

Drafting "Outside the Box"

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- **What does the licensee want?**
 - All assets of the university – free!
- **What does the licensee need?**
 - A license
- **What does the university want?**
 - billions
- **What does the university need?**
 - A licensee

Example 1 – U. hereby grants...

- **...exclusively, all rights of U. to make and sell products...with right of sublicense...**
- **Which rights?**
 - Past, present, future, plus total FTO
- **Which products?**
 - Whatever we decide to make

University hereby grants...

- **Inventions not yet conceived?**
- **Optioned under SRA with 3rd party?**
- **In negotiations with 3rd party?**
- **Not university's property?**
- **Available but 'politically sensitive'?**
- **Controlled by a different campus?**
- **'Independently' developed?**

University hereby grants...

- ...under the **Licensed Patents**,
- **Products**... [**subject to** the terms and provisions of Article __ below].
- “Product(s)” means:
 - (1)...but for the licenses granted would infringe a **Valid Claim on a country by country basis, according to the laws of the country**; or
 - (2)...embody TECHNOLOGY not covered by a Valid Claim and **not entirely** within public domain **on the Effective Date**.

University hereby grants...but...

- reserves the right to...
 - ...permit practice of Licensed Patents solely for research and education purposes...
 - ...grant to the U.S. Government... **solely to the extent that such...may be required** by research funding agreements between U. and U.S. Government relating to the TECHNOLOGY or the Licensed Patents.

University hereby grants...

- **“Gotcha Insurance”**
 - **Re investigator’s ‘pre’ conceptions**
 - If ‘pre’-disclosed to TTO?
 - If ‘post’-disclosed to TTO?
 - If ‘derived’ from investigator’s concepts?
 - **Re investigator’s ‘post’-conceptions**
 - Open a “technology box”
 - for one year, or
 - Under a Sponsored Research Agreement
 - Scope: Know-how? CIPs? Broader?

University hereby grants...

- "TECHNOLOGY" means all information, manufacturing techniques, data, designs or concepts...described in TTO File No. ** entitled "****", **as amended up to the Effective Date**, and encompassing U.S. Patent Application No. ** entitled "****"
- **Improvements (defined below) are TECHNOLOGY, and patent applications and patents covering Improvements.**
- **Improvements are included in Licensed Patents.**

University hereby grants...

- **Until 365 days after the Effective Date, Licensee has 90 days after Licensee's receipt of... information... covering a New Invention (defined below) to ascertain its interest in acquiring rights thereto. Upon timely receipt by University of... notice of such interest... for a "Negotiation Period" of 120 days... an exclusive option to amend this License Agreement (the "New Invention License").**

University hereby grants...

- **If the Parties do not enter into such New Invention License... University thereupon has the right,unrestricted by Licensee, to license such New Inventions to a third party;**
- **[provided...the terms... are no more favorable, taken as a whole, than the terms offered to LICENSEE for such New Inventions].**
- **University's... obligation to continue for one year...**

University hereby grants...

- **“Improvements” means any improvement on Product or TECHNOLOGY made or conceived within 365 days after the Effective Date, which improvement (1) could not be practiced by a third party absent a license to one or more Valid Claims (defined below) or (2) is properly rejectable in the United States Patent and Trademark Office under the judicially created doctrine of Double Patenting, or the equivalent thereof, over a Valid Claim.**

University hereby grants...

- **“New Inventions” means any improvement on a Product or TECHNOLOGY made or conceived within 365 days after the Effective Date? that is not an Improvement.**

University hereby grants...

- **"Valid Claim(s)" means any claim(s) in an unexpired patent or pending in a patent application included within the Licensed Patents. Valid Claims do not include claims that:**
 - **(1) a court or other governmental agency of competent jurisdiction has decided are unenforceable, unpatentable, or invalid, unappealable or unappealed within the time allowed for appeal; or**
 - **(2) a reissue, reexamination or disclaimer has rendered invalid or unenforceable.**

Licensee shall pay...

Fuhgedaboudit!

- **Expect several “royalties” in the license**
 - Royalties come in a matrix, so...
- **Resist specific numbers early.**
- **But what about the term-sheet (or option)?**
 - Mention minimums, milestones, etc., and...
 - Append a good linear algebra text!

Licensee shall pay...

- **The Parties shall negotiate in good faith the limitations of any license granted to COMPANY pursuant to this Option Agreement as to exclusivity, fields of use, rights and duties of the parties, reimbursement of patent expenses, and consideration (which may include an initiation fee, minimum, running and sublicense royalties, and fees related to development milestones).**

Licensee shall use ??? efforts...

- LICENSEE shall use [best?][commercially reasonable?] efforts to develop, manufacture and sell Products at earliest possible date; manufacture in quantities to meet demand and make the benefits of Products available to the public

Licensee shall report...

- **Within 90 days following end of each calendar year... LICENSEE shall report its efforts... including funds and time applied by qualified personnel, their qualifications, and details of any attempts to sublicense. If University notifies LICENSEE that the efforts reported are, in University's sole determination, less than commercially reasonable, University may terminate this Agreement...**

Licensee shall meet milestones...

- **Mo. 3** **Submit project dev. Plan**
 - Progress report every 90 days...
- **Mo. 18** **Choose delivery system**
 - Progress report every 90 days...
- **Mo. 24** **Continue or submit new plan**
 - Progress report every 90 days...
- **If new plan, amend new milestones**
- **If continue original plan...**

(next slide)

Licensee shall meet milestones...

- **Mo. 34 Submit IND or equivalent**
 - Progress report every 90 days
- **Mo. 48 If under PDUFA, submit NDA**
 - Progress report every 90 days
- **Mo. 60 If no PDUFA, submit NDA**
 - Progress report every 90 days
- **No milestone-based diligence until...**
 - Mo. 6 after FDA licensure – 1st Sale**

If Licensee fails to meet a milestone...

- **Terminate as provided in Art. X...**
- **Make non-exclusive as provided...**
- **“Pay-to-play”**
 - **\$X advances remaining milestones 1 yr.**
 - **One time only**
 - **Repeatedly, but amounts escalate**
 - **Extension rules and fees negotiable**
- **Unavoidability exceptions**

University hereby taketh away...

- ...subject to UNIVERSITY's exercising its Election Option to convert the exclusive licenses granted hereunder to non-exclusive or terminate this Agreement...
- If such milestone not met by end of extension period, UNIVERSITY may, at its election within ten (10) days after such event, convert... or terminate...

University controls prosecution...

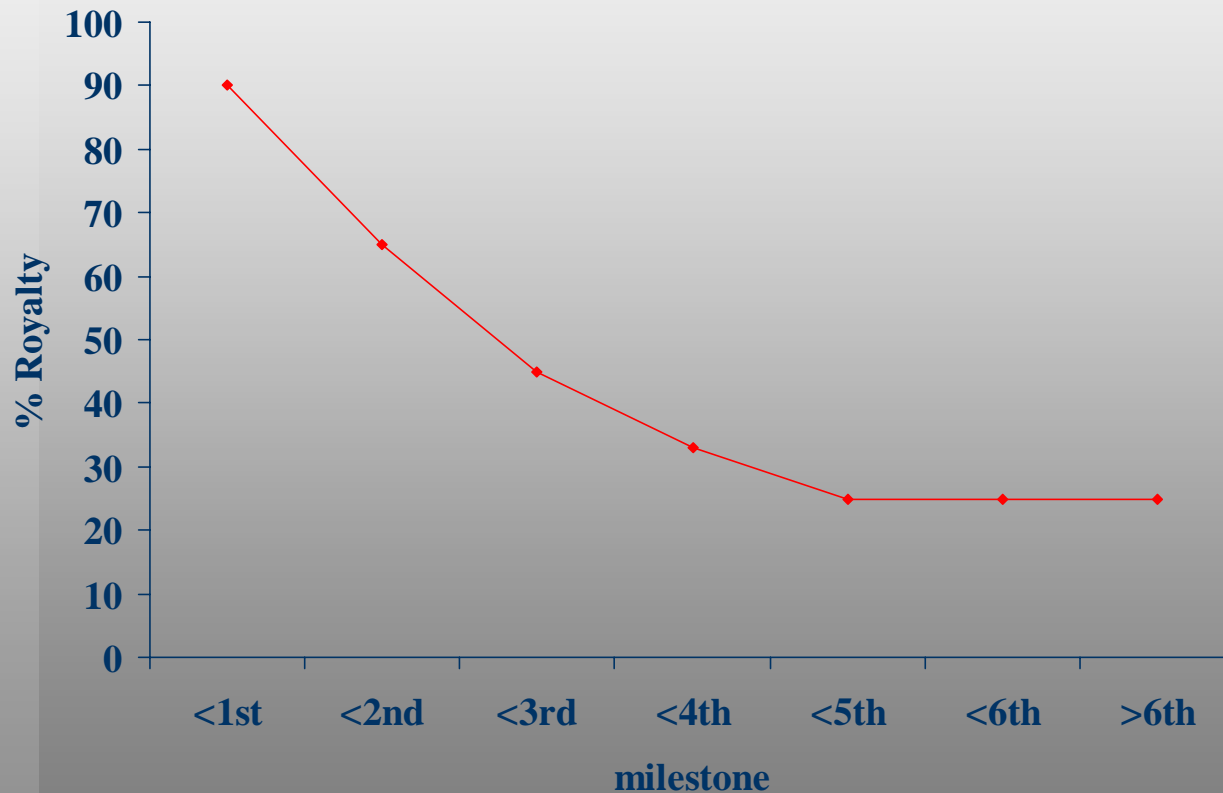
- **Licensee's (legitimate) concerns:**
 - Who is Dewey Cheatham & Howe?
 - Will DC&H's claims "fit" the Product?
 - Will DC&H's spec. provide flexibility?
 - Will DC&H "churn" the case?
 - Will DC&H (or University) miss a date?
 - Will our in-house patent counsel kill us?

University controls prosecution...

...but Licensee

- **Pre-approves counsel**
- **Has direct access to counsel**
- **Participates in all aspects of prosecution**
- **Is treated as additional client by counsel**
- **Is timely copied – 30 days to comment**
- **Pays only 50% on any matter delayed**

Licensee shall pay a fraction of Gross Sublicensing Revenues...



Licensee shall pay...

- **LICENSEE shall pay... a royalty based on Net Sales of Products by a Sublicensee equal to 60% of royalties LICENSEE or LICENSEE's Affiliate receives from such Sublicensee, based on Net Sales of Products defined under Section 30.12(1) (hereinafter referred to as "30.12(1) Products") if such sublicense is first made effective prior to the achievement of the first milestone in Section 7.4.**

Anti-stacking clauses

- **3rd party may not be as generous**
- **Avoid inadvertent “royalty holiday”**
 - Forgive up to 50%
 - OK ‘carry forwards’ only if you mean to
- **Make possibility of audit credible**

Antistacking...

- **LICENSEE may deduct up to 50% from running royalties otherwise due solely against up to one-half of out-of-pocket fees paid under third party licenses on the specific Products covered in such license(s).**
- **LICENSEE may continue to make the deduction until it has recovered an amount equal to one-half of those out-of-pocket fees.**
- **The annual fees required hereunder remain fully due and payable.**