



Chapter 4: Tips for Negotiating a License from a University Technology Licensing Office

- **Show up in person without a lawyer to work out main terms of license agmt**

If you are one of the founders who used to work on this project in the academic lab (but not currently an employee of the university), it would be better to go without a lawyer and build a relationship with the technology licensing officer assigned to your patents. It builds better understanding and allows for direct and easy dialogue and discussion without getting legal language and defensive clauses into the mix while business terms are still to be sorted out. Get your lawyer to explain key terms to you ahead of time. Meeting in person also allows you as founder to communicate the vision and goals with the technology/patents to the licensing officer and co-opt them to be supporters for your company's success.

- **Arm yourself with data and models**

If possible, get access to prior (not more than 10-15 years old) licensing deals in a similar area by checking public databases (most likely from company S-1 registration filings with SEC). You can then use those as comparison or benchmark points especially when evaluating the stage of development of the technology you are licensing out (more on that below). AUTM puts out surveys that you might be able to access through your lawyer or other contacts.

Make sure you model out the impact of each financial term in the license with respects to the impact on your company's future financings and other royalties etc. Especially useful if you can show clearly the impact of certain terms (e.g. early milestones or high royalties) on your business decisions and financing plans. Make the case clearly on why this would hurt development of the product to market, or would force poor business decisions, or would not be aligned with investors, partners, sub-licensees etc..

- **Get investors and the faculty inventor on board**

Having an investor attend a conference call on a critical matter might be helpful in tipping a negotiation on terms, especially if the investors are professional institutional investors and have clear commitment to the project. If you already have closed on funding before going into licensing discussions, that will help convince the licensing officer that your company has a better chance to succeeding and give you priority over other potential licensees.

If the lead faculty member (inventor, or head of the lab in which the invention occurred) is not directly involved in the startup (ie.. active advisory role or other active role) then it is even more important to make sure you have met with the faculty member and gotten them enthused

about your plans for taking the invention forward. The faculty member can potentially influence the licensing office's choice of licensee if competing parties are interested in the patent.

- **Get an understanding on what exactly is non-negotiable when you get to the later rounds of discussions**

Many licensing officers (TLOs) will start potentially with saying their terms are standard and based on internal benchmarks, but once you have able to get friendly with them and have negotiated changes using above tips, then you could ask them to help outline what terms are really non-negotiable in their internal policies so that you don't waste your lawyers expensive time on those items.

- **Foundational vs non-foundational IP and low value IP**

If the patents of interest are the basis for forming the company, they are foundational IP and some licensing offices have separate policy and (typical higher financials) terms for foundational IP. See if you can find a way to show that these patents are non-foundational to the company.

Or then show why the development stage is very early (much earlier stage or unproven compared to the inventors' highly enthusiastic perspective and pitch to the technology office), or show how other patents and components will be needed for product commercialization.

- **Patents are in application stage or final approved claims do not meet expectations**

If the patents are still in application stage, you are taking the risk of licensing and committing to paying fees and prosecution costs etc. There is no refund on the payments to the licensing office if the application does not succeed or the claims get dramatically reduced in scope. At best you can re-negotiate the terms to reflect the reduced scope of claims or you can abandon the license and terminate your obligations.

(Thanks to the StartX founders that contributed their experiences on licensing from university technology licensing offices).