



CHANGING WHAT'S POSSIBLE

Licensing 101

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Outline

- ▶ Types Intellectual Property
- ▶ America Invents Act
- ▶ Bayh-Dole Legislation / American Invents Act
- ▶ What to Expect in a License Agreement
- ▶ Process for Licensing
- ▶ Typical Monetary Terms & Time to Execution
- ▶ Licensing needs of start-ups/small business
- ▶ Support from Tech Transfer Office
- ▶ Overcoming barriers

Trade Secrets vs. Patents

- ▶ New process, device, formulation, software...
- ▶ TRADE SECRET
 - It cannot be easily discovered
 - Invention is not patentable
 - Term –forever so long as kept secret!
 - No registration fees
- ▶ PATENT
 - If invention can be discovered or ‘reverse engineered’
 - Term – 20 yrs from patent filing

<http://arpa-e.energy.gov/sites/default/files/documents/files/Michael%20Ward%20-%20IP%20Strategy.pdf>

America Invents Act

- ▶ **First-to-file system (filed on or after 3/19/13)**

Grace Period for disclosures by inventors made one year or less before the effective filing date

- ▶ **Micro-entity** 75% discount for patent fees to all applicants that qualify as micro entities (filed on or after 3/19/2013)

- ▶ **Third Party Prior Art** Submissions (effective 9/16/12; applies to pending applications filed before or after 9/16/12)

AIA: Micro Entity Status

New micro entity fees (utility applications):

Filing \$70

Searching
\$150

Examining
\$180

You only pay 25%.

**You get a 75% reduction
of large entity fees.**

75% Discount also applicable to
Issue, Appeal, and Maintenance
Fees

*NOTE: The maximum discount
for prioritized examination is
50%

What is a micro entity?

Applicant certifies that he/she/it:

- Qualifies as a small entity;
- Has not been named as an inventor on more than 4 previously filed patent applications;
- Did not have a gross income exceeding 3 times the median household income in the calendar year before the applicable fees is paid (3 x 50,054 = \$150,162 for cal. year 2011); and
- Has not assigned, granted, conveyed a license or other ownership interest (and is not obligated to do so) in the subject application to an entity that exceeds the gross income limit

OR, Applicant is one who:

- Certifies that his/her employer is an institution of higher education as defined in section 101(a) of the Higher Education Act of 1965; or
- Has assigned, or is obligated to assign, ownership to that institution of higher education

For more Information on AIA

http://www.uspto.gov/aia_implementation/index.jsp

Phone: 1-855-HELP-AIA

(1-855-435-7242)

Email: HELPAIA@uspto.gov

Bayh-Dole Legislation

- ▶ Applies to all federally-funded research (except scholarships/fellowships/training grants)
- ▶ Reporting/compliance requirements
- ▶ Allows universities/non-profits to elect title to inventions made with federal funding
- ▶ Universities charged with commercializing
- ▶ Government gets paid-up license
- ▶ Royalties shared with inventors
- ▶ Revenues must be used for research or education
- ▶ Patents cannot be assigned (except to a patent management organization) without permission of funding agency

What is a license?

- ▶ A LICENSE is an enforceable contract
- ▶ Licensor waives its right to exclude licensee to make, use or sell the patented invention, in exchange for consideration
 - Can be exclusive, non-exclusive, partially exclusive limited to a specific field of use/time
 - Can be for a patent, an invention that has not yet been granted a patent, software, copyright, know-how, combinations

Process for obtaining a license

- ▶ Identify intellectual property
- ▶ Provide business plan and market projection
- ▶ Verify company has resources to commercialize (including business team)
- ▶ Be prepared to show serious intent (\$\$)
- ▶ Enter negotiations with licensing executive
 - Many terms in a license are open to negotiation
- ▶ Work toward meeting milestones/payments
- ▶ Typically not a single transaction/interaction

Anatomy of a License

- ▶ Preamble
- ▶ Definitions
- ▶ Articles
- ▶ Terms
- ▶ Signature
- ▶ Appendix (i.e., list of patent portfolio)

Ref: <http://techtransfer.energy.gov/LicensingGuideFINAL.pdf>

Standard terms

- ▶ Insurance
- ▶ Liability
- ▶ Milestones/product development
- ▶ Fee (royalty, equity, etc.)
- ▶ DOE-required:
 - March-in Rights
 - US manufacture
 - Export control

Negotiable terms

- ▶ Upfront fees
- ▶ Minimums
- ▶ Royalty rate
- ▶ Equity
- ▶ Diligence and milestones
- ▶ Patent costs
- ▶ Field of use
- ▶ Exclusive/nonexclusive (field/time)

Additional Important terms

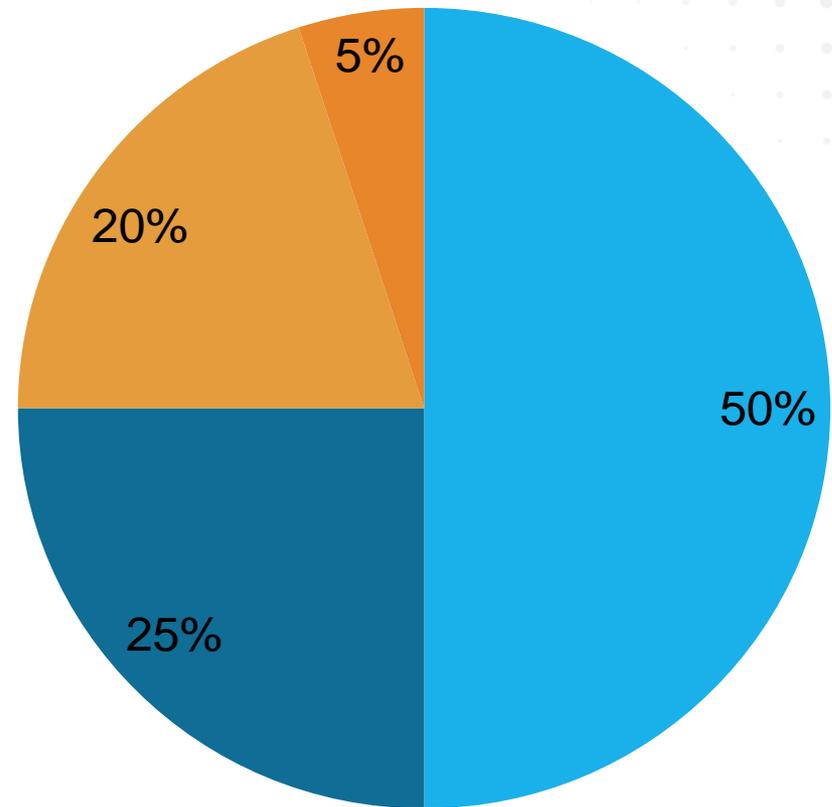
- ▶ Patent cost reimbursement
- ▶ Right to sue for infringement
- ▶ Sublicensing rights

Licensing needs of Start-ups

In exchange for a relatively small equity share Licensee:

- Is a partner
- Defers patent expense reimbursement
- Defers minimum royalty payments
- Reduces royalty rates
- Requires little or no up-front or milestone payments
- Exclusivity

Typical Series A distribution*



■ Investors ■ Founders ■ Option pool ■ University

What Academics Can Expect from their TTO

- ▶ Identify and protect new inventions (technical evaluation)
- ▶ Introduction to patent process and licensing overview
- ▶ Compliance with federal regulation
- ▶ NDA, Material Transfers, Option, License boilerplates/templates
- ▶ Attraction/Retention of talented faculty
- ▶ Royalty collection and distributions
- ▶ Support in managing conflict of interest (+Inter-Institutional Agmt)
- ▶ Development/commercialization strategies / external panel

Overcoming Barriers – where to turn if you don't have a TTO

- ▶ Regional legal resources
 - Maryland Intellectual Property Legal Resource Center (MIPLRC), University of Maryland
- ▶ Local Start-up America Organizations
 - White House Initiative run by Entrepreneurs for Entrepreneurs
- ▶ Innovation Hubs
 - Clean Energy Trust (Chicago, IL)
 - Association of Clean Tech Incubators of New England (NE Region)
 - Innovation Works (Pittsburgh, PA)
 - Oregon Best (Portland, Oregon)

Lessons Learned

- ▶ Develop a good, trusting relationship with the Tech Transfer Office (honest evaluation of prior art)
- ▶ Scientists/inventors are the best marketing tool for their technology
- ▶ Acquire basic knowledge of patent process (i.e. bars)
- ▶ Offer for sale
- ▶ Public disclosure /publication
- ▶ Understanding restrictions regarding the use of a Licensor's Name in presentations