

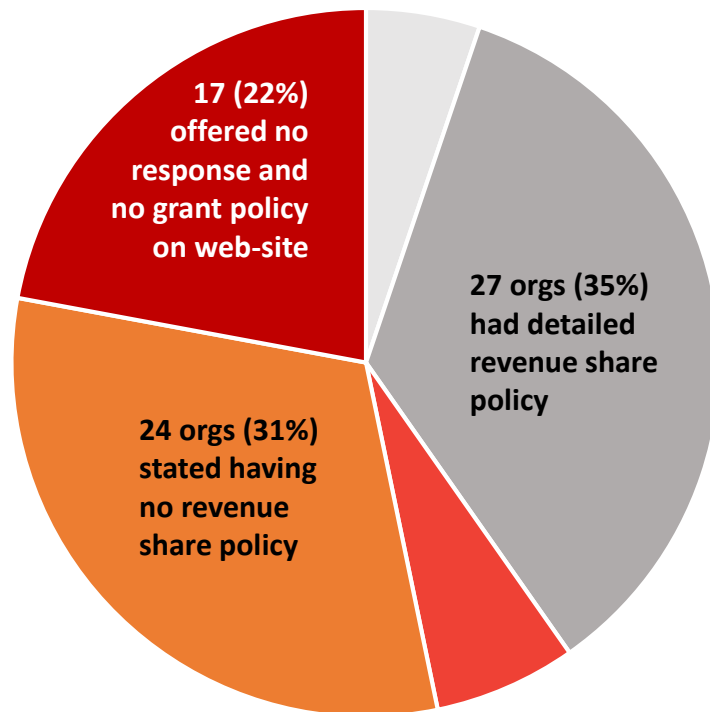
IP, Monetization and Returns

Presented by:

Michael Kaplan
MRA President & CEO



IP Monetization Policies among HRA's 77 Members



- Did not respond to survey and could not find policy on web-site (17 orgs / 22%)
- Found policy on web-site and does provide for revenue sharing (4 orgs / 5%)
- Replied to survey and details revenue sharing policy (27 orgs / 35%)
- Replied to survey – and policy is to defer to funded institution (5 orgs / 6%)
- Replied to survey and does not have revenue sharing policy (24 orgs / 31%)

HRA Member Policies

- 27 members have, and provided, specific IP monetization policy or policy could be found on web-site; 4 stated such a policy exists, but did not provide a copy; and 5 had a policy of deference to grantee's institutional policy;
- No trends observable in size of grant-making organization in relation to existence or non-existence of monetization policy;
- Range of approaches, with following terms seen as variable across agreements:
 - **IP Ownership:** All allowed IP ownership to reside with Inventor/Funded Institution (with deference to institution's policy) however, some did have additional requirements including:
 - ✓ March in rights if IP is not being used or has been abandoned
 - ✓ Stated expectation of grantee to push towards license/use of IP
 - ✓ Title resides with Institution, but funder receives non-exclusive rights to use for non-commercial research purposes
 - ✓ Title resides with Institution, but mandated inform/communication of use to funder follows any out-sourcing licensing of IP



HRA Member Policies (Variabilities within Policies)

➤ **Triggers for Notification of Monetization or IP**

- ✓ Upon filing of Invention Disclosure at Funded Institution;
- ✓ Upon filing of Patent Application and/or Patent Granted; or
- ✓ Upon Monetization event

➤ **Portion of Revenues:**

- ✓ Pro-rata – payout is % based on what % of funding was provided for relevant research;
- ✓ Some pro-rata with floor (i.e. no less than 20%), others pro-rata with ceiling (i.e. not to exceed 50%); or
- ✓ Fixed percentage of net or gross (5%, 10%, 25%)/

➤ **Trigger before Notification and/or Payment:**

- ✓ Majority require notice/payment regardless of revenue to institution, though some do not require until minimal revenue hit (i.e. - \$250k, \$500k or \$1 million).

➤ **Caps on Payments:**

- ✓ while majority did not have caps, some did have caps on payout ranging from 3x to 10x of total funding provided for research.



The Realities of the Policies: Acceptance and Reporting

- Thirty organizations with explicit revenue sharing policies were sent a follow-up survey to see how policies have worked out in practice/application.
- Twenty-two organizations completed the survey and shared the following:
 - ✓ 13 orgs (59%) DO negotiate their policy on a per institution basis, the remainder DO NOT. (MRA Does not Negotiate – but made possible due to Board’s Influence)
 - ✓ 20 orgs (90%) include a requirement for reporting on monetization/revenues within their grant agreements, some explicit in statement that policy remains in place beyond award period.
 - ✓ 3 orgs (14%) reported having staff dedicated to tracking research progress along with potential related revenue stream derived from funded research during and after award (Note: this was in addition to having reporting requirements in the grant award). Of those three – only two reported revenues, and both under \$300k.

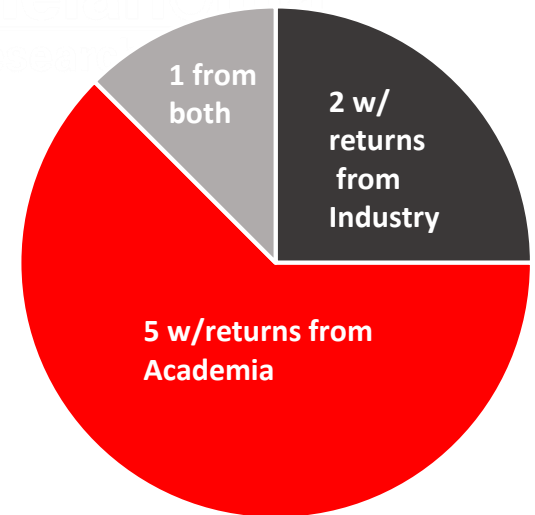
MRA’s Experience:

While grantee progress and final reports did indicate potential and/or actual IP – actual patent numbers were primarily obtained through post-award surveys of grantees.

Melanoma
Research Alliance

The Realities of the Policies: Returns

- Only 8 orgs (36%) – among those with explicit monetization policies – had every experienced an a return.
- Only one org had experienced monetization events on more than 10 awards, one other org had experienced monetization on 6 to 10 awards, while the remainder had seen it on less than 5.
- Among the 8 with returns, the two largest orgs (granting over \$70 million each per year) did not disclose actual amount of returns, and one of the smallest grant-makers, did state returns, but non-monetary.
- Among the remaining 5 organizations that had an explicit policy, and did report a return; via 990 review, those five average \$10 million in annual grants. Among them:
 - ✓ One had seen aggregate returns in excess of \$1 million,
 - ✓ One had seen aggregate revenues over \$300k but below \$1 million;
 - ✓ Remaining three had seen revenues of less than \$100k



The Realities of the Policies: How Easy is this, meaning actually getting the funds?

Among respondents that had returns, seven provided feedback on length of time required to finalize payback terms from time notified of potential ROI:

The average time reported by respondents ranged from 3 to 12 months, with an overall average of 8 months

MRA's Experience:

MRA's policy was adopted in 2013, and first potential ROI was reported to MRA in first Quarter of 2018. From time of notice, to time to sign final payback agreement took 10 months. Negotiation challenges included multiple hand-offs at institution, due diligence to collect all relevant documentation, and coming to agreement on how to move policy into practice (i.e. – pro-rata, other funds, etc.)

Melanoma
Research Alliance

MRA Policy (Updated)

(A) “Revenues” shall mean any amount the Institution receives with respect to the Award IP, including upfront and periodic payments, milestone and royalty payments, but excluding funds received for research support that is not in lieu of Revenue.

(B) DNI shall mean the Revenues received by the Institution excluding (i) the distribution to the inventors and the inventor’s department in accordance with the Institution’s policies; (ii) the patent costs and licensing expenses incurred by the Institution; and (iii) the portion of the Institution’s indirect costs calculated by multiplying the MRA Award by twenty five percent (25%) (“Institution’s Indirect Costs”).

(C) MRA will be entitled to receive a share of DNI calculated by multiplying DNI by the percentage resulting from: (a) dividing the amount of costs paid by MRA Award for the research that resulted in the Award IP, by (b) the aggregate amount ~~provided~~ of costs covered from all funding sources (including MRA Award and Institution’s Indirect Costs) with respect to the Award IP (the “MRA Revenue Share”).

MRA Revenue Share shall be limited to a maximum of five (5) times the MRA Award. Institution shall pay MRA such share annually during any year in which DNI is received

MRA Updated Notice Policy

- A. Notices: Recipient (including, for the avoidance of doubt, both Principal Investigator and Institution, as applicable) shall promptly notify MRA in writing if any item in the below list occurs, whether during the award period, or after:
- i. Findings, breakthroughs, or events of unusual interest related to research funded with this award;
 - ii. Filing of an Invention Disclosure (or similar form) at the institution related to MRA supported research;
 - iii. Any monetization event that occurs related to IP developed utilizing, in part or in full, funds under this award;
 - iv. Problems, delays, or adverse conditions that will or may materially affect the Research Proposal, its objectives, or time schedules or budget, together with proposed Recipient actions to address such problems, delays, or adverse conditions.

**ANY
QUESTIONS?**

Michael Kaplan
MRA President & CEO
202.336.8939
mkaplan@curemelanoma.org

Melanoma

Research Alliance

Powerful Research. Faster Results.