

Licensing Intellectual Property



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- Patent Attorney
- University of Tennessee Research Foundation (UTRF)
 - The Tech Transfer people
- BS Biochemistry from UC Davis
- Five Years Lab Manager/Staff Researcher
- Medical Device Company Founder

UT Start-Ups



atmospheric
glow
technologies

ED Laboratories

MycoGenomix

Neutron
Sciences



Creative Agricultural Technologies



from Censis Technologies™

Greystone
Medical Group



RxBio

Oncostem Therapeutics

Others in the Works

Black Bear Innovations: mycobacterium diagnostics

Strobe Biotechnology: water quality diagnostics and services

Swingo: wireless network tools



University of Tennessee Research Foundation

- *Support the UT research enterprise*
- *Manage and commercialize UT inventions*
- *Grow and cultivate entrepreneurial education and business activities within UT and the region*
- *Contribute to state economic development through start ups and job creation*

Why Do We Invent?

- To Solve Problems
- To Make the World Better
- To Make Money
- To Gain Recognition
- Can't Help It
- BUT: Inventions can't help the world if the public never uses them

Marketing Your Inventions

- How's it going?
- What approaches?
- Any licenses?
- Startups?
- Existing
Businesses?



Two Methods

- Do it yourself, or...
- Let someone else do it
- ...Or, some combination of the two

(OK, three methods; I really hate self-limiting statements)

Do-it-Yourself Marketing

- Existing Business
 - Improvements on products you are currently marketing
- Startups
 - Control
 - Up-front costs->Eventually leads to loss of control

Letting Someone Else Market Your Invention=License Agreement

- What is a license agreement?
- Simply a contract to NOT sue for infringement
- Grants certain rights to practice the invention
- Can be broad or narrow, exclusive or non-exclusive
- Establishes rights and obligations for each party
- Licensee gains right to use, make, and sell the licensed technology
- Licensor receives defined compensation (fees, royalties, equity...)
- Either or both parties may have obligations to meet to keep license active



What a License Agreement is NOT

- It is NOT a promise of success
- It is NOT a warranty that the invention will work
- It is NOT a promise that others will not infringe
- It is NOT a promise that you are not infringing other's rights
- It is NOT even a promise that you have any rights to license
- **DISCLAIMERS!!** (Most judges are not IP experts)



Don't get trapped

Parts of a License

(Catnaptastic, Right?)

- Essential

vs.

Non-Essential



Default Terms In Contract Law

- What a Contract is
 - Any exchange of promises is a contract, enforceable in a court of law (theoretically)
- Default Terms
- Parties to Contracts Can Override Default Terms
 - Illegal Terms/Against Public Policy Terms
 - Anything else can be controlled by the parties

Essential Parts of a License

- Definitions
 - What is the invention (and more importantly, what is NOT the invention-> See Disclaimers)
- Term (how long)
- Termination (when and why will it end prematurely)
- Grant (Scope of what the licensee gets)
 - Exclusive or Non-Exclusive
 - Retained rights of inventor?
 - Field of use
 - Patents included?-> Know how? Other IP?
 - I've seen valuable licenses with no tangible IP...
- Royalties (What the licensor gets in exchange for the rights granted)

Non-Essentials

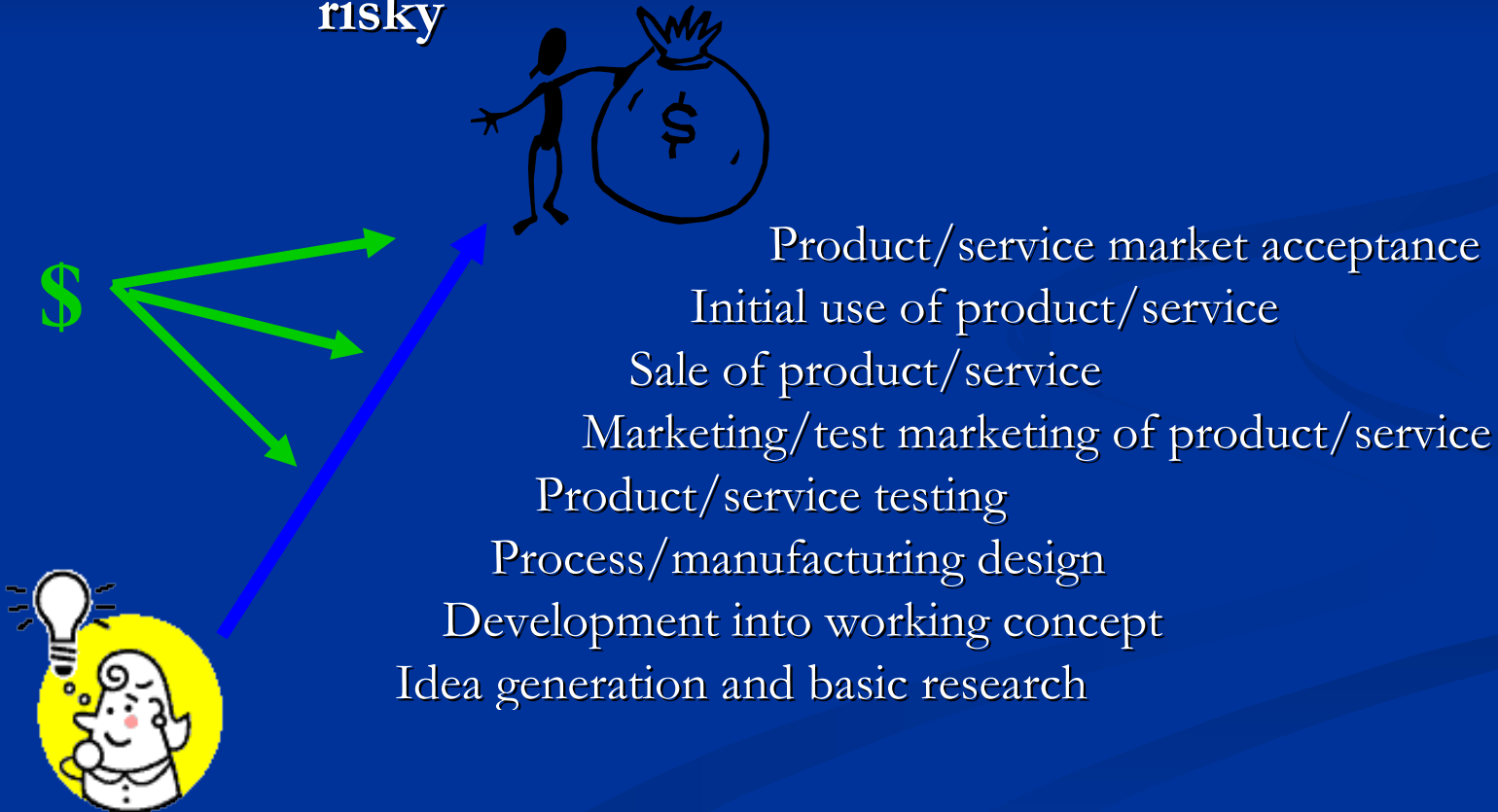
- Actually, these can be essential too. Let's call them "Less Common Terms"
- Diligence/Milestone terms (Licensee's obligations to develop and market the invention)
 - Deadlines and result of missing deadlines
- Basis of Royalties
 - Fixed or % of sales or both? Sales of what, when, where, when paid?
 - Audits
 - Sales of sublicencees

Less Common Terms (cont.)

- Transfer of Rights to Third Parties (Assignment)
 - Default is that the licensee has the unfettered right to transfer
 - Distinguish assignment from license and sublicense
- Continuing patent prosecution
 - Costs
 - Management
- Continuing Confidentiality
- Prosecution of Infringers->Defense of IP
 - Royalties conditioned upon eventual issuance of claims? Liability for invalidation?
- Anything the lawyers can think of...
 - Avoid default and increase control
 - Terms always seem unimportant, until there is a disagreement

So, How Much Will I Get?

- *Industry Perspective:*
- Compensation based on risks and rewards
- Path to commercialization is long, uphill, and risky



Yeah, But How Much Will I Get?

- Royalty rates vary depending upon industry, level of development, eventual market size, margin on product, advantage conferred by invention, strength of IP, regulatory hurdles, size of licensee...
- **All of these boil down to a risk v. reward assessment**
- The more you understand these factors, the better terms you can negotiate
- Just for example: typical royalty rates on pharmaceutical type inventions range from 6% down to a fraction of a % of total sales
- Every deal is unique, but general ranges are known for specific industries

Timeline



(It's not this fast)

- Negotiations take as long as they take
- I've personally seen license agreements signed in a few days, and others have taken over two years

Negotiations

- Finding a potential licensee or investor is the hardest part
 - Back doors, networking, and personal acquaintances are the best methods
 - Brevity and differentiation are both essential for front door assaults
 - Success = a request for more detailed information
 - Patient persistence (ask for expected time for reply, then follow up)
 - Realistic expectations balanced with excitement and confidence
 - Eliminate the yahoo factor

Once You're Talking

- Confidentiality
 - Patent application in place?
(Scope sufficient?)
 - What this doesn't protect
 - But, don't be paranoid->Kills more deals than anything else
 - Nothing can protect you from someone intent upon stealing your idea. More importantly, these are **VERY** rare.



Do I need an Attorney?

- YES! Of course you do!
(What did you expect me to say?!)
- More importantly you need an attorney that will work fast and get the hell out of the way of the deal!
(Like finding a white rhino)
 - An attorney's job is to tell you what the risks are and then let YOU decide what to do.



(Transgenic Zebraphant)

Any Burning Questions?

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