grants to LICENSEE for the purpose of developing, making, having made, using, marketing, selling, having sold, importing, distributing, and offering for sale the Licensed Product in the Field of Use in the Territory, an exclusive, commercial right and license, with the right to grant Sublicenses, to practice under the Licensed Patents.”



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Sublicense

- ▶ Licensee can enter into license agreement with another party(sublicensee)
- ▶ Sublicense does not relieve licensee of its obligations under the license with UTRF

Diligence

- ▶ Ensures that licensee will comply with license and commit to developing a product
- ▶ We don't want licensee to put technology on shelf
- ▶ To ensure active development, licensee commits to meeting certain milestones within specified time period
 - Can be financial, R&D, regulatory
 - If milestone missed, license can be terminated or converted to nonexclusive



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Royalties and Payments

- ▶ **What is the company going to pay?**
 - Issue Fee—payment on signing
 - Annual Fee—not dependent on sales
 - Milestone Fee—achievement related
 - Running Royalties— % of net sales
 - Sublicense Royalty— % of revenue received from sublicensee

- ****Not all payment terms in every agreement**



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Patent Management

- ▶ **Who will handle the patent prosecution?**
 - Typically licensee maintains control
 - Makes decision on all patent prosecution matters
 - Keeps UTRF informed, copied on everything
 - Takes care of expenses
- ▶ **How will infringement be handled?**
 - Who has the right to sue? Licensee 1st or UTRF
 - Can either party be compelled to join?
 - Cooperation is mandated
 - How will legal costs be shared?
 - If successful, how will money be split?
 - ▶ Actual costs are reimbursed first

Confidentiality

- ▶ **The terms of the license are confidential**
 - Royalty terms and development timelines are sensitive business information
- ▶ **Information exchanged between the parties are presumed confidential**

Assignment

- ▶ **The licensee can not assign the license without UTRF's permission**
 - unless the licensee is being acquired/bought out by another company

Term

- ▶ **How long does the licensee have rights to the patents?**
 - Typical term is for the life of the patents
 - Can be a fixed number of years for software or tangible materials

Termination

- ▶ **Licensee can usually walk away at any time**
 - May require 30–180 days notice
- ▶ **UTRF can only terminate for misconduct**
 - Missed milestones
 - Missed payments
 - Bankruptcy
- ▶ **Any obligations that occurred prior to termination are still due**

Publications

- ▶ **University must be able to continue publishing**
 - Academic freedom
 - University will agree to limited delays–30 to 60 days for company to review before submission

UTRF Licensing FY2011

▶ Licenses Executed

- UTHSC-6
- Other UT campuses-12

▶ License Revenue

- UTHSC- 470K
- Other UT campuses- 900K

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