

Streamlining Negotiations with OTL

Stanford's Office of Technology Licensing strongly believes that a license agreement is the basis for a mutually beneficial long term relationship and is committed to negotiating fair and reasonable agreements, for both parties. OTL also recognizes that there are some fundamental differences between a licensing agreement entered into with an educational institution and a licensing agreement entered into between two commercial parties. OTL hopes that an understanding of the ground rules within which OTL operates will result in a smoother and more efficient negotiation process.

Stanford OTL's example license agreements can be found on our website (<https://sites.stanford.edu/otl/industry-sample-agreements>) and potential licensees are encouraged to review them prior to negotiating with OTL. A negotiation can be completed very quickly (we have concluded exclusive licenses in less than one month and non-exclusive licenses in less than a week) or drag out for years, depending on the nature and number of attempts to deviate from the example agreement. We strongly suggest any company using outside counsel for its license negotiation choose an attorney who is both experienced in successfully working with university technology transfer offices and accustomed to a collaborative negotiation process. (Please contact OTL if you would like recommendations.) Our standard agreements are balanced and have been widely accepted by industry. Therefore, it is OTL's expectation that heavy negotiation will not be necessary.

Understanding OTL's guiding principles will greatly facilitate our negotiation process.

1. OTL's mission is different from a start-up's. The mission of Stanford's Office of Technology Licensing is to promote the transfer of Stanford University technology for society's use and benefit while generating unrestricted income to support research and education. This mission statement serves as the basis for the guiding principles upon which OTL makes its decisions.

2. Perspectives particular to universities. OTL is responsible for managing the intellectual property assets of the University for the public good. Stanford University is a signatory and one of the most ardent supporters of the document

“In the Public Interest: 9 Points to Consider in Licensing University Technology.”
(http://www.autm.net/AUTMMain/media/Advocacy/Documents/Points_to_Consider.pdf)

As enunciated in the 9 Points paper, OTL strives to ensure that a licensee will diligently develop the technology. [Moreover, because of the source of funding in many instances there are legal requirements relating to diligence in developing technology.] Thus, all licensing negotiations will include discussions on how best to bring the technology to the marketplace and diligence is the centerpiece of an exclusive license.

3. Specific license clauses that reflect the 9 Points. Several clauses in Stanford's standard license agreement reflect important principles contained in the 9 Points. Stanford understands that these clauses are not customary outside of the higher education sector, however within higher education these clauses reflect significant values and principles. Time

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and money can be saved and frustration can be avoided by recognizing the critical importance of these provisions and refraining from any attempt to negotiate them.

3.1 The retained rights clause is essential in an exclusive license because Stanford does not want licensees to prevent sister research and educational institutions from practicing a Stanford invention for research purposes. Please do not make changes to the retained rights clause.

3.2 The period of exclusivity, if any, must be justifiable and in the public interest; an exclusive licensee should not assume that the period of exclusivity is typically the life of the licensed patent.

- We require diligence provisions in all exclusive agreements.
- In addition, because we want to ensure that the technology is developed in as many markets as possible, we have a required sublicensing clause for situations when the licensee is not developing the technology for particular markets.

3.3 University inventors often have ongoing research programs that evolve over time to pursue different lines of inquiry with different personnel and different sponsors. Because OTL cannot control or predict the nature of this future work, we generally cannot include rights to future inventions in a license agreement.

3.4 OTL is responsible for mitigating risk associated with licensing. The revenue derived from licensing does not warrant putting the University's endowment at risk. Therefore, licensees must indemnify the University for all commercialization risks associated with the development and sale of licensed technology and we will not give the usual warranties often found in corporate-corporate licenses.

3.5 Universities need to be sure that licensees also comply with the Export Laws and Regulations.

3.6 Because the Licensed Patent is an asset of the University, Stanford needs to have final approval of all decisions regarding the prosecution of the patent. We will include in an original license only those patent filings that we have given prior authorization to file.

4. Equity. The “buy more” clauses in agreements that involve start-ups are not negotiated by OTL. It is mandated by the President of the University and any changes can only be made by the Chief Financial Officer.

5. Conflicts of interest. Conflicts of interest are carefully reviewed and managed at Stanford (<https://doresearch.stanford.edu/policies/research-policy-handbook/conflicts-commitment-and-interest/faculty-policy-conflict-commitment-and-interest>) and Stanford faculty/employees who are involved with the licensing company are not permitted to negotiate licenses, are not allowed to represent the potential licensee, and are not permitted to have a direct or indirect role in the licensing discussions or negotiations.