Philosophy of Technology Licensing at Wayne State University

Wayne State University has a strong interest in and commitment to licensing discoveries made by its research faculty. Although licensing is not the primary mission of WSU, it fits very well within our objectives of research excellence and service. Our researchers are engaged in a wide variety of studies, both basic in terms of patent standards, they are novel and useful. When industry uses or commercializes our technology, we know that it is both valuable and relevant because it solves a problem, cures a disease, produces savings of costs or efficiencies or is deemed worthy of investment for the creation of new products or businesses.

Licensing also helps us meet obligations to sponsors of our research, whether they are government agencies, foundations, or private organizations. Licensing can generate discretionary funds and revenue to support the University’s research and educational activities. Finally, licensing is one means of recognizing and rewarding the innovators whose work has advanced science.

Wayne State University’s commitment to licensing is demonstrated by its support of an office whose primary responsibility is to engage in technology identification, marketing and transfer. This support takes the form of salaries for professionals, an operating budget and adequate financial resources for intellectual property protection. The activities of Technology Commercialization take place within the context of our Patent and Copyright policy and the fiduciary responsibilities of various parties including the WSU Board of Governors, the President, the Vice President for Research and the Associate Vice President for Research and Technology Commercialization.

In terms of WSU’s specific goals and approach to licensing there are several principles to keep in mind. First, we are absolutely committed to high quality licensing transactions and interactions with industry. We prepare the strongest possible package of technology and rights to license. We perform internal due diligence on questions such as clear title, an accurate description of the technology, and the filing of the broadest possible patent applications using competent outside counsel. We approach all negotiations and transactions in a manner that is ethical and fair to both parties. We also perform due diligence on prospective licensees, e.g., by investigating their size, assets and resources, number of employees, technical capabilities, and overall commitment to advancing WSU’s technology.

WSU regards licensing as a business activity and our goal is to oversee compliance with the license agreement, protect our intellectual assets, and receive a fair exchange of value without compromising the University’s mission, reputation or other assets. Licensing negotiations involve a specific invention case manager as the point person responsible for all communication between the negotiating parties concerning license terms. Any license deal relies on consensus within our organization and the licensing team. We communicate with our attorneys at an early stage so they are not surprised later or asked to approve an arrangement we have already agreed to. Our inventors are stakeholders who are kept informed of the terms we are seeking and given an opportunity to comment. However, we do not let them choose terms or negotiate. In fact, inventors are excluded from negotiating process to the extent possible to protect their relationship with the prospective licensee and its scientist.
In licensing, all terms we discuss with the licensee are reduced to writing. We prefer to work from a formal term sheet that both parties approve prior to drafting a licensee agreement. Our preference is to draft the agreement ourselves because we are more aware of the unique requirements of universities and because we typically can produce an agreement in less time than the company. However, in some cases we are willing to look at drafts prepared by the prospective licensee, for example, when licensing research reagents to companies that have entered into hundreds of such agreements.

There are other agreements associated with a license agreement such as Material Transfer Agreements, Non-Disclosure Agreements and Sponsored Research Agreements. We are especially interested in combination transactions that include both a license and sponsored research agreement. As for specific licensing terms, we consider the industry to which the technology relates and adjust accordingly in terms of milestones, diligence and financial consideration. Common terms include, for example, identification of the intellectual property rights, patents to be licensed, extent and type of rights to be granted, consideration, responsibility for patents, etc. In addition, many terms are “standard” and will generally be consistent with the booklet put together by the Agreement Streamlining Committee of the Michigan Universities Commercialization Initiative (MUCI).

If a license agreement will involve the acceptance of equity by WSU, we will follow the principle of Wayne State University’s Equity Guidelines (available on request). All licenses must be consistent with our policies on Conflict of Interest and those relating to transactions with organizations in which our employees have an ownership interest. Some agreements will require Board of Governor approval. The Associate Vice President for Research has authority to sign license agreements approved by WSU’s General Counsel.

In all licensing, we try to maintain a balance. On the one hand, we have a fiduciary obligation to the University and must also consider the rights of our inventor stakeholders. We cannot transfer assets at less than fair market value or enter into “sweetheart” deals. Arm’s length agreements keep us within the parameters of our non-profit status. On the other hand, as long as the financial terms fall within a reasonable range, the University does not seek to maximize revenue from any particular licensing deal. We try to look at transactions in a holistic way. Are the benefits of our technology most likely to reach the public with a particular company managing the commercialization? Are there other tangible or intangible benefits to the arrangement? What is our relationship with the prospective licensee? Can we flexibly structure the deal in a way that benefits both parties?

Other key points in a license agreement:

**Diligence-** This is an important factor in all license agreements but we understand that this is a difficult area for licensees and we try not to be rigid. We balance effort milestones with results milestones because it may be unreasonable to mandate results when a third party, e.g., the FDA, is involved and will affect the licensee’s ability to achieve milestones by a specified date.

**Timing of Consideration-** We prefer to have some financial consideration upfront but recognize that such cash burdens can be counter-productive and undermine the company’s efforts to develop our
technology. In many cases, we delay the receipt of significant financial rewards until the company achieves commercial success.

**Obligations to Third Parties:** When an invention has resulted from a government sponsored project, we adhere to any federal government requirements that apply, e.g., the requirement of an exclusive licensee to substantially manufacture on the U.S. All licenses will also contain terms that are appropriate for a state institution.

**Confidentiality:** If more than one company is interested in a license, prior to entering negotiations with one company; we will inform other companies that there are several prospective licensees without identifying the other companies by name. We do not reveal any more about a licensee or a license agreement than we are required to.

**Start-ups and Small Companies:** If an invention resulted from federal funding, we have a preference for licensing smaller companies provided they have the necessary expertise and resources to develop and commercialize the technology in question. We will accept equity in a start-up and some cases in an existing company and such equity is typically in exchange for cash we would otherwise have received or for significant efforts by WSU in creating the company.

**Location of Licensee:** When possible, we look for opportunities to license locally or in Michigan. Having the licensee nearby increases the effectiveness of our collaboration and partnership. It also contributes to state economic development. However, it is often difficult to find a company whose strengths or resources are a good fit for our technology so we are prepared to license companies in any state or country to conclude a transfer.

Overall, WSU seeks a win-win deal structure. We regard ourselves as a cooperative partner for the company and value a long-term relationship based on trust, good communications and mutual benefit. We do not expect a company to act like a university nor do we wish to perform like a commercial entity. Our skills and values are complementary and together we can see the benefits of novel technology reach society.