

# **Licensing and Technology Transfer for Life Science and Tech Companies**

Boston ENET

Lori Pressman February 21, 2017

## Both sides need to understand:

- What the licensee needs (money, technology, personnel, space, equipment, etc..) when and why.  
[This matters for the *definitions, grant and diligence* portion of the license.]
- How the licensee will earn money.  
[This matters for the *financial terms* portion of the license.]
- What could go wrong?  
[This matters for the *diligence and termination* portion of the license.]

Share assumptions, models, and perceptions.



I can't tell them  
how great it will be  
because then they  
will charge me  
more!



Talk through specific business situations.



We won't take the time to work through all the possibilities now.



Share assumptions, models, and perceptions.



Transparent, Informed, Agile, Coordinated

Talk through specific business situations.



Transparent, Informed, Agile, Coordinated

Share constraints, -such as mandatory insurance requirements, or preexisting obligations.



Transparent, Informed, Agile, Coordinated

Both sides need to understand:

- **What the licensee needs (money, technology, personnel, space, equipment, etc..) when and why.**

**[This matters for the *definitions, grant and diligence* portion of the license.]**

- How the licensee will earn money.

[This matters for the financial terms portion of the license.]

- What could go wrong?

[This matters for the diligence and termination portion of the license.]

## What does the licensee need from the licensor?

Patents only?

Software?

Biological Materials? [cells lines, mice, reagents?]

Data?

Exclusive, or non exclusive.

Life of patents, or for a few years, or forever, if applied to materials, or software, or data (ROYALTIES may be tied to life of patent, -but perhaps some rights continue after the license ends.)

## What does the licensee need from the licensor?

How these answers appear in a contract:

Definitions: “Patents Rights means \_\_\_\_\_

Grant: Subject to the terms and conditions of this Agreement, Licensor grants Licensee a license to the Patent Rights [in the Field, for the Term] to make, have made, use, import, offer to sell and sell Licensed Products”

Exclusivity: The license is Exclusive , including the right to sublicense beginning on (insert date) and ending on the earlier of: (\*\*\*\*\*insert date based on number of years from Effective Date); or the \_\_\_\_\_ anniversary of the date of first sale of any Licensed Product by Licensee or a sublicensee. Licensee agrees to promptly inform Licensor in writing of this first sale.

## Both sides need to understand:

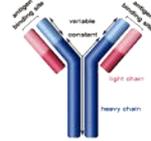
- What the licensee needs (money, technology, personnel, space, equipment, etc..) when and why.  
[This matters for the *definitions, grant and diligence* portion of the license.]
- **How the licensee will earn money.**  
[This matters for the **financial terms** portion of the **license.**]
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# How will the licensee earn money?

The answers inform the royalty section.

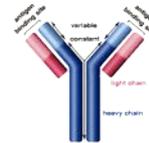
Some possibilities:

1) The licensee sells antibodies



to customers who pay licensee

2) The licensee transfers antibodies who conjugates them to a toxin



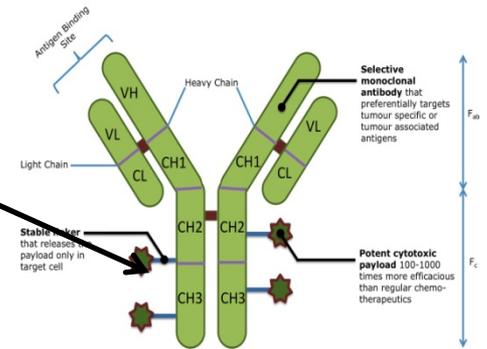
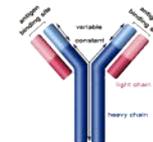
to its sublicensee

And then sells the combination

to customers, who pay the licensee's sublicensee, who pays the licensee 25% of what they receive for the sale of the combination.

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2A) The sublicensee also sells plain antibodies



## How will the licensee earn money?

The answers inform the royalty section.

Some possibilities:

1) The licensee sells nuts  to customers who pay licensee

2) The licensee transfers nuts  to its sublicensee who combines them with bolts,



And then sells the combination

to customers, who pay the licensee's sublicensee, who pays the licensee 25% of what they receive for the sale of the combination.

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2A) The sublicensee also sells plain nuts



## How should the licensor get paid?

A % or a \$ when either the licensee or their sublicensee sells a licensed product.

A percent of what the licensee gets from their sublicensees when the sublicensee sells a licensed product.

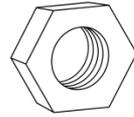
Should the licensor receive anything when the licensee (merely) executes a contract with the sublicensee?

??

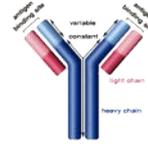
(My answer, yes, especially if the timeline for creating something which can be sold is long, i.e. biotech)

# How should the licensor get paid?

1) The licensee sells  
licensee



,

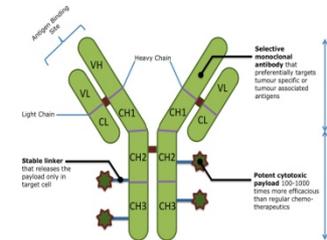


to customers who pay

**3% of product sales**

**or \$1 for every 100 products [Consider adding, whether sold by licensee or sublicensee, -otherwise...]**

2) The licensee transfers the products to a company who combines them to make



And then sells the combination

to customers, who pay the licensee's sublicensee, who pays the licensee 25% of what they receive for the sale of the combination.

**25% of what licensee receives from its sublicensees, but no less than...**

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## What can go wrong? Risk mitigation for the licensor.

The worst thing that can happen to a good idea is nothing.

Diligence:

License must sell X by date D or lose the license

License must spend X\$ toward development of the product by date D or lose the license.

Licensee must file for an IND by date D or lose the license.

Variants: Or lose exclusivity, or pay a fee to the licensor for the delay.

Life is short: If things really don't go according to plan, better for both parties to terminate the license and move on.

## What can go wrong? Risks for the licensor.

\$ Financial issues.

There is a gaping hole in the financial terms.

You have a royalty on product sales by the licensee, but not on sales by their sublicensees.

Misunderstanding the terms.

The license is fully paid up 5 years after a first sale, and you did not see or appreciate this term.

Mitigation: A good contract and relationship.

## What can go wrong? Risk mitigation for the licensee.

The licensor should be willing to warrant (or represents to the best of its knowledge) that it really has the rights to grant the rights granted.

The diligence milestones are realistic.

The terms are reasonable.

You, the licensee have a realistic understanding of the scope of IP protection afforded by the license agreement.

Patents permit the patent holder (or under certain circumstances the exclusive licensee) to forbid others from practicing, they do not **GUARANTEE** the right to practice.

Value creation:

Contracts memorialize agreements, value chains made visible, and appropriable.

A good negotiation process adds insight and value .

A good contract is clear, reasonably flexible, captures value and mitigates risks for all.

