
Myths

- ◆ Royalties are a significant source of revenue for the University
- ◆ Expect a quick return of technology transfer investment
- ◆ Companies are eager to accept new technology from universities
- ◆ You should broadcast availability of technology for licensing
- ◆ The technology transfer office finds the licensee

Reality

- ◆ With the exception of the occasional "blockbuster", licensing revenue is small.
- ◆ Don't expect product royalties for 8 - 10 years
- ◆ Most companies want quick time-to-market
- ◆ Publishing lists of available technology is not effective
- ◆ The inventor is the best source for leads

M.I.T. Approach

- ◆ Primary objective is technology transfer, not to maximize income
- ◆ Leverage intellectual property
- ◆ License exclusively
- ◆ Don't let greed obstruct license agreement
- ◆ Modest royalties geared to product success

Patents

What is a patent?

- ◆ A grant by the government allowing you to exclude others from "making, using, selling, offering to sell, or importing" your invention for a period of 20 years.

What's required to get a patent?

- ◆ The invention must be:
 - Novel
 - Useful
 - Not Obvious

What is a copyright?

- ◆ A bundle of *exclusive* rights held by the author of an original work
- ◆ Bundle includes exclusive rights to:
 - Reproduce
 - Make derivatives
 - Distribute
 - Perform
 - Display
- ◆ Scope: *Ideas* are not protected, their *expression* is
- ◆ Why is this important to you?: Software

License Agreement Factors

- ◆ Given a potential licensee, tailor terms to fit
 - Shared risk
 - Low initial fees
 - Equity in partial-lieu of royalty
 - Modest royalty rates
 - Diligence provisions
 - Investment, personnel, milestones (development and sales), sublicensing requirements

Typical Terms

- ◆ Exclusive
- ◆ Field of Use: Limited
- ◆ License Issue Fee: \$25 - \$100K
- ◆ Royalty: 3-5%
- ◆ Minimum annual royalty: escalates over time
- ◆ Equity: 5% after significant funding
- ◆ Patent expense reimbursement



Sample Companies



- ◆ OmniGuide – optical waveguide
- ◆ Luminous Devices – high power LEDs
- ◆ Elesys – smart sensor for airbag deployment
- ◆ Alnylum Pharma - SiRNA
- ◆ Sony, Moto, Panasonic, Samsung, LG, etc. - DTV
- ◆ Carl Zeiss Meditec – Optical Coherence Tomography
- ◆ Zimmer - protheses
- ◆ Neurometrix – neural monitors
- ◆ Cytec – water purification polymers
- ◆ Momenta Pharma – heparin products

Conclusions

- ◆ Technology transfer is a service
- ◆ Targeted marketing of inventions
- ◆ Favorable license terms to induce investment
- ◆ Powerful engine for economic development