Control of Licensing

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Control of licensing

Context
- Non-profit Funder sponsors research at Research Institution
- Research results in new intellectual property
- How can Funder and RI best manage the IP for maximal impact?

Norms
- Current practice is that RI will usually lead this process
- Goal is a license to an established or new company
Subgroup approach

- Represent both Funder and RI perspectives
  - RIs better represented, more uniform
  - Funders vary more in approach, needs, familiarity

- Describe rather than prescribe
  - There are no “one size fits all” solutions
  - Most scenarios share certain common themes

- Promote communication between Funders and RIs
  - Ideally both before research begins and after research ends

- Improve understanding between Funders and RIs
  - Interests are usually aligned
Subgroup output

- **Principles & guidelines document**
  - 2 ½ pages
  - Component of larger TT & IP document
  - Could be integrated into website or other NFRI deliverable

- **Provides**
  - Background information and context
  - Suggests principles for a successful arrangement
  - Limited specific prescriptions
Communication vs. control

- **Context**
  - IP generated in research
  - One party selected to lead licensing effort
    - More efficient, more attractive to potential licensees
    - Typically RI leads, due to greater resources and bandwidth, comingle funding

- **Questions**
  - How much control should each party have?
    - Particularly relevant to non-lead party
  - How much communication is required during the process?
    - Written reports, required approvals/notices, informal updates, etc.
Communication

- Some level of communication is fair and appropriate
  - Each party has contributed
  - Each party has obligation to its various stakeholders

- Reporting obligations represent a burden
  - Must be kept manageable
  - Can be hard to operationalize

- Communication can be a benefit to both parties
  - Collaborative approach can enhance odds of success
  - Should not be viewed solely as an encumbrance

- Fundamentally, both parties’ interests are aligned
  - Often communication is just as effective as control
Control

- Required approvals increase control but decrease efficiency
  - Non-lead may have a right and/or need for greater control
  - Too many required approvals negate benefit of selecting a lead party
  - Must be a balance

- Not all license terms require same level of control
  - Risk mitigation vs. financial terms
  - Can treat each differently
Licensing

- Licensing process typically takes years
  - Arrangements should account for resources utilized during this time
  - Particularly important when setting time limits to lead party’s control

- License cannot be subject to arbitrary clawback provisions
  - Licensee must be able to invest in IP with confidence
  - Diligence milestones are appropriate to ensure licensee performance

- Communication between Funder and RI should continue during license period
  - Should not end upon successful execution of a license
  - Both parties receive benefit to updates on licensee’s progress