

Building Companies Using Imported Technology

Playing Smart in the Technology
Licensing Game

Sources of Technology Via License

■ Government Labs

- DOE (LLNL, PNNL, etc.)
- DOD (AFWL, Wright-Pat, etc.)
- NASA (Ames, Johnson, etc.)
 - Not All Labs Behave the Same

■ Universities

- Offices of Technology Licensing
 - Not All Universities are Alike
- Ad hoc Agreements with Researchers

Evaluating the IP

- How Close Is It to Product Development?
- How Difficult Will It Be to Transfer the Technology?
- Who Owns the Rights to the IP?
 - Could Govt. “March –In” Rights Be Invoked?
- Are the License Terms too Onerous?

Maturity of the IP

- Technology Must be Mature Enough to Productize within an 18 Month Period (except for Bio-Pharma). Evaluation of This Must be Ruthless. (Don't fall in love)
- Can the Product Be Built Without Much Help from the Source Organization or Do You Absolutely Have to Have Them?

Transferring the Technology

- Will Technology Developers Join Your Team? Do You Want Them To?
- Is There Alignment of Interest Between Your Company and the Licensing Institution?
 - How Much Support Will Their R&D Team Give to Your Startup?
 - Will The Licensing Institution Try to Compete With You?
 - Can You Give “Founders” inside the Lab stock? How Will You “Equalize” Returns for the Stakeholders?

IP Ownership and Status

- How Many Patents Filed and Issued?
- Who Owns Them? Govt. Rights?
- Who Files Follow-On's?
- Who Owns Jointly Developed Technology?
- When Do Patents Expire?

Generally, You Want to Disengage from the Parent as Soon as Possible, except in special cases

License Negotiation

- Reputation of the Group
 - Cornell v. Stanford
 - SRI v. PNNL
- Excessively Onerous Terms
 - Equity v. Royalties must be balanced and realistic
 - Excessive License Fees
 - Termination Clauses and Remedies
- Retention of Competent Counsel Is Essential

Typical Terms

- 1-2 % of Your Company, Post-A, University Deal
- \$50-\$200K Licensing Fee
- 1-10% Royalties on “*embedded technology*”
- Exclusive in “Field of Use”
- You Do Not Own the IP

Licensing Process

- Develop Relationships with Key Players Early; No Deal is Possible without This
- Figure Out What the Internal Currency Is
- Scope Out Best Mix of Team Members for NewCo
- Do The Sales Process/Customer Development Model for Your Target
 - Develop Credibility That You Can Pull It Off
- Close the Deal and Execute!