

University IP License Negotiation Workshop

Presenters:

Joe Runge

Business Development Manager – UNeMed

Mr. Runge received his law degree from the University of Iowa, where he also received a master's degree in molecular biology. He is a registered patent lawyer and has lectured on bioentrepreneurship, intellectual property and regulatory law and writes regularly for a number of websites. At UNeMed, Mr. Runge is involved with all facets of technology transfer: invention evaluation, technology marketing, intellectual property strategy, license negotiation and license enforcement. In addition, he collaborates with faculty to create and develop new intellectual property. He also sits on the state SBIR/STTR advisory board, served as a mentor to multiple start-up accelerators, and is actively involved with the technology start-up ecosystem in Omaha and Nebraska.

Tyson Benson

Partner – Advent IP

Mr. Benson practices in all facets of intellectual property, including patents, copyrights, trademarks, trade secrets and licensing. In the technology area, he drafts and prosecutes U.S. and international patent applications in the areas of integrated circuit technologies, software, hardware, e-commerce, telecommunications, and the mechanical arts.

Debi: Hello everyone and welcome to today's program: University IP License Negotiation Workshop. This distance learning program is brought to you by *Technology Transfer Tactics*. My name is Debi Melillo and I'll be your host for today. Before we get started, I'd like to let you know that this program is being recorded, and at the conclusion of the lecture portion there will be a question and answer period, so feel free to submit your questions using the chat form during the presentation. I'd like this special welcome to our Tech Transfer University total access pass attendees. Our total access pass is a 12-month subscription that allows you and your staff access to over 30 live webinars and 250 archived programs at a steeply discounted price. You can get more information by calling me directly at 203-467-7963 or by visiting our website at www.techtransfercentral.com. For those in the audience who are eligible for continuing legal education credits, today's program number is 3564. Go ahead and make a note of that program number as some state bars require it for CLE submission paperwork and program attendance records. Again, that number is 3563. Also, please help me in welcoming today's program leaders: Joe Runge of UNeMed and Tyson Benson with Advent IP. Gentlemen, thank you for joining us today, I'll now turn the program over to you.

Joe: Thank you very much Debi. My name is Joe Runge, I am a manager of business development at UNeMed. UNeMed is the technology transfer office for the University of Nebraska Medical Center. I'll let Tyson briefly introduce himself as well.

Tyson: Thank you Joe and thank you Debi. Tyson Benson, partner with Advent here at Omaha, Nebraska.

Joe: So we are going to present together from two different points of view the overall process and several issues associated with negotiation of university intellectual property

licenses. Briefly about me, I graduated from Creighton University in Omaha, Nebraska in 2000 with a general scientific interest. I pursued my JD simultaneously with my master's degree at the University of Iowa. Shortly after that, I worked as an intern at the Office of General Counsel at Integrated DNA Technologies, various research service provider in Coralville, Iowa, and worked in the technology transfer office at the University of Nebraska Medical Center doing various jobs since 2005.

Tyson: And thank you and a little bit more about myself. Again, I'm a partner with Advent intellectual property law firm here at Omaha, Nebraska. Received a B.S. in computer engineering at Iowa State University back in May 2004. Worked for Micron Technology from 04 to 05 in Boise, Idaho, and then transitioned back and started my career in law I guess back in 06 at Creighton University School of Law and then obtaining a J.D. in 2009. And ever since then been focusing on patent prosecution and transactional related activities.

Joe: So we've kind of identified 6 broad topics. And I think one of them that you'll notice is there'll be themes that sort of ebb and flow back and forth between them. But generally we've broken them down to the following 6 items. So the first one is understanding the licensee's motivation and how to leverage that knowledge. And I think that one of the general themes that... at least I'm going to present coming from a university's point of view. It's an understanding of what are feasible commercial models for the technologies that you have, and then having some understanding of where your licensee is coming from, how they can leverage that technology in order to create value both for themselves and for you. And I think one of the insights gaining into understanding motivation is really getting a sense of how you kind of win interest, which is definitely going to be a big part of the second topic: identify and respond to licensee tricks, traps, posturing, and demands. And one of those... one of the big strategies associated with that is a sense of knowing what are the interests of the different parties involved with the license, and that's

more than just the university and the licensee, it's also understanding how faculty, how the administration within the university, how there's really a need to align all of those as much as possible, and as early as possible. And to prosecute not just the negotiation of the licensee, but also want to... my apologies, also want to really make sure that those interests are aligned as the licensee perceives to commercialize that technology. As far as deal terms you must insist on, you know that's a fairly straightforward section that we'll talk mostly about what parts of the licenses are sort of non-negotiable, and really look at that from both sides, the terms required for a licensee as well as the university. As far as learning the art of give and take in license negotiations, again we'll sort of go back and look at not just what does the university needs for a particular license to be deemed successful, but also really what are the terms that a potential licensee is going to need in order to have that be a mutually beneficial relationship. Usually the negotiations build solid long-term relationships with licensees. One of the things that the universities have real opportunities with the licensees given that... you know, it's somewhat difficult to sign appropriate licenses is to how to build on repeat business, and there's a lot that you can do in... not just in the negotiation of the license, but also the life-time of the license to make that. So even if that particular project doesn't kind of hit the games that everyone really hoped for. And then finally what to do when negotiations reach an impasse, and that is one thing that would consider from the university side as well as the licensee side.

So regarding our first topic, understanding the licensee's motivation and how to leverage that, I'll turn it over to Tyson.

Tyson: Yeah thank you Joe. And so, this is really the starting point, getting to know the other party, getting to know the potential licensee, what is important to that licensee, if you can glean any information back from them through either negotiation or initial term sheets that have been exchanged, or really what necessarily you can do... so most importantly is utilizing information that is provided to you by the licensee. For example, what terms have been presented by the licensee and initial negotiations, initial meetings, initial term sheets, whatever it may be, and when you start exchanging those documents

back and forth, what are they necessarily trying to modify? What terms have they kind of stuck on, or are they trying to amend change in during the negotiation. And then, maybe doing your own due diligence, what is the track record of this licensee. So for example, could you find out... maybe that they were market leaders, so that they necessarily want to take that technology that is a subject of the patent application or the issued patent, have they dealt in this area before? Have they built these devices or these compositions or manufactured? Or are they just starting out and necessarily you might need to utilize some terms to maybe act as a carrot or a stick to move them along and necessarily what I'm thinking of is addressing royalty rates, maybe step-up royalty rates or step-down royalty rates. So you can utilize those as the carrot or the stick to get them to move along on product development or commercialization of that product.

So we have an example in our next slide of some potential example. And initially, and probably what a lot of the listeners have is that it was... under that... where it now says exclusive licensee of patent, it was... it initially said executive licensee of patent. So it's actually suppose to be exclusive, you can have... if you want, an executive licensee of the patent, but I recommend it being either non-exclusive or exclusive. So really, and I'll actually put this to Joe, So I am representing a licensee and negotiations with the university for commercialization, or I guess really just wanting to pin a license to that patent. So what I initially set forth to the potential licensor are the terms of... hey I want to be an exclusive licensee of the patent, I want to control litigation of this patent and I don't necessarily want to share many of those details with you, the licensor... I'll give you a large initial payment to do this, but I don't want... I want little to no royalty rates on the product... and milestones, I gave you an initial payment so I don't want necessarily any milestones. What would you look at Joe as that being the motivation on my side as the potential licensee?

Joe: I think one of the things that you can identify, especially if there's no contemplation of royalty rates and milestones, is that this is not a licensee that seems overly concerned with producing products, and that whatever value they're going to get out of that patent

probably isn't going to be excluding competitors from producing products that utilize the IP.

Tyson: Very good, and I think when we transition to the next slide, we're going to see then that they, the licensee, may just want to enforce this patent. And so, utilizing that with regards to patent knowledge that you've gleaned from your negotiation, you find out necessarily that maybe they don't want to commercialize, maybe they want to utilize this as... they might be a patent aggregator, and so you want to utilize this in order to get a good deal set forth. So what terms may you potentially counter with? Well, you could do exclusivity or non-exclusive, so make this a non-exclusive license so that they don't necessarily control the litigation. Make sure that there's maybe a minimum royalty rate with lesser initial up-front fee or initial fee, and maybe make this structured as a royalty rate that you're necessarily want to really to... you know, encourage and utilize... encourage commercialization through multiple milestones for development of this product. Maybe utilize... there are some ways you can use a retractable field-of-use provisions, and so what I mean by that is maybe provide in your license a broad field-of-use, but as new licensing opportunities come up, you have the option as the licensor to come to the licensee and say "hey, I'm going to retract some of these field-of-uses because the patent, the technology that is the subject of this patent, is going to be utilized a little bit elsewhere, and you have the right to go into these areas for commercialization purposes, but if not, we can retract those back, or you can actually have a very restricted field-of-use as an initial term, and that you might give them a first right of refusal on any expanded field-of-use." So really, you can encourage based upon all of this different provisions, or you can structure your license and terms in accordance with you have gleaned from them and what their motivation is and initial terms and set forth. So the one thing that I'll also bring up is that... the interesting point on this is that this week, the electronic frontier foundation recently provided a model state law or... and it's referred to as the reclaimed invention act, and that it's basically what they would like a lot of individuals to do is go to their state law makers and they've written some... they've written some draft legislation, and this draft legislation is basically to encourage... it

aligns with what AUTM has previously put out in the... referring to the 9 points that considering when licensing technology back in 2007. And so what this is is sample legislation to make law makers use and adapt, directed towards controlling necessarily who... who would be ended up in the licensee, and what I mean by that is they would like to control that maybe that this university technology doesn't go to patent assertion entities. And that some of this draft legislation, for example, says that we can't... that the state university not assign or exclusive any patent to any patent assertion entity, or any assignment of a patent from a state-funded university to a patent entity shall be considered void and enforceable. And again, this is just something that just came out this week, and I wanted to just bring up in light of this example that we've provided. And I don't know if maybe Joe has any thoughts or takes on that, but I'd be interested to hear.

Joe: Well I think one of the things, especially state-sponsored universities that differs from other entities engaged in transactions and intellectual property, is that it's not clear always, or it's not necessarily consistent from institution to institution what the priorities are in terms of why are you licensing intellectual property. I could see one university absolutely wanting to not sign licenses and non-practicing entities and deciding the broader university mission and the necessity to see the research translate to new products. At the same time, I can see another one signing an agreement with a non-practicing entity and really wanting to leverage the intellectual property produced by research in order to fund the research enterprise. And I think it goes to really understanding, and I think kind of a broader theme of this discussion, really understanding what your stakeholders want in knowing that this is... you know, looking like I'm going to be licensing to a non-practicing entity, really taking the temperature of not just your faculty and your sort of local research administration, but also really getting a sense of how that's going to play if it is more broadly known within the community at the medical center, you know, it's sort of an anthem amongst management to say how this would look if it was in the front page of the World Herald, which is our local newspaper, and you know if it's defensible or if it's consistent with university message, that's not always a black and white issue, so

understanding what the people that run the institution are going to think and just having some insight to that is really important.

Tyson: Thank you for that, that was wonderful. Really to close up this topic then, I have it from the other side which we'll have on this next slide here is that... This is something that recently came up with one of the partners here at Advent. What it was is a client reached out to them and said "hey, this inventor has really been diligent, been really... have been receiving a few emails from him about this potential licensing." What it was is that the inventor came to the potential licensee, the potential licensee came to us and was "hey, can you take a look at this pretty quickly because it came up recently and we received quite a few emails recently from this inventor." So what was going on is we conducted some due diligence, and come to find out there was a conversion date coming up. So it was either a PCP application. So the PCP application was coming up on the national filing date... er, the national state filing dates here in the next weeks or so. And so, of course what we surmised, or we guessed is that "hey, there was some pressure from the licensor side that that we need to get this license out... or we're not going to be converting to the national stage and or response date." So you can rationally necessarily think about this in from the perspective of the office action response date. So the 6 month date is coming up and we haven't responded, so is there any interest in the licensee, otherwise we may have to reevaluate and see if this is something that continues to be important or if we don't have any licensees, we may just have to be letting this band go. So I wanted to actually present this from the other side and what we've heard sometimes from some of our potential licensees is "hey, they're being pretty adamant and there's quite a bit of information coming in and they really want us to look at it this week." And then the question is why did they wanted to, why do they want us to look at it this week? What's coming up? And so looking at this we found necessarily that there were some potential deadlines coming up and so that was taken into account in maybe the counter offers or any term adjustments. And so that was the one thing that provides some closure to this topic as we transition over to licensee tricks, traps, posturing, and demands.

Sorry, that was on mute.

The first AUTM conference that I've ever went to, there were a couple sessions really focusing on war stories that could sort of be listed on there. You know, there were various names for the different types of tricks, traps, and posturing. And I'm not really qualified to give such a negotiation heavy focused discussion. Truth be told, I'm really not probably the heart knows negotiator in the world, I tend to try to make peace and get things done, I focus more on the cost of the deals that you don't do. And so I think rather than to kind of give that insight, I might want to focus more on what you need and what the partner needs as far as the negotiation experience... you know, I'm not a Donald Trump, I'm not going to win at every negotiation. And so instead, I think the thing maybe I can provide some insight into is to build on really what Tyson said, to start on the initial conversations that you have and to really pay attention to what the licensee is interested in doing. And to really echo his point of view is that a factored response even starts before licensed negotiation, it even really starts before that initial term sheet. You know, depending upon the venue in which you come across the licensee, whether it's someone who's interested and knows the faculty member, or whether it's someone you know found through your primary marketing activity, whether it's someone who comes at you from passive marketing on your website or through some third party. All of those are very telling in terms of what the licensee is interested in. Those licensees that are... you know, the ones that find your faculty at conferences, they're actively engaged in the environment and they're really shopping as compared to the ones that you find through active marketing, they're the ones who you just happen to cross and may not have a huge amount of experience in the field. And so, kind of knowing what's the way in which you have come to start that license discussion gives you some information as to what's going to be the potential tricks, traps, posturing, and demands that are listed there. I also think that it's important as always to keep... how do you keep all the stakeholders aligned. If you have a licensee who is consistently trying to kind of sew discord between you and your inventor, and you and your university, if you end up signing that license, it's unlikely that behavior is going to stop, and you're just going to have lots and lots of drama. And that's not necessarily a reason not to do it, it's just something that you have to

figure into the math of whether or not it's worthwhile. So I think that... you know, a good negotiation is finding creative ways to build trust. You know, it's ways in which you can take the lead and provide options to people. And I think the technology transfer office, you know, it sort of held out from the rest of the research enterprise and the university. And often times, you don't really have a lot of authority, you can allocate a patent budget and that's about it. And so it does really requires you creatively... finding ways to sort of build trust of all the parties that are involved with the negotiations.

And so, you know, I've sort of created this dull rainbow I guess to recommend kind of the from left to right the overall process negotiation from initial licensee to identification, all the way to what to do after the license is in place. And so, starting on the left and we'll sort of just go through it and see different... you know, potential tricks, traps, posturing, and demands. And so you start of with the initial contact with the licensee, it could be an email, it could be a phone call, it could be an encounter at a conference or something along those lines. But I think one of the things to keep in mind is the old axiom that I've been told, a hot parcel of intellectual property to a university is one that two people are interested in. And so I think that it's consists amongst my colleagues there really is more opportunities than there are potential licensees. And I think that when you find licensees, it's important to keep that in mind, but it's also important not to let it make you irrational. And so just the thought of sometimes people are interested in projects can lead to a power dynamic, where you really want that person to keep talking to you and so it's important to keep that in mind in your responses, that you know there's a difference between responding in a way that's polite and responsive and in a way that sounds kind of desperate. And negotiation is very emotional, it's very much about tone, and so I do have to work very hard to not sound like I am really really worried that they're going to run away, but at the same time to be responsive and let them know that I'm really appreciative in their interest in the technology. And I think that that's very much a personal thing, it's how can you present yourself in a way that is going to... you know, be professional and interested without being unprofessional and overly interested. And the reason I'm talking about this in the context of tricks, traps, posturing, and demands is that very much your tones sets a way in how your licensee can affect you. So if you from the

beginning sound really really interested and make it sound like you're the first person... or your putative licensee is the first person to really express interest in that technology, that's really going to undercut you when it comes to leveraging future negotiations, and so that's really important. You know, the second thing is not really understanding how interested your licensee really is. And... you know, that's also a difficult thing to sort of get through negotiation, you really don't want to get to a point where you're asking that question, a point blank question of "how interested are you really?" You know, instead, you have to kind of come at it and figure out if they're doing the sorts of things they're interested in. You know, we had one sort of option negotiation that I was kind of on the fence on, and then our potential optionee kind of delivered this 20 page, incredibly dense project summary, and I just realized that they've already made the decision even before we really got to terms. And so that made me confident that I was able to ask for probably a little bit more than I would normally would have because they were clearly very interested and they had already made the decision to move on this. And it was a really important thing that's listed there. And I mention that also because the last point is having a meaningful commercial plan, and I don't mean that from a potential licensee, I think that you have to understand what do I have, maybe it's a patent, maybe it's a copyright, maybe it's a proprietary know-how. But you have to have in your mind some sense as to how am I going to convert that into a business model. And if you don't know that, then you essentially really don't have a metric by which you can evaluate your licensee's interest. If you don't have an imagined way in which you're making products, or you're... of the license forcing that intellectual property so as to make money, then whatever your licensee is going to say, whatever the putative licensee is going to say, you don't necessarily have a metric to evaluate it. At the same time though, you can't follow them with your model, you're not going to license your own intellectual property someone is going to end up taking it and they might have a much bigger idea than you do. But even having an idea that you can let go of gives you context into which you can evaluate whether you have a licensee that's interested or not.

So as you kind of progress along our gray rainbow here, you kind of get into that ongoing initial discussion, this is kind of the point after which you've been introduced, maybe

you've had that initial discussion or followup technical questions, something along those lines. And you have this real tension between selling the opportunity versus managing expectations. And I think there's a lot of selling and a lot of expectation management. You have to keep your faculty engaged, which can be a real risk, especially cause technical violations can be pretty long and pretty boring. And so, you don't want to oversell your faculty on how great having a license is, in reality it's just really... you know, the next step in a really long haul. At the same time, having an interested licensee is really valuable, it gets you another trajectory towards commercialization, gets you a partner who might be able to add new technical components. So you need to be very very frank and to really have a good understanding of the significance of each stage as you reach through it, and you need to be really clear of conveying that to your faculty. Similarly, you need to convey the technology in a realistic way to your potential licensee. And so, if you state that this new technology can have these features to it and then later you find out "oh wait, they don't?" That's going to be very difficult in future negotiations because not only have you sort of demonstrated that you don't have the end all... the all understanding, but you've also demonstrated that you're willing to shoot your mouth off and can be wrong. And there are times in which I've gotten technical details wrong early in the discussion and had to really work hard to rebuild that trust later in negotiation. So all of that was done to try to make the opportunity as appealing as possible, and you know, won't really really matter in... you know... very technical fields, you know.. what is the size of a nanoparticle, how... what kind of plastics can be made to extrude it, you know, what type of... how many animals were in that initial study. Having those things done is really important and any sales person really needs to know their product, but you need to still do a good job in presenting in a way that's enticing while still kind of keeping expectations realistic for what's going to come next.

Um, I'm getting a note saying that the slides are not displaying, I'm going to continue to advance them, but if other people are not seeing the slides advance as my little gray bridge go across, please make a note in the chat and we'll try to resolve it on the webx.

And so the... as you kind of go along with the technical discussion with a potential licensee, either you get to a point where you really need to propose terms, and that is

another real risk associated with intellectual property licenses. Because you have very very specialized assets and you're trying to structure a deal around them that is going to try to capture this speculative and future value. And so you need to provide terms that are meaningful, terms that are actually informed by something. If you just pull a number out of the air and you can't really justify it by pointing to some external source, that's going to make credibility somewhat difficult. And so, Tyson will talk a little bit more about diligence and things that can be associated with it. But in the end, you know, these intellectual property licenses really are investments, and they need to sort of have some recollection of the licensee is going to be putting a lot of money into building products or doing for their development along the terms of the intellectual property, that does need to be couch though that there's mutual benefit when there is success. And so there also needs to be near term payment in a way that's going to make huge stakeholders aligned. If you're fortunate, you have a university that... you know, that's willing to wait through and take the risk in the long term. If not, that needs to be reflected in the deal. And if you need to have buy-in from all parties to the terms that come in place, otherwise you're just going to run into problems in the future. And balancing that could be particular to the faculty that you're working with and to the administration that you're working with, providing the right amount of detail without sort of overwhelming it or creating side discussions is going to be a real issue. And I think that you know, licensees can really play that in a way that can be very problematic. So if you propose terms that are meaningful in that you've done some research and could say that these are comparable to other forms of intellectual property, that's a way in which you could really shoot down arguments that you're being unreasonable, because you're really structuring it to actual deals that people have actually signed.

So along those lines, you have to be able to present valuable terms back to your stakeholders. So the university have some sense of what is valuable and what is not. But you also need to present yourself as a sane partner to your potential licensee. And this is kind of the dilemma that I often have in working with the those initial terms that we proposed, that my concept of value might be so far outside of the licensees concept of the value that if I propose that, negotiations are going to end there, they're just going to walk

away and say "this person is kind of crazy." And then there is an issue associated with... you know, if I can propose terms that are within a scope of what the licensee considers to be reasonable, then there is a sense in which I can negotiate those and come to something that is mutually beneficial. You know, it's always hopeful if you have a licensee that's willing to propose terms so it's hard to be the first to put those out. But, you know, generally if you're in a position where you're selling something, you need to be able to actually propose what you exact the price to be, and you should at least be ready to do it. If you're fortunate and someone else is going to put the first number down, then you know what your floor is. But you are essentially going to have to propose the ceiling, and if that ceiling is ridiculously high then, you're going to have a licensee that's going to view you as incredible, and if that's the case, it's going to be very hard to come back to that to find terms that are going to be appropriate.

As sort of negotiations continue on, it can be difficult to kind of keep negotiations on point. So negotiations can be very very wide ranging, you know, Tyson in his example brought up a good point in which if you have a deal structure that a potential licensee wants to put together that... you know, does have value, but may not be consistent with what the university wants to do with the intellectual property, then it can be a real challenge to use the negotiations to get to the broader point "what do you want to do with this intellectual property, what is your plan?" versus really finding the good fit, and this kind of gets to the odd position that universities are in, where there is a real need to do more than just get a good deal for the university, that you need to advance the mission associated with why you're doing research and why you commercialized it. And so it is really important to kind of be aware of that tension and balance it and know when you're too far out of whack in one sense or too far out of whack in another sense. But you have to keep that balance and really provide value for the university but at the same time, really use it to advance what the overall mission is listed there. I do apologize, I guess I duplicated that inadvertently.

So tricks, traps, posturing, and demands are all sort of inherent within the negotiation process. It's all about having information that the other party doesn't have and trying to leverage that in order to get a better deal. And recognizing those traps as you see them is

a matter of really understanding what is wanted and what is needed as part of a negotiation experience. So as you have those relationships with imperfect knowledge, if you really focus on what is important to you, you can kind of use your negotiation to learn the things that you need to learn and set aside what else is not as important.

And so one of the things that's really critical that is keeping in mind that stakeholder interests don't always align. And so I've put together this sort of venn diagram to talk about just in a general sense. You have the technology transfer office, you have the university, and you have the inventor. You know, your inventor has very much their own interests in mind, and inventors as faculty members can jump from university to university in sort of the building of their own brand and their own career. And so the inventor may not be focused on actually developing any one particular technology, they're going to be focused on external support, which means that they need to continue drive hypothesis-driven findings in a way that's going to be relevant towards getting grants funded. And as such sort of tying down to really commit to support a developmental project is something that they're not going to do unless they can get some sort of support associated with it. At the same time, the university may have its own interest as well. It may have its institutional growth being the development of new research programs that are going to be helpful. It may have strategic initiatives that are kind of the thing of the moment. That can be the development of a particular research program, that can be development of a particular institution, and they may have donors. Donors drive the university in a way that is very important and can sometimes seem an agenda of its own. So being aware of kind of what the priority of what your administration is is important because not necessarily to always fall in line with that protocol, but simply to realize if you're swimming upstream or if you're swimming downstream, and that is going to be a factor in how difficult it is going to be to get the deal that you need. And the problem with the technology transfer office, which is financial stability, making sure that, you know, the budget you are afforded is being used the way that's important, but also advancing the portfolio that you need to get the intellectual property that is going to be the core asset for you to kind of follow the mission, to really have the deals that you really want to do.

Now, it's not that the interest always... do not always align. So if you're advancing ongoing projects and having professional collaborations with your inventor, it's really easy to work together. Often times too, by bringing in a licensee, bringing in another type of collaborator, and in fact the licensee may actually be brought in by faculty member and they may view them as an essential technical partners that can be listed there. But one thing to always keep in mind is that since you do have those differing interests, that's really where your potential licensee can really work to separate your inventor from you. You know, similarly if you a faculty member that's doing research in a strategic area that's getting external funding, the university and the inventor are going to be very well aligned because their ongoing work is doing an excellent job of advancing... you know, the broader university mission. Similarly, the university and the technology transfer office can work together very well as well. I mean, technology transfer offices provide great opportunities for faculty collaboration, especially when you have faculty that view commercialization as a necessary part of their career development. Similarly it also advances university priorities in both financially and in terms of the overall mission of the university. And so keeping in mind that, you know, it's not that the stakeholder's interest don't align, it's just that they don't necessarily align is important. But one of the things in which you know a licensee can really leverage and exploit those differences is something to always keep in mind. So for example, they can have technical collaborations that can potentially transcend the need to produce and license valuable intellectual property. The licensee can actually also go to something far less complicated and simply call into question the capability of the technology transfer office to negotiate the license appropriately on behalf of the inventor or the university. And I think that the only real response to those are kind of the things we've talked about, it's making sure that you are... you know, having a basis for proposing the terms that you have, or making sure that you have been consistent in the representation and balancing selling the technology with managing expectations. But all those are essentially... if all of those can be put together to present and professionally manage the licensing opportunity, it minimizes the sort of tricks and tricks... er, tricks and traps that licensees can use to try to separate technology transfer offices from their inventors. Similarly, licensees can try to poach university faculty from universities and try to... you know, try to provide third party

examples of... you know, faculty members at a different university was able to get terms associated with those. And again, the only real hedge that you have working in a technology transfer office is provide... you know, sane and rational support for your decisions and to sort of conduct them in a professional way.

So in addition to your execution of the licensee, there are long term ways to build relationships with inventors and administration. So things like material transfer agreements and confidentiality agreements, even invention processing. If you can sort of build... you know, from that beginning a very good relationship, it will sustain the mistakes that you will eventually have to make, and it will also sustain the efforts of a licensee to try to exploit the areas in which those interests don't perfectly align. The other thing is to really know what all of the different stakeholders want from the negotiations and to build and really fight for those. If you do have a stakeholder that is not onboard, then it's really important to get an early win. And an early win doesn't always have to be payment, you know, there is a real sense in which if you can show faculty member a professionally constructed prototype of an invention that they've put together, that can be far more valuable than a payment or even a sponsored research agreement that can be listed there. But you can't simply ignore it and sort of put your head down and try to do it, because if you lose the face of your faculty or administration, the ability to really advance the license in a way that's going to be valuable is in much greater peril than if you hadn't.

Universities need licensees. There is a fundamental recognition that universities are not going to commercialize their own intellectual property. That licensee can be an existing company, it can be a startup company, but there is a real necessity to do that sort of partnering in order to advance the projects. And that really does give licensees a lot of power. But one thing to keep in mind is that if you can really go out and find licensees yourself, it gives you a little bit more leverage, at least with the university and with the faculty members that you're working with. And so building a capability to bring in licensees and when you don't bring in licensees to say that we have experience identifying those licensees and we were unable to bring these things to bear for this particular project, it gives you creditability when you aren't going to build the advance and opportunity. But it also gives you a creditability during negotiations because you

know, it's not... you can point to the previous negotiations that you've done as really good examples. The other thing is that a bad license is worse than no license. If you're doing a deal for the sake of a deal is never a good place to be, and difficult negotiations really do hark at difficult partnerships. You know, the licenses that I've negotiated that have been just nightmare-ish, it's not like those people turn over a new leaf once the license is signed and become a good licensee to work with. So, you know, during license negotiation, and I've certainly learned this the hard way, that you have to be very very conscience, but also very very proactive. You have to really know what you want and go after it cause sometimes it's really a failure of imagination for people to get the appropriate terms in place.

So going back to our venn diagram, one way in which you can do that is shared sacrifice. And so the inventor can really do unsupported research and get some of their time associated with the project even early on. And in that way, they have an investment in making sure the license actually proceeds. Similarly, the university can try to find developmental funding or even just special access, providing some opportunity to talk with core facilities or other faculty that are interested in the project could be there. Family, the TTO can put some of its patent budget into... or expertise from technology transfer office staff. You know, we've worked with licensees to do initial evaluations associated with improvements to inventions and things like that, which has gone a long way towards building faith with our licensees and negotiations. But finally, I think the licensee also really needs to have some shared sacrifice in order to get creditability with your stakeholders, and that can be sponsored research or even in kind development. You know, I've found that simply finding skilled technical problems to solve problems that we can't otherwise solve is often the most valuable thing that we can do because it opens new doors. Even relatively simple things to everyone else are relatively complicated if you don't have someone with that level of experience that's there, and so that's one thing that we've found, finding way in which to get that shared sacrifice put in place has been really really important.

Tyson, I'm sorry, I'll back up really quick. Do you have anything kind of related to how to deal with tricks, traps, and other drama with either license negotiation or license execution?

Tyson: No, I think that's a really point... a really good piece of that. The next few slides will address some of those things as you kind of progress on the gray rainbow, especially with keeping negotiations on point and necessarily fighting the good... the good fight. As we previously discussed or... well, there are some deal terms that necessarily a licensee or license is going to want to be thinking about. These are just some of these high topics that I think sometimes getting glossed over but might not necessarily... they deserve a little bit more thought processes with regards with what needs to be in the deal terms and so forth. So identifying the party that will pay for the future cost related to prosecution, so in dealing with the potential with the licensor and the licensee, who's the party who's going to continue dealing with maybe the continuation. So what prosecution budget is going to be applied to that is going to be the licensee that continues to pay for these continuations or will it be the licensor. But more importantly, and usually you have your deal terms that will just... talk about continuations, divisions, here on that these are covered. But what about those continuations and parts that may include new additional material after it's filed, because by definition you have some new subject matter that is set forth in that continuation in part that may actually have a new inventor that's a part of that. So how are we necessarily going to be addressing continuation and parts, for example, is that going to be part of a license if a new development takes place? And these are all things that we just... I am just putting out there because I just want to make sure that we have on our radar because certainly, continuation in part... maybe this subject matter may be better utilized for different potential licensee. So you might as the licensor want to make sure you address this, and that if there is may be a new inventor, or if there's truly some new subject matter that differs from the technology, or differs significantly enough that it may warrant the university retaining the right and that continuation in part such that that subject matter and any claims they're from could be utilized for either re-negotiating with a licensee or utilizing a different field-of-use, different licensee, or what. So this really

ties hand in hand with this... who would own IP related to future development. And this is something that upfront we're going to have to figure out, because necessarily they may be some more future development in this area. And so if there's any IP created, it most likely or it would potentially be a continuation in part which has this new subject matter. And so, really that is something that we really want to think about. The next couple different points that we have here, and it's so important that I've listed it at the bottom of this slide and the top of the next slide is the choice of law and venue provisions, because usually as we look back at that gray rainbow, figuring out those valuable term, exchanging term sheets, exchanging royalty, exchanging just your negotiations, it's usually you're tired at the end, you want to get the deal done. Well, typically or in a lot of cases we've seen, well just pull a choice of law, pull a venue provision from whatever we have on google, or necessarily may be whatever it is, because these are often considered maybe subordinate terms and that we're not really thinking about it. And the leverage is always going to be then on the drafting party that inserts their local jurisdiction and it's difficult to negotiate something more favorable. For example, the licensee you might tell them, well we've gotten the... here's the term sheet, we got everything finalized, just submit licensing agreement draft to me so I can review that. Well they're going to insert their necessary choice of law and venue provisions that are necessarily important to them. And so then you might have to go either and say "well no, this is university policy that the venue and choice and law has to be consistent." Or, but necessarily they have the upper hand, then it's going to be a continued negotiation exercise to try to change that. And so, these are definitely provisions that you want to be thinking of, not necessarily of what type of options, the royalty rate, but also keeping in mind the choice of law, the venue provisions.

So if we transition to the next slide, we're going to necessarily see that it's often still considered subordinate terms. As I mentioned, these are important terms we need to make sure that we are cognizant of them. So real quick, what is choice of law? Choice of law indicates what state or country and the laws that will be applied for the interpretation of the agreement. So necessarily, we have an example clause here that the validity and interpretation, performance, and enforcement of this agreement shall be governed by an

interpretive accordance with the laws of the state of Nebraska. So necessarily, as we'll soon see here, but real quickly about this choice of law is that you can have a different choice of law and a different venue so you can necessarily have a Michigan court where you're going to be physically at in that court room in Michigan but they are interpreting the laws in accordance with... say Nebraska or Iowa or whomever it may be. And so, why is that? Well because choice of law is necessarily important because for example, maybe employers want to avoid the application of California law, which is known to favor the rights of employee inventors and authors over the rights of their employers. But I'm thinking on the other hand we have maybe New York and Delaware that are very well developed in their bodies of law with regarding copyrights and publishing, so we want that choice of law that favors necessarily what areas... whatever our negotiation power is or what necessarily we're related to. And so, this is why some parties may regard the state's law as being unacceptable, but you can still be venue within that. Now, transitioning to venue, we have something that is necessarily, where is it the court case because we're necessarily the... it's basically the venue on our next slide, it's a provision that describes where actually you're going to physically be at, and that resolves the disputes between the parties and agreements. The parties agree that any action suit or proceeding will rise out of this agreement shall be brought into the United States district court for the northern district of Iowa. So where are all your witnesses going to be? Where is your local counsel? This is important again because maybe you have two different parties, your licensor is in Michigan, however, the licensee is in Texas. So where are you going to go? Are you going to go necessarily to Michigan? Are you going to go to Texas? Or are you going to maybe meet in the middle? And so this is some thinking that you need to necessarily to be definitely thinking about because you have to employ local counsel, where the witness is going to travel, where is all these different pieces. So... and here are some other ideas that you need to really be thinking of with the venue. Will the venue provision only apply to breaches of the agreement? Or the actual heart of the matter, the subject matter of your agreement. Well that actually depends upon the language of the provision and here are two different ways of looking at it. So courts will typically interpret rising out agreement language to generally apply only to breach of contract claims. Whereas if we discuss it and instead the language says regarding the

agreement connected with the agreement or related to the agreement are generally construed more broadly by courts and so, it's not necessarily the breach of contract but actually maybe the subject matter of it.

So where... how is the scope of your provisions being part of that and so forth, then here the next piece of this is going to be the indemnity because this is necessarily something where again you may just go to Google and say I want some just form clause that necessarily. Well there are necessarily some pieces that you want to pay attention to especially which side you're on. So generally, what an indemnity clause is is an obligation by the indemnitor to provide compensation for a particular loss suffered by the indemnity. So licensee developed product in accordance with patent... or I mean develops a product but what happens if that infringes upon another patent? Who's going to pay who? Is the licensor going to indemnify and pay for any loss that is brought on by the licensee, so these are necessarily things to be thinking about?

And here are the additional thoughts that I wanted to... the points that you may want to add into your piece of it, and really it is going to be that notice... is there a time limit? Does failure to notify modify the indemnification, and we're going to go onto a little bit more here in the next few slides. But control, who actually controls the litigation is going to be indemnitor or indemnitee? Settlement limitations, are there caps on the amount of money you're going to, is there a floor or ceiling that necessarily you're going to pay out as the indemnitor to the indemnitee? And then reimbursements, who pays the third party, that may be a search that patent litigation piece of it, so as we transition here, we're going to necessarily see that our first point is going to be that notice. And so, really important is that notice... we're looking from different points of view, the indemnitor and indemnitee. So the... if you're the indemnitor, you want to be notified promptly and it should be in writing and include a statement of the damages or good faith testament. You're informed the possibility... informed of possible claims, or your failure to comply with the notification will render the indemnification provision invalid. So those are all different areas that you want to be brought up on as the indemnitor, however on the indemnitee side, you don't want the time limit to inform of any claims, you want it to be not as encumbersome as possible. Breach of a notification, a provision should not have any

consequences on any pieces of this. And real quick, you know you want to basically not have to inform them of any threatened suits, only actually filed suits. And transitioning then, we're going to move to the coverage of this. So as an indemnitor, you want to provide as few people and you don't want to cover... you want to cover as few people as possible. Generally what's included here is the directors, the officers, employees, and agents. What about are we going to be indemnifying any affiliates, successors, heirs, or assignees? As an indemnitee, you want to include as many people as possible and as many entities as possible. What about sublicensees? Well if you're a sublicense, if you sublicense as a licensee, then you necessarily want to be covered on that aspect of it as well. And so as we transition again, controlling the litigation, well since the indemnitors paying, you're generally... the indemnitors going to be controlling the litigation, and they do have a strong interest in that and they want to make sure that the indemnitee is actually required to cooperate with the defense efforts, because the indemnitee probably has a lot of different of... probably has a lot of different witnesses, a lot of different paperwork or documents or evidence related to that and so that's kind of what we see here.

And then with regards to then finally settlement, the settlement piece of it. The controlling party will generally have the settlement authority, so going back to our previous slide, it was the indemnitor. But the indemnitee should only be able to withhold consent if it will affect the rights of the indemnitee because... and finally the indemnitor should have the broader discretion to reject any settlement because it'll have to reimburse the indemnitee for any damages. So as we see here the final two points favor really the indemnitor and being able to control and settle this aspect. So as long as the indemnitee does not... you know, have a lot of stake or affects any of their rights, you know... generally favors the indemnitor will hold those pieces.

Joe: So as we move on regarding learning the art of give and take of license negotiation, it pre-supposes a knowledge of what you want and what the licensee wants. And we spent a lot of time talking about what you want and how to represent not just the interests of

your office, but also all the stakeholders that you have listed there. It also really presupposes some understanding of the technology. You know, knowing what is the value of the intellectual property and the sorts of products that it embodies, what are the values of those and how is that reflected in the license. It also suppose to reflect the understanding of the business model, so the license itself should tell a story that makes sense to the technology. And what that means is that if you have a technology that is very mature, you know, if you are simply now not exclusively licensing a process for manufacturing across a variety of sectors, you're going to have a license that looks very different than if you have an early stage pharmaceutical candidate that needs to basically be developed and run through lots of tests. And so there's really going to be an expectation of what that license should look like based upon who you are, what you have, and what needs to happen to make it successful. But really, learning the art of give and take in license negotiation also requires you to understand what your licensee wants. And you're never going to know that perfectly, you know, if we talked about negotiation is about not having all the information. So I do think though that you know a bit more about your licensee and there are things that you can sort of confirm with it.

And so what I want to talk about briefly is how can you classify the type of licensee that you have and I kind of have on this axis here... you know, this one axis related to funding that the licensee is available and the other one based on speed to market. You could... you know, break this out a lot of different ways but for purposes of our comparisons, this is the one that was most sensible to me.

And so kind of keying off what the distinction Tyson made earlier in 10 slides. What if you have a major licensee, an existing company that already have a presence in the field? You're going to have a company that... you know, sells products, so they're going to want to put a product to market as soon as possible, but likely have access to a lot of funding. And so if you could kind of hit that developmental timetable, then they're going to be able to move it forward. So those types of licensees, you know, one of the things that story could tell in that licenses, you could certainly have more aggressive milestones, and you're capable of paying milestone fees or licensing fees to offset long term royalties. But there's also really concern about efficiency and operability of the license instead of the

overall cost. And so as you kind of look at the given take that's listed there, you can really get a sense of what your licensee pinpoints, what your licensee's capabilities are. And structure a deal that's going to speak to that, not just speak to a particular interest that you have. Now compare that to a different licensee, something like an entrepreneur or a startup. You know, you have a licensee who's real focus is on fund raising and identifying projects that can return 10x on every investment that comes in. You also have someone who might be really reliant on faculty for ongoing research and development, and that's the really interesting aspect of give and take. And this kind of gets to the odds sort of state that the university are in, that there is a certain extent to which there are faculty who I have found who love interacting with entrepreneurs who have enormous patients to teach a good entrepreneur, the technical aspects of the invention, and also to really engage in them. There's a really senior faculty I've... who's essentially working with a student entrepreneur who was identified out of community. The entrepreneur is very very bright but very very wrong, and so there's been this really great almost student-mentor relationship that this faculty member has been able to build in a very unconventional way. And that's a sense part of the give and take of that negotiation has been built around making sure that we can keep that access present and support the faculty member's research, if nothing else, to help the development of the company and the entrepreneur that's running it. Of course, pretty much anytime you hear a startup, you're going to have to have some sort of backlitted arrangement. You have to push off cost on the license as long as possible. And that can also go to some type of investment opportunity. One of the things I've always found compelling about... you know, technology transfer office or new entrepreneur is that you can translate the debt that's accrued in terms of the patent expenses you would ordinarily expect the licensee to pay. You could finance those in debt or equity in the company, and that kind of gets to the last point in which that equity position instead of up front fees. Now there's a real downside to that in the equity is ostensibly worthless when you get it, but there's an upside that if you're successful, it's a way in which you can take your patent budget and really get additional value for it. Now, you know, a good technology transfer office, building a portfolio is going to want a portfolio of licensees as well. It's good to have... you know, a diverse range of licensees just like it's good idea to have a diverse range of investments. But when you focus on the

give and take, you kind of have a very different attitude as those opportunities come up that not only reflects the diversity of your technologies but the companies that you're looking at.

Now somewhere inbetween, you may have something that's more like a lean startup. Now you know, this is sort of my lexicography, you know, I'll try to explain a little bit more. But whereas you have a very much entrepreneur focused startup that really does want to raise money. If you have a lean focused startup, you have a very different type of opportunity. Something that is going to be less interested in funding and really something that is more interested in speed to market. And that's really going to focus on the types of technology that they're going to be taking. An entrepreneur startup, they're looking at something that's very disruptive, very very high risk, and very very high reward. A lean startup, they'd simply be trying to exploit a market opportunity. It may be someone leveraging IP to build services, it might be someone who is really just trying to do a value at a licensing opportunity. And so the thing that's always interesting is that you focused on market path and market fit, and that is you really need to have some sort of market feedback for potential customers to really drive the terms of the license. You know, we have in the past the licenses with pre-market milestones really focused on delivery of customer research for example, and that's been something where we've seen enormous value in that type of license as opposed to someone who focuses on early stage fund raising opportunities. In addition, you can have equity focus despite early revenue. So you may have a company that is actually revenue positive a few months after finding, but still that equity that you hold in it gives not just a chance for an exit necessarily, but really a chance for revenue that can come along with that. Finally, there's value of cost-effective intellectual property and licenses. And so rather than trying to get very very broad patent coverage to sort of fence off an entire field, you may simply want focused intellectual property protection, which isn't even necessarily patent protection that makes sure that the products that the startup can sell are really focused. Now again, these are all kind of strongmen that I'm setting up, but it shows how one startup can differ very much from another based upon what their business model is. One is looking at a much longer game, one is looking at a much narrower game. And the nature of not just the license, but

also the intellectual property protection that that company would want is going to be quite different.

Now focus something more like a development company, one of the things that we've found at UNeMed is that we could use our initial licensing offer... our licensing efforts to really identify interesting developmental opportunities. So if I get multiple companies say that's a great licensing opportunity but we're not going to invest in it to do development, but let us know when you get there, then that gives you a very deliberate structure milestone. You are essentially providing the developmental framework that was requested by another company that might be interested in acquiring it. And so, by focusing on collaborative development and faculty involvement, you can really add value to that intellectual property through structuring a license deal.

Now take that as opposed to like a faculty startup, a faculty startup can be kind of a particular thing to university which kind of focuses on the intangible values of the company, having the faculty engaged and learning entrepreneurial stuff can be really really important, it just can't be done at the cost of maintaining a very large patent portfolio that really has no realistic opportunity to get the type of funding it needs. So having all that value there is important to keep in mind and to reflect in the understanding of what are those terms going to be.

One of the things to keep in mind is that non-practicing entity, kind of to echo what Tyson was initially talking about that you really need to make sure that the milestones are present, maybe not necessarily to develop products, but just to kind of structure the scope of performance that you'd expect associated with the license, which means that maybe you can license with a non-practicing entity assuming that you've got the appropriate terms in place to make that license pliable to all your stakeholders.

So during negotiation, the license needs to tell a self-contained story that sounds like the kind of licensee that you are working with. You know, the financials need to make sense, the milestones need to make sense to kind of execute their vision for the technology. And while you have the variety of tools available to commercialize intellectual property, you

also have a variety of different kinds of licensees that you can identify. Keeping those in mind is essential for the give and take of a negotiation to make sure that negotiation results in a feasible model that you at least have some inkling of for that particular technology.

So that goes hand in hand with building solid long term relationships with your licensees. You know, your licensees are your customers and they really conserve as kind of the most important part that's in developing a stable long term business model for a technology transfer office. Being the partner is all about risk, what can you use to mitigate and share that risk, as well as advocate to a partner in the reward.

And so you know I've got a couple stages listed here related to invention and licensing. So once you receive an invention and have that initial valuation, you can engage in faculty to have a better understanding of where that invention is coming from and really understand why it excites the inventor. And as you kind of do that initial review, make sure that you don't kind of have the issue that Tyson mentioned where that previous paper that wasn't caught in the initial discussion that is caught later on, that could be a big problem. At the same time, that an internal review also needs to get some understanding of what's a feasible business model for it, now assuming that's a dogma necessarily but just a perspective that's listed there. When you begin that sort of partnering opportunity with the licensee, make sure you have a direct ask. You know, we'll work with students at UNeMed and sometimes you don't know what they want from their initial messages, they're just discussions of how great the technology is, you're asking a license, you're asking for a non-exclusive license. But regardless, the more specific the ask is, the more focused you are, and likely the more successful you're going to be in actually attracting a licensee. But also establish commercial relationships in a collaborative mean, have some understanding of why you're reaching out to companies, or if a company comes to you, understand what they do and make sure that you know how to sort of orient them to make sure the development is forward.

When you're doing license drafting, make sure that your language is clear and intentionally clear so that it's obvious when someone meets a milestone for example.

Also establish clear processes for payment, reporting, and other actual obligations. These are really important factors, it's one thing to get someone to agree in principle to pay for patent expenses, it's another one to figure out who do you ask to pay, what's the timeframe of which you're going to be reimbursed, and what happens if they don't. Interest is really important in licenses because it shows that people are committed to actually doing development... er, sorry, that people are actually committed to pay their bills. So once you have that license in place, it's important to establish regular updates regarding progress on development. Now regular doesn't mean constant, it could be quarterly, annually, whatever. But the licenses is really just a beginning of that relationship, and if you want repeat business, it's not even so much about structuring the license, it's about what comes after that. You know, keeping in periodic contact with the licensee is appropriate for the scope of the terms. If you have someone that's very early development, usually there's not much to talk about. But as those developmental milestones get closer and closer and higher stake, you need to keep in contact and understand what's going on, not just an annual automatic update. The other thing is that you might build and provide assistance. You could work with faculty to sort of smooth over technical problems, maybe you can leverage resources that this is from your licensee. We were able to secure you know some support for an animal study for one of our licensee working on a medical device which proved to be instrumental in their ability to advance it.

If the licensee is successful, congratulate them. It is important to sort of recognize the work that people do. If not, terminate the license, but do it professionally. Make sure that the license includes language that is clear what happens when the milestones are done, and let them know that those milestones mean things that are listed there. If your licensee wants to renegotiate, make sure it's an actual renegotiation. You simply can't give them more times in the terms and call it a fair deal. If you're going to spend time, ask for something in return, even if you don't get it, it at least establishes that you value what you're doing. And if your licensee is unwilling to even consider it, then maybe they're not a good partner to work with.

You know, existing licensees are sort of repeat business or not. And professional conduct from invention to marketing to license enforcement are really essentially. And really if the outcome isn't what you wanted, if someone did good work and failed despite doing everything that could right, then they're still a good person to work with, it was just not the right opportunity or just wasn't the right team at the moment. You know, we at UNeMed tend to find that keeping good licensee is really important and have gotten additional opportunity from repeat business, and so that's been something that's very dear and dear and important to us.

So with that, we have kind of come to our last topic in which Tyson and I are going to share, which is what to do when negotiations reach an impasse. And I think one of the things to keep in mind is that impasses come from a variety of reasons, and we'll sort of go through various stories of how these impasses have come up. But the one thing that I was always struck by is you know, sometimes it's just a failure of imagination. That, you know, two entities with very different cultures, even if they're business cultures, universities act at a very particular way, and even... you know, engineering firms, medical device companies, pharmaceutical companies, there could just be differences in the corporate cultures that listed there. But one example that I have is we were negotiating an options agreement with a Japanese pharmaceutical company and we were having a lot of difficult with payment of intellectual property that we were expecting reimbursement for intellectual property and that was just a non-starter. And a colleague of mine really helped me figure out that I was looking at this Japanese pharmaceutical incorrectly that they weren't conceiving... my office as the university technology transfer office, they were treating us as another pharmaceutical company. And in that context, it made a lot of sense that pharmaceutical companies in general wouldn't do that sort of reimbursement at the stage at least from their point of view. And when I understood that, then I got a much better understanding on how to restructure that patent reimbursement to be a different type of fee. And it's a small thing, but once I was able to present it to them as a different type of fee, I didn't get everything that I wanted but I ended up getting a split that everyone can live with, and that was really the important part. And so it was my

failure to imagine what things would look like from their point of view that really lead to the impasse and really allowed the solution to present itself. Tyson?

Tyson: Thank you Joe. So yeah here's... to kind of finish up here and then we're going to go to Q&A here in just a few minutes but wanted to hit a couple of these other topics here and actually maybe here's an example. But other common deal killing, what we'll call blunders, is overvaluing of that project, and what do I mean by that? How are you actually valuing that project? Now there's different methodology that you can value a patent. And in this list here a couple of the different actually quantitative... we haven't addressed any of the qualitative but there's this quantitative approach and there's 3 different models here: the cost approach, the sales comparison or I guess what would be referred to as the market base, and then the income approach or income base method. So each of these have their different pluses and minuses. And real quickly, the cost is based upon the principle that there is direct relation between how much you expend in the cost and the development of the IP and the economic value and it may not be the best model for the different approaches. The sales comparison or commonly referred to as maybe the market base method, it relies upon maybe the estimation of the value based upon similar market transactions. You need to pay attention towards those efficiencies of those transactions though and not just do a direct apples-to-apples comparison. Income base of course is based upon that the value of the asset is intrinsic or the value of your patent asset is intrinsic to the expected income flow that it generates. You're going to be estimating necessarily how much that income is and then you might have to discount it according to an appropriate discount factor. You can identify maybe comparable royalty rates in different SEC submissions and various royalty rate databases, special subscriptions that many tech transfer offices may have to them. So you can scour the SEC submission forms from different companies and maybe you can find a comparable royalty rate or a comparable product in doing this, and that's maybe how you'd take into this different approach, but something on the patent prosecution side as we'll see here that we've had a really deals with the value of your projects on your next slide.

The next slide really talks about that... maybe pre-2013 or pre... patents issued before June of 2014, their value may be diminished or value of patent assets may be diminished in light of recent decisions. In particular the Mayo decision regarding medical diagnostics and then the Alice decision with regards to computer software related abstract idea implementation. And so necessarily any patent that was issued before that wasn't necessarily able to go through the scrutiny of the patent office of this examination standard. And so they may be subject to various hurdles if the patents were issued before that and maybe even issued thereafter because as I'm seeing the practice now, we're seeing quite a few of these one-on-one type patent eligible subject matter rejections. Other things to keep in mind is that with the American Invents Act, there were some new provisions that were introduced where patents may go through another level of scrutiny before litigation so you have your inner parties review or your post-grant review processes that may add another level of scrutiny even after a patent have been issued. They may be subject to go in based upon either different prior act, under inner parties review, or post grants review with eligible... patent eligible subject matter type rejections. Referring back to something that Joe mentioned earlier was maybe you didn't conduct a due diligence enough and that there was a previous enabling disclosure out there. Or maybe that comes into play is that inventor A writes ... *inaudible audio* ... paper, it has an enabling disclosure, publishes it, maybe it isn't known out there, and you file... end up filing a provisional patent application after the published paper. Fast forward, that previous enabling disclosure may destroy being able to get patent application or file within foreign jurisdictions that have absolute novelty requirements because any previous... there's no grace period in Europe and like countries, so you may be limited by that so that may offer itself up as something that comes down the rind that the licensee finds out "hey, we've conducted some due diligence and there's this document out there well that may turn against you." And then finally, one other piece... one of the other pieces that we want to talk about real quick is that maybe turning the inventors against you. And this is one of those examples that I came up with personally and that I witnessed in that as we had... all interested parties in a negotiation and at some point it finally came up where licensee talks to licensor... I'm sorry, licensee was talking to the inventors "hey, didn't we collaborate with you on this... I think that... oh we might be

actually a co-inventor" so that they would be then named as a co-inventor... with the hope of being a co-inventor and so then necessarily they'd be then a co-owner or co-applicant of that piece. And really quickly we'll transition to the next piece and we'll go through a part and parcel with our last two slides.

Our last two slides are trying to maybe negotiate with what is not negotiable. These may be become under federal research, reservation of the government rights provision. What I'm really referring to is the Bayh-Dole Act requirements. And then these indemnification clauses. But the Bayh-Dole act is of course "hey I don't want this government clause in there," well we need it in there because necessarily it is required per the Bayh-Dole act and the federal research dollars that we received for us to do that. Well they don't necessarily want... the licensee might want clean title. Well we're not able to give clean title because the Bayh-Dole act won't allow that. There's also the option for these March-in rights as well, the choice of law/forum very quickly, alternative dispute resolution provisions meaning we have to arbitrate and that's not going to go to court, and non-assignment language as well.

And so we have a couple examples here but I'd like to reserve the remaining time for question and answer if anyone does have that, or I'm happy to go through these examples as well.

Debi: Thank you, I'll going to go ahead and remind the audience that you can post your questions in the chat or send them directly to me in the Q&A forum and we'll take them in the order that they are received. We don't have any questions in the queue at this moment so we'll turn it back to Tyson and Joe to continue with their examples.

Tyson: Okay, real quickly then, and I'll... and this is kind of going to be an interactive exercise and Joe can certainly provide his input, but I give the example that... well, a licensee wants to manufacture technologies that was developed under a federal grant and

the manufacturing of that facilities is going to be outside of the United States. Any points on that Joe or... any thoughts?

Joe: No, I think that you know in terms of issues that licensees will have you know, regarding... you know, reservations of rights associated with federal funding, you know manufacturing outside the United States does come up... you know, typically it's language that's relatively easy to compromise on given demanded from the federal government. You know, there are other issues that come up that are typically a little bit more complicated.

Tyson: Well and then perfect perfect, and I know that one of the other big things that we also have discussed or that there are typical discussions are is the march-in rights provisions now. I'm not aware of any time when there has been a march in right exercise but it certainly something that licensees and licensors that need to be aware of. In particular with drugs and so forth... drug manufacturing of drugs or similar chemical compositions where the prices necessarily may raise... necessarily either red flags or the political pressures that we might want to push that... try to utilize march in rights.

Joe: Well with that I think that we probably should leave our... the rest of our examples to our audience's imagination. Debi, if you want to... if you have any closing remarks, feel free to state them, but otherwise we'd like to thank everyone for their attention.

Tyson: Yes thank you.

Debi: Thank you very much, on behalf on *Technology Transfer Tactics*, we'd like to thank our panelist for sharing their expertise with us. Please join us on September 28th for our next distance learning program titled "Creating, Managing, and Funding Student Legal Clinics for University Funded Startups: a Win-Win for Law School Students, University Entrepreneurs, and your TTO." Visit www.techtransfercentral.com or call 877-729-0959 to register. Again for those in the audience who are eligible for continuing legal education credits, today's program number is 3564. That concludes our program, may wish you all a very pleasant day, thank you very much, good bye.