



**THE MINISTRY  
OF JUSTICE OF  
UZBEKISTAN**



## BUSSINESS CONTEXT IN WHICH LICENSING OCCURS

Olga Spasic  
Consultant

# Technology Transfer, IP Commercialization and IP License

- TT is a non – legal terme;
- Many definitions;
- WIPO Approach – instrument for collaboration:
  - **Technology transfer (TT) is a collaborative process that allows scientific findings, knowledge and intellectual property to flow from creators, such as universities and research institutions, to public and private users.**
- TT encompasses processes of IP commercialization, including IP license.

# Technology Transfer, IP Commercialization and IP License

- **IP Commercialization** – process of extracting value from the IP by development of a new product, production method, or service based on the IP ( fully or partially);
- In a simplified approach there are three possible options:
  - **Assignment of IP** – “selling “of IP rights, irreversible, effect in all territories and for the future;
  - **Licensing IP** – “renting” of IP in exchange for monetary or other benefit – in defined territories, field of use and for a limited period of time;
  - **Creation of start up** – often based on a licensing agreement between academic institution and newly crated business – to facilitate commercialization of IP created in academic institution.

# TT Subject Matter – Intangible Assets

## Intangible Assets

- A resource with a potential economic value that an individual, corporation or country owns or controls with the expectation that it will provide future benefit.
- **“Legal Intangibles” – Intellectual property (IP)** refers to creations of the mind: inventions, literary and artistic works, symbols, names, images and designs used in commerce. Once protected under the relevant IP laws – IP becomes legally enforceable right.
  - Patents
  - Trademarks
  - Brands
  - Industrial Design
  - Copyright
  - Trade Secrets / Know-How etc.
- IP is not an asset by itself – only when strategically managed by skilled professionals – to add value and assure utilization..
- Number of patents or other protected IP is not an indicator of innovative effectiveness of the organization, the most important is IPR management and results achieved – added value.

# TT Subject Matter – Intangible Assets

**“Competitive Intangibles”** – impact competitiveness, efficiency, reduce costs, increase revenues and contribute to the “good will” of the institution.

- Human capital – primary source of competitive intangibles;
- Collaboration activities;
- Organizational processes;
- Know-How;
- Business Plan;
- List of partner institutions;
- List of clients;
- Reputation.

# Tools and Means for TT

- **Informal**
  - Discussions
  - Seminars
  - Articles
  - Working relations
  - Movement of people
- **Formal – Contracts**
  - License Agreements
  - Development Collaboration Agreements
  - Research Services Agreements
  - Sponsored Research Agreements
  - Material Transfer Agreement
  - Consultancy Agreements
  - Confidentiality Agreements

# What is IP License

- A technology (IP) license is a contractual agreement between a party that owns or has the right to control **intellectual property (IP)** (the *licensor*) and another party (the *licensee*). The licensor agrees to let the licensee use the IP in defined ways in exchange for a payment or other benefit. IP licensing is a way to share an intangible asset (IP) in a technology in a controlled and mutually beneficial way.
  - **Intellectual property (IP)**, which is always the subject matter of licensing agreement, can be defined as a category of property that encompasses “creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce:
    - Industrial Property – Patents (utility models), trademark, industrial design, brands
    - Copyright
    - IP protected through contracts – trade secret, know how
  - *sui generis* types of IP protection that are only available in certain countries - plant patents (US only), integrated circuit layout design, and certain types of database rights and rights in data (e.g. the result of creative effort to develop a database of key biological data:.

# IP License

- IP licensing only occurs when one of the parties **owns** valuable IP **or has the right to control the use of it.**
- IP ownership gives a legal right to exclude or prevent others from using that IP **for commercial purposes.**
- Intellectual Property (registered or non registered) is the **subject matter** of the licensing agreement – if there is no IP – it is not licensing agreement.
- Different kinds of IP Licenses
  - Pure IP License
  - Product or Technology License
  - Standard License



# Why IP License?

- Most frequently used mean for technology transfer – university – industry relations or B2B;
- Advantage - gives variety of options for business relations with different partners by using the same portfolio of IP;
- “Win – win “ solutions;
- Possibility for licensing partners to share the risk through royalty rates;
- Potentially provides significant return on investment and incentives for creativity and innovation;
- Very important business tool for new “collaborative innovation” or “open innovation”.

# Business Context of IP License

- IP Licensing often occurs as a consequence or in the context of other relationships (research or business) in which other agreements are very important. In that case licensing agreement is interrelated to these other agreements.
  - Research Collaboration Agreement
  - Sponsored Research Agreement
  - Material Transfer Agreement
  - Consultancy Agreement
  - Research Service Agreement ( if IP ownership of the developed research results were not assigned in advance)
  - Joint Venture Agreement
  - Merger of Businesses
  - “Networked Collaboration” – “Open Innovation”
  - Patent Pools
  - Access to Standards

# Business Contexte

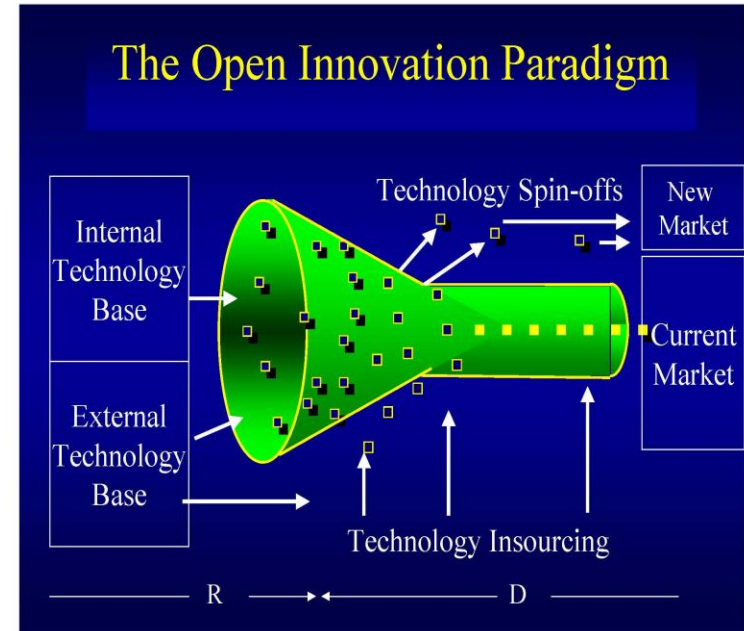
- University – industry – transfer of research outcomes, knowledge, know how, research collaboration – for development of new innovative products and services for the benefit of society;
- B2B – when company wants to expand its product or geographic markets by enabling the licensee to exploit a market sector or a geographic territory that the licensor is unwilling or unable to exploit, assure penetration to the new market, further develop existing technology or improve development of the new product (Open Innovation).

# Open Innovation

- Open innovation is a paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as the firms look to advance their technology”.

Henry Chesbrough, Executive Director, Center for Open Innovation, Haas School of Business

- Image - Henry Chesbrough presentation on the OECD Conference on New Business Strategies for R&D 2012



# Open Innovation

- Basic business tool for assuring access and use of external inventions and technologies is IP LICENSE.
  - IP protected and transferred under licensing agreements.
  - It is not Open Access – even if technologies are available fee free.
1. Reduce the innovation risk;
  2. Costs;
  3. Time and dedication;
  4. Leveraging on the results obtained by others – businesses, universities, start ups;
  5. Mutual access to IP and even co – construction of new technologies;
  6. Alternative to acquisition of the small company and permits mutual benefit while preserving the dynamic independence of the smaller company..

# Open Innovation Example

- In 2008, LEGO launched LEGO Ideas, a platform open for anyone to submit innovative ideas. LEGO received proposals from 10,000 users.
- These ideas have been reviewed, and the winning idea is moved to the production process. The original owner of the idea receives 1% of the selling royalties.
- LEGO Ideas was the reason for innovating new sets such as Big Bang Theory, Ghostbusters, and Back to the Future (Wilkins, 2015).
- LEGO IDEAS can be accessed through the domain name <https://ideas.lego.com>.

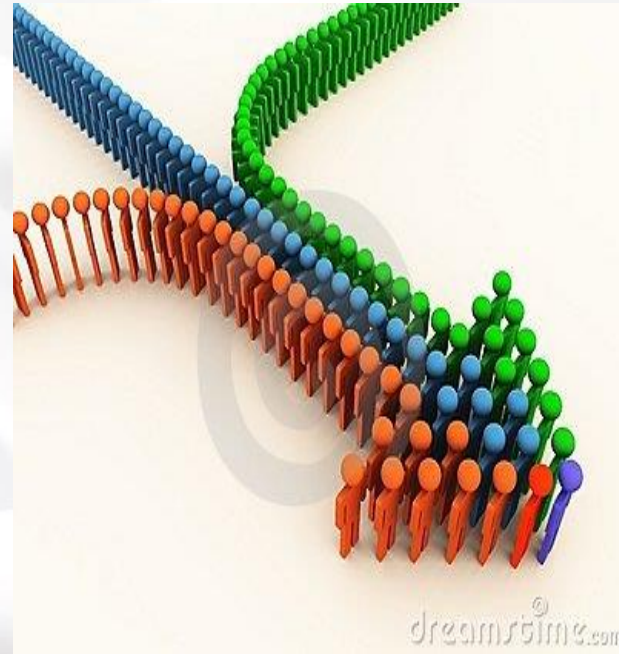
# Development Collaboration Agreements or Joint Research Agreements



Two or more parties, each having special skills and assets, cooperate to develop and possibly commercialize a new technology.

# Development Collaboration Agreements (2)

- Parties are investing equally, or in an adequate proportion:
  - Resources;
  - Skills;
  - Assets and
- Jointly define
  - Objectives;
  - Timelines;
  - IPR Ownership;
  - Access rights;
  - Benefit sharing.





# Development Collaboration Agreements

- Parties share development risk and benefits.
- Both parties can commercialize developed results.
- **Benefit sharing** – revenue sharing in accordance with the principles and conditions set up in the framework.
- **Critical Issue** – IPR management principles needs to be agreed before starting the project.



# Development Collaboration Agreements – IP Rights

## “Background Intellectual Property Rights (IPR)”

- Retained by the Party which was the owner, or had control over the use of the particular IPR **before the collaboration project started.**
- Each Party will retain ownership of all information and materials in its possession as of the date of execution of this Agreement and of any intellectual property rights therein (“Background Rights”). Each Party will receive and may use the other Party’s Background Rights **solely as specifically permitted by this Agreement.**

# Development Collaboration Agreements – IP Rights

**“Foreground IPR” (“Program Technology”)** – IPR generated in the framework of the project.

IP Ownership Options:

- Joint IP Ownership – Important - Different rules in management of joint ownership in different jurisdictions.
- IP ownership of the Party which develop it.
  - It is expected that the Party will :
    - Inform other party about the developed IP;
    - Take appropriate action to protect developed IP;
    - Provide other Party with the access and right to use of this foreground IP in the framework of the program;
    - If not interested to retain IP ownership on developed IP Party may be requested to offer to other Party such an option (right of the first refusal).

# Development Collaboration Agreements – Access Rights

- **Access Rights** – Parties are usually giving rights to each other to use the IPR developed and owned by them – but only in the framework of the implementation of the project, use of the jointly developed technology or for the internal use only.
- Example 1: Model Agreements, California University
  - “In consideration of the collaborative nature of this research, Collaborator shall grant to California an irrevocable, **non-exclusive, royalty-free, non-commercial license** to use such invention or discovery for **internal purposes only**.”
  - In consideration of the collaborative nature of this research, California shall grant to Collaborator an irrevocable, non-exclusive, royalty-free, non-commercial license to use such invention or discovery **for internal purposes only**”.

# Development Collaboration Agreements – Access Rights

- Parties can also take an obligation that they will not enforce their rights against the action of the other party – in the framework of the Project.

Example 2;

- **ALPHA hereby covenants not to enforce any of its Background Rights against activities of BETA pursuant to the Research Plan or authorized pursuant to Section 3.4 or 3.6.**

# Development Collaboration Agreement

- There is **inter-relation between collaboration and licensing agreements** – most of the collaborations are based on the cross-licensing of the background and foreground IPR of the parties, necessary for the implementation of the project and on the licensing out of the developed technology to the third party.
- Often there is an overlapping between **research service and collaboration agreement** – as in some cases contractors are also collaborative partners.
- If collaboration is in the same time **research service agreement or contract research agreement**, the management of the IPR ownership will be different.
- **EU COMMISSION RECOMMENDATION** – in the case of **contract research** the foreground generated by the public research organization **is owned by the private-sector party**. The ownership of background should not be affected by the project.
- **IPR management** – **essential** for the success of the collaboration.

# Research Services Agreements



- Contract research – “work for hire”;
- Services agreement;
- One party establishes goal and pays, the other party conducts research toward goal;
- Commercial goals – not academic;
- Background IP and results may be ( usually are) owned by paying party:
  - Inventions and patents assigned to paying party;
  - Copyright work made for hire, limited publishing rights for institution;
  - Institution will charge full economic cost.

# Research Services Agreements (2)

If performed by public R&D institution, it should be managed in line with the interest and IP policy of the institution, preferably in the case of:

- Specifically-designed projects and services, not as a regular practice;
- When there is a particular interest – access to market developed new technologies, acquisition of new knowledge and experiences.
- The best way to avoid undesirable results – well developed institutional policy regarding delivery of such services:
  - Desirable outcome;
  - Acceptable;
  - Caution! – If sponsor retains IP ownership, university **must** retain right to use the IP for non-profit purposes.



# Sponsored Research Agreement

- A written document which describes the relationship between Recipients and commercial entities in which Recipients receive funding or other consideration to support their research in return for preferential access and/or rights to intellectual property deriving from Recipient research results.

→ Definition of the US National Institutes of Health (NIH)



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# Sponsored Research Agreement

- Driven usually by academic interests and funded by industry or government authority;
- Sponsor does not necessarily contribute to the research activity;
- May not lead to and industrial end – goal;
- Can provide a strategic input to the sponsor;
- University usually owns the results and IP developed;
- IP license to the sponsor (exclusive or non-exclusive);
- Government sometimes **provide guidance** for such cooperation – limiting percentage of sponsored outside of research plan .

# Sponsored Research Agreements - Example

The University grants to the Sponsor a non-exclusive, indefinite, fully paid-up, royalty-free licence (with the right to sub-licence to any Group Company and to any person working for, or on behalf of, the Sponsor or any Group Company, but only for the purpose of carrying out that work, and otherwise without the right to sub-licence) to use the Intellectual Property in any of the Results for any purpose within the Field in the Territory.

<http://www.innovation.gov.uk/lambertagreements>

# Consultancy Agreement – in Academic Context

- Professional provides expert service to public or private organization in exchange for payment;
- In academic context it is usually on a personal basis where University policies permits, but it can also be in the context of University licensing agreement with IP commercialization partner – KNOW HOW LICENSE.

# Consultancy Agreements

- Academic Context - Where University policy permits professors/ researchers to engage in private activity during a limited number of hours of work – to avoid conflict of interest between researcher and university;
- Where persons act as consultants as their main line of work;
- In technical assistance, franchising and technology licensing contracts, where expertise and additional know how for the implementation of the initial contract is needed.

# Consultancy Agreements

## Terms:

- Payment set forth by hour/day/month/ in terms of the agreement;
- Work for hire;
- Subject matter of the consulting is open-ended and described;
- Background IP is defined and is retained by the Consultant;
- **Ownership of the new IP is usually owned by the company and is set forth in the LICENSING agreement clearly.**

# Consultancy Agreements - Example

## IP Ownership of the Hiring Company

“Any idea, invention, concept, discovery, work of authorship (including without limitation, software, computer programs, and databases (including object code, micro code, source code and data structures), and all enhancements, modifications and updates thereof and all other written work products or materials), patent, copyright, trademark, trade secret, know-how or other intellectual property that the Consultant conceives, makes, creates, invents or suggests during the term of the Agreement that are connected with the Consultant’s performance of services for The Company or are otherwise related to the business of The Company (collectively, “IP”) shall be the sole property of The Company. **The Consultant agrees to assign, and hereby does assign, all right, title and interest in and to IP to The Company.**”

# Confidentiality Agreement

A legally binding agreement not to disclose confidential information that a party has learned, or use it for any purposes other than those specified in the agreement. May also be called a non-disclosure agreement.





# Confidentiality Agreements

## Context

- LICENSING AGREEMENT - Before an IP license or other agreement is established, licensee wishes to have further detailed information about the IP or technology and is taking obligation to keep data confidential for determined period of time;
- COLLABORATION AGREEMENT - In the context of the collaboration agreement – both parties may take an obligation not to disclose or use the information regarding background IPR of the other Party – once they obtained access rights;
- CONSULTANCY AGREEMENT – consultant is requested to keep information confidential even after termination of the contract;
- RESEARCH SERVICE AGREEMENT
- ACQUISITION - Where a company is acquiring another company and wishes to know about its IP or technology.
- In the context of the employment relations.

# Confidentiality Agreements

## Terms:

- Receiving party agrees to maintain information in confidence;
- Receiving party agrees not to use the information for any purpose other than that specified (e.g. only for evaluation of the technology during the negotiation);
- May be mutual or unilateral;
- Parties have to specifically agree what would be considered as a confidential information, how the information will be transferred (as a written document, video tape) and what would be the “confidentiality” period;
- Example: “For the purpose of this clause “Confidential Information” shall mean all information of a commercially sensitive nature including (but not limited to) specifications, drawings, circuit diagrams, tapes, discs and other computer readable media, documents, techniques and know-how which are disclosed by one Party to the other for use in or in connection with the Project”.

# Confidentiality Agreement

- The terms should be set up in a way to protect information and the interest of the Parties, to provide an efficient communication based on the confidence.
- However, terms should be realistic and acceptable for both Parties.
- Example of non realistic terms - “The Receiving Party shall not, during a **period of fifteen (15) years after the termination of this Agreement**, use any such Confidential Information for any purpose other than the carrying out of its obligations under this Agreement or other than in accordance with the terms of this Agreement.”
- Unreasonable requests are diminishing confidence and unnecessarily jeopardize implementation of the core agreement.

**Thank you!**  
**Olga Spasic**  
**Consultant**  
**[spasicolga@gmail.com](mailto:spasicolga@gmail.com)**