

Licensing Process Outline

Introduction

Global Strategy has been involved in licensing technology from all types of organizations, such as established companies, start-ups, research institutions, government agencies and others, to and from developed and emerging markets. As business development experts, we strive to establish creative solutions that benefit our client partners. Although license agreements vary in terms and conditions, depending on the technology licensed, there are similarities in structure. The following document is an example of the typical terms of a license agreement.

Confidential Disclosure Agreements

Nondisclosure Agreements (NDAs) enable participants to communicate proprietary information for evaluative or collaborative purposes with outside investigators in industry, government and academia. NDAs establish the rights of the receiving party in their utilization of the information. NDAs provide for confidentiality for a specific scope of information and for a specific time period. NDAs may be unidirectional; that is, they cover confidential information from the party disclosing the information to the recipient of the information. If the recipient of the information finds it necessary for the disclosing party to receive their proprietary information, then bi-directional NDAs are utilized.

License Agreements

A license agreement provides the licensee with the ability to use the licensor's rights to intellectual property in order to develop that technology for commercialization. License agreements typically include some combination of the following elements:

- **Initial License Fee**

This fee is paid after the license agreement is signed. The amount of the fee is dependent on the market value of the technology.

- **Annual License Fee**

This is a recurring annual fee that is occasionally used when it is difficult to determine a basis for royalties.

- **Patent Reimbursement**

These fees reflect the direct cost associated with seeking national and/or international legal protection for the technology.

- **Developmental Milestones**

Many licensed technologies need a commercial partner for further development. Making developmental milestones a part of the license agreements helps to define the expectations for the licensee in commercializing the technology.

- **Royalties**

These fees are paid on sales of the licensed technology. They may be calculated as a percentage of sales or on a per-unit basis.

- **Minimum Annual Consideration**

At the end of each year, the licensor expects a minimum royalty payment for a technology. Any actual royalties paid contribute toward the minimum annual payment. These minimum payments are designed to encourage the continued development and marketing of the technology by the licensee, with the expectation that actual royalties will far exceed the minimum annual consideration.

- **Sublicense Fees**

When an exclusive licensee sublicenses a technology, the licensor typically requires financial consideration in the form of a sublicense fees. This fee is normally based on sales, as with the royalty payments described above.

Option Agreements

These agreements give a company the right to evaluate a technology for a period of time to determine its viability and value to the company. During the option period, the technology owner maintains the technology's availability, should the company wish to exercise their option to license the technology. A one-time fee is paid for such rights.

Material Transfer Agreements

These permit biological materials and similar specimens owned by the technology owner to be transferred to researchers at universities or companies.