How to Exploit and Add Value to a Patent

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Introduction

- Issues Relating to PRO Patents
- From Disclosure to Patent filing
- Adding value to an invention
- Routes of Exploitation – Licensing, Spin-off, Collaboration
- Assessing the Value of a Patent
- Monitoring outcomes

Issues Relating to PRO Patents

- Ownership can be questionable (students, contracts, national laws)
- Scientists are mobile!
- Scientists can be "difficult"
- Grant conditions (eg charities in UK)
- Industrial/academic collaborations
- Patents are expensive

Safeguarding university inventions

- Some important factors

- Material transfer agreements
- Confidentiality agreements
- Establishing a policy
- Awareness of staff

From Disclosure to Patent filing

- Initial disclosure – formal or informal?
- How much information do we want/need
- Invention assessment – is it new, inventive? Do we own it? Who are the inventors? Any disclosure? Will there be a market? How much time/money will it take to develop a product? Is the researcher going to drive development? Can patenting be delayed?

Filing a patent

- Find an appropriate agent!
- File a national filing first (unless there is a good reason not to)
- Emphasise the time constraint to your researcher
- Be ready to commercialise

Adding value to an invention

- **"Soft Funding"**
- **IP bundling**
- **Collaboration**
- **Early spin-out**

Exploiting IP

- **"Valuing" IP**
- **Routes to Market:**
  - **Licensing**
  - **Spin-out**
  - **Collaboration**

Valuation of IP

- Where do we start?
  - Market, potential market share, time to market, investment required, risk, added value of the invention, net income generated for licensee, background IP, competitor IP, patent stage and perceived "strength"…
  - Generally accepted not to be an exact science – but do your homework and find a number!
  - Dealing in percentages is easier…

Licensing

- **Issues:**
  - **Stage of development – often our inventions are too early to directly attract a licensee**
  - **Value will be relatively low**

Licensing agreements

- **Some considerations:**
  - **Milestones (business and development)**
  - **Access to Improvements..**
  - **Academic freedom**
  - **Academic timescales**
  - **Monitoring – audit rights**
  - **Consultancy**

Spin-out formation

- **Issues:**
  - **Funding**
  - **Value of IP/ownership of company**
  - **Assignment of License to company?**
  - **Academic involvement**
  - **As per licensing….**
  - **Long-term relationships may ease process…**

Collaborative agreements

- Generally for an Option to License
- Can be critical to develop early-stage IP
- Is the licence structure agreed in advance?
- Are the licence terms agreed in advance?
- Who owns the foregound? (how much does it matter?)
- How to cost the research programme?
- Use of standard agreements/principles

Collaborative agreements

- Sticking points:
  - New IP
  - Milestones (for research)
  - Relationships (especially with the researchers)

Case Studies (1)

- **Licensing of IP**
  - **Deal brokered in 1998**
  - **Funding in return for option to License**
  - **Option taken up 2001**
  - **Out-license by Licensee 2003**
  - **Sale of IP by Licensee 2005**
  - **Product… 2008?**

Case Studies (2)

- **Collaborative agreement**
  - **Company approach with interest in IP – 2003**
  - **Funding agreement 2004 (issues!)**
  - **Exercise of Option to License – 2006**
  - **Product… 2012 at earliest**

Case Studies (3)

- **Spin-out Formation**
  - Spin-out formed 1998
  - Ownership approx 20%
  - Technology/IP *assigned* into company
  - IPO in 2005 (sale of some share 2006)
  - Product….. ? Profit…?

Case Studies (4)

- **"Spin-in" formation**
  - "Company" approach 2004
  - Funding/IP agreement 2004
  - Project completed 2005
  - Second round funding 2007
  - Product…. 2012?

Fostering Innovation

- **Thank You!**