The Licensing Process

The University of Akron (UA) and the UA Research Foundation (UARF) encourage and support the commercialization of UA technologies by outside parties through a licensing process that is designed to provide a fair exchange of access to technology and legal rights for reasonable consideration.

Upon your company's initial contact with the Office of Technology Transfer, we can provide links to or copies of the publicly available materials describing inventions of interest for your preliminary review. If you believe that the technology might pose a solution to your company's needs, then a next step is promote discussion among your company's technical experts and UA inventors to confirm the many specific details surrounding the implementation of the invention in the corporate environment. Typically, the parties may consider a Non-Disclosure Agreement (NDA) to protect any proprietary information that may be exchanged.

Sometimes even after these technical discussions, uncertainties remain about the technology. (Will it scale up to industrial production levels? Can it interface with existing company tooling? Can the company's staff reproduce the inventor's work?) A brief period of further testing or evaluation may be desired. For these purposes, we offer Option Agreements to reserve to the company the exclusive right to obtain a license agreement. If these Options are to last for more than a short time (3-6 months) we include developmental milestones to be completed by the company before it may exercise the option to obtain a license. Financial consideration for holding this exclusive Option may include the company's reimbursement of the University's patent costs incurred during the Option Period, as well as an option fee.

In many cases, no further testing is necessary and the negotiation of an exclusive or non-exclusive License Agreement can begin. For those companies who have completed licensing transactions with other major research universities, you will find few surprises in our agreements. For companies who are doing such deals for the first time, the following explanations may be useful.

Just as every technology is different, so too is every deal. We usually start with a term sheet covering definitions, diligence, and financial terms, but we are ready to discuss adjusting any of the terms that we are permitted to change. These changes would reflect the unique needs of both parties and the economic and practical realities that define the market opportunity being addressed. As such, we can't promise that terms in any two licenses will be equal, but they will be fair for that situation. Our standard Option and License Agreement terms and conditions can be viewed on our website.

The University of Akron's Office of Technology Transfer and UARF manage the license negotiation. Issues of particular importance to us are the company's knowledge and access to the market, its financial resources, and a viable business plan to reach the marketplace. With those objectives in mind, the following topics are typically addressed in the licensing process.

Negotiating Financial Terms and Equity

The University obtains financial compensation through license fees, royalties, milestone payments, minimum royalties, and, in some cases, equity. No two technologies are alike and thus agreement terms are developed on a case-by-case basis. UA's licensing staff is committed to working out an arrangement that is both advantageous to your company and provides a fair return for the university.

- Royalties are "usage-based payments" made by the licensee to UA for each item sold. Royalties typically are based on a percentage of net sales.
- Fees are lump sum payments that can be constructed so that payments can be made up-front, at milestones, or at a set point in time.
- Reimbursement of patent costs are typically expected of all licensees, and include UA's costs associated with obtaining and maintaining patent protection.
- Equity may be given in lieu of fees for licensees that prefer to compensate the University with an ownership stake in the licensee through stock. This is usually done for startup companies. The equity stake in the company is negotiated based on the value of the University's technology.

Faculty, Staff, or Graduate Student Involvement in Companies

If a faculty/staff member or graduate student holds a financial stake in a potential licensee or optionee (which could include, but is not limited to, equity, employment, or a consulting arrangement), the agreement must be reviewed and approved through the University's Conflict of Interest procedures.Faculty should share this potential conflict with the Office of Technology Transfer, so that it can initiate the conflict review process and can assist you during the process.

General License Agreement Terms

Licenses with universities generally will include the following sections.

Definitions

- Technology/patent rights being licensed
- Field of use in which the licensee can sell the technology
- Geographic scope of the license rights
- Additional definitions can include net sales, sublicensee, etc.

Grant of License

- Exclusive vs. nonexclusive
- Field of use (e.g. diagnostics, therapeutic, veterinary)
- Territory (e.g. worldwide vs. U.S.)
- Sublicense rights (e.g. can the licensee sublicense the technology to a third party?)
- Reservation to the university that it can use the technology for research and academic purposes
- If the technology is based on federally funded research, reservation of rights to the

government

Consideration

- License fee
- Equity for liquidation payment at exit if licensee is a start-up company
- Royalty on sales by licensee and its sublicensee (most common, but sometimes a set royalty amount per product sold)
- Percentage of non-sales based sublicense income (such as sublicense fees)
- Minimum royalties or annual maintenance fees
- Milestone/diligence payments

Patent Prosecution and Payment

Typically, the university will control patent prosecution and provide the licensee the opportunity to make comments, decisions about the prosecution strategy, which countries to file in, etc. In an exclusive license, the licensee reimburses the university for all its costs associated with preparing, filing, prosecuting and maintaining the licensed patents. In a non-exclusive license, the licensee reimburses a portion of the fees.

Reporting

Typically, the university requires semi-annual reporting of royalties due, sublicense agreements and payments, and other revenues.

Diligence Terms

The license will provide for certain diligence milestones to be met by the licensee to ensure that the technology is being diligently developed and commercialized. For pharmaceuticals and medical devices, these often are pre-clinical and clinical trial milestones. For other products, diligence terms might include field testing of a prototype or a first product sale.

Sublicense Provisions

Licenses that provide for exclusive rights typically also allow the licensee to sublicense the licensed technology to third parties. The University will require that all sublicense agreements contain some of the same language as the original license such as: use of the university name, disclaimer of warranties, maintenance of university rights, product liability, confidentiality, and termination.

Infringement

Generally an exclusive licensee has the first right to enforce the licensed patents. The University can join the suit usually upon reimbursement of its expenses by the licensee. If the licensee elects not to pursue enforcement, the University may elect to enforce on its own. This section will also provide for distribution of any damages between the licensee and the university after expenses are paid.

No warranties; limitation of liability

The university will not make any warranties as to the fitness of the technology for a particular purpose, merchantability, or validity of patent rights. The licensee assumes all risks associated with the licensed technology.

Indemnification

The licensee will indemnify the University, its employees, regents, trustees, and other personnel against all claims, proceedings, demands and liabilities of any kind whatsoever. The University may also require that the licensee obtain certain amounts of product liability insurance prior to commercial sale or use of a product.

Term and Termination

This section provides for the term of the agreement (typically the life of the licensed patents) and for both parties to terminate the agreement. Generally, the licensee can terminate the license by providing the university some period of advance notice, while the university can only terminate for a breach of the license agreement (such as non-payment of royalties or patent expenses, or not meeting diligence requirements). Upon termination, sublicenses also terminate although sublicensees may obtain a direct license with the University under substantially the same terms.

Notices

A listing of contact information for both parties and any requirement for communication.

Miscellaneous Provisions

- Provisions for Ohio law governing the agreement
- Agreement to mark products sold in the U.S. with all applicable U.S. patent numbers and to comply with the patent laws and practices of other countries that fall within the license
- Prohibitions on using the University's name in any publicity or advertising without its written consent
- Agreement that the licensee will comply with all applicable laws and regulations, including U.S. laws relating to the transfer and export of certain commodities and technical data
- Provision that the license may not be assigned without the written consent of the University
- Force majeure
- No agency relationship
- Assignment provisions

Agreement Types

Non-Disclosure Agreements (NDAs) are often used to protect the confidentiality of an invention as it is being evaluated by potential licensees. UA enters into NDAs for University proprietary information shared with someone outside of the University or two-way NDAs to enable both partners to share information. The Office of Research Administration manages incoming NDAs as they are related to research contracts.

Option Agreements, or option clauses within research agreements, describe the conditions under which the University preserves the opportunity for a third party to negotiate a license for Intellectual Property. Option clauses are often provided in a Sponsored Research Agreement to corporate research sponsors or are entered into with third parties wishing to evaluate the technology prior to entering into a license agreement.

License Agreements describe the rights and responsibilities of a party related to the use and exploitation of intellectual property developed at the University. University license agreements stipulate that the licensee should diligently seek to bring the intellectual property into commercial use for the public good and provide a reasonable return to the University.

Material Transfer Agreements (MTAs) used for incoming and outgoing materials at the University, are administered by the Office of Technology Transfer and Office of Research Administration, and describe the terms under which University researchers and outside researchers can share materials, typically for research or evaluation purposes. Intellectual property rights can be endangered if materials are used without a proper MTA.

Inter-Institutional Agreements describe the terms under which two or more institutions (e.g., between two universities) collaborate to assess, protect, market, license and share in the revenues received from licensing jointly owned intellectual property.

Research Agreements describe the terms under which sponsors provide research support to the University. These are negotiated by the Office of Research Administration.