

The Big Eight in University-Industry Partnerships

By Lana Knedlik

Modern university technology transfer began in the era of the Big Eight, with the bipartisan passage of the Bayh-Dole Act of 1980. For the first time, universities could own and license inventions made by researchers using federal funding. As the Big Eight evolved into the Big 12, so did the region's view of technology transfer. Increasingly, the life sciences community is one in which universities and industry partners routinely enter into license agreements, sponsored research agreements, and joint development/research/collaboration agreements. Often, these collaborations occur across state lines and between athletic conferences – between Jayhawks, Tigers, Kangaroos, their industry alumni, and beyond.

At Stinson Morrison Hecker, I have the opportunity to represent life sciences clients on both sides of the court, i.e., both universities and industry partners. I have found that initiating and negotiating university-industry partnerships can be challenging – even “maddening” – at times. Bringing key stakeholders together at events such as the Missouri Regional Life Sciences Summit is critical to building a true team approach. In this article, I will focus on the Big Eight deal terms that you can expect to see in university-industry agreements. After all, some good scouting and a little coaching never hurts this time of year.

1. License Rights

In any deal, the ultimate question is what will the university give you? Typically, for intellectual property developed solely by its researchers, don't expect the university to assign or sell you the technology. For federally funded research, federal law prohibits such assignments. In most instances, the university will offer to license the technology – either exclusively or non-exclusively. Depending on the industry, the university may also give you the right to sublicense, although the royalty rates may be different for such sublicenses. For example, universities often require you to pay a royalty for your sublicensee's exploitation of the technology and a percentage of any non-royalty based income that you receive from your sublicensees.

2. Reservation of Rights

By their nature, universities promote the free flow of information and ideas. Academic institutions want to preserve scientists' ability to perform research on the technology. As such, the university will typically reserve the right to practice licensed inventions and to allow other academic institutions, governmental agencies and non-profits to do the same.

3. Publication

University researchers face a “publish or perish” dilemma in terms of tenure and standing in the scientific community. Publication of research is also a necessary part of the academic mission to disseminate knowledge and promote scholarship. As such, the university will require that its researchers be able to publish on the technology they develop. In many instances, the university will allow the industry partner to review the manuscript prior to publication. Further, the university may permit the industry partner to seek intellectual property protection prior to publication.

4. Improvements

Although industry partners generally seek guaranteed access to future improvements on licensed inventions, it is rare that a university will agree to such terms. The obligation to future improvements may cause a chilling effect on a

faculty member's research and ability to engage in collaborations with other scientists. Typically, option agreements or separate future agreements are used to address the technology improvements.

5. No Guarantees

The university will not guarantee you the right to use the technology being licensed. With limited budgets, most universities do not have the financial resources to perform “freedom to operate” analysis. Essentially, the technology is licensed “as is.” Indeed, in many instances, the university will expressly disclaim any warranties of patent validity and non-infringement as well. To minimize exposure, the university will typically require indemnities and product liability insurance from the licensee. As state-funded institutions, public universities have a duty to minimize risk to taxpayers.

6. Diligence and Commercialization Incentives

To incentivize commercial success, the university-industry agreement will often require the industry partner to develop a business plan related to the technology that includes certain reporting requirements. Further, the agreement may include certain diligence milestones to make sure that the technology is being developed and commercialized in a timely matter. Examples of such milestones include first prototype, regulatory approval, first commercial sale in the U.S., first commercial sale abroad, etc. For many start-ups, the diligence milestone may be related to financing as well.

7. Payment

Technology transfer offices are typically non-profit organizations that manage the intellectual property of the university. They are typically self-funded, meaning their funding comes from revenues generated by the university licenses. The revenues are typically shared with the university itself and the faculty inventors. In most instances, compensation takes the form of royalties for net revenues made on the licensed technology. The agreement may also include signing fees and annual license maintenance fees. Typically, the university will also require reimbursement of patent costs in order to minimize its expenses.

8. Fame and Fortune

Although not necessarily a deal term, you should understand that some universities and their technology transfer offices are motivated by fame and fortune – but not necessarily in that order. Universities have a legitimate interest in enhancing the reputation of their faculty members and university research profile by showcasing the commercial success of their technologies. In addition, as non-profit organizations, the technology transfer offices often see their role as bettering the overall public good with their commercialization efforts.

These Big Eight deal terms should explain the university's motivation behind certain provisions in university-industry agreements. So what is your motivation to enter into the game? Universities traditionally have the most cutting-edge research tools and the brightest minds. By partnering with a university, you can gain early access to technologies typically at a cost that is much lower than technologies developed elsewhere. Other arms of the university may also be able to assist you with marketing or business development. In the end, collaborations with universities in the region, and across the country, are nothing but a win-win situation.



Lana Knedlik is a registered patent attorney who practices in all areas of intellectual property law. She received her BS in chemical engineering from Kansas State University in 1993, her JD from the University of Kansas in 1996, and her BS in biology and pharmaceutical sciences from UMKC in 2002 and 2007, respectively.

