

# Licensing in University Environment

*Some ideas on how universities can go about taking advantage of licensing opportunities*

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I would like to highlight a few basic steps which could work to advantage in licensing inventions of university origin and those akin thereto.



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I think all agree that the climate of university research is most stimulating and that the quality of the developments made is high. While many of these matters would appear to have little licensing potential, it is my belief there are ways that the licensing odds for these developments can be improved by doing some preliminary homework.

For one thing, those responsible for licensing should get acquainted with each new idea during the early stages of its development and then follow it along. By thus reprocessing the idea, *and keeping it firmly in mind*, licensing opportunities may suggest themselves which might otherwise never have come to pass.

At the same time, and using whatever professional expertise which comes to hand, develop a credible story line about the invention's *moneymaking potential*. This, coupled with your firm knowledge of the invention, puts you in a position to try out the development with one audience or another and thus to assess its licensing value. The procedures here recommended are highly subjective and are much more difficult than those wherein one merely publishes the invention in one way or another or sends out a brochure to appropriate companies. However, in my experience the more personal method seems to work the best.

In taking the invention to the marketplace the important word is *credibility*. Utilize the services of those who have a good reputation in the industry involved and are in a position to address the various sectors of a commercial audience with confidence. Licensing executives may or may not have some skills in this area, though even if not, they are capable of performing other essential function as

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## Exclusive License

Now let us assume that you have done such a splendid interfacing job that you are in a position to license the

*From the LES U.S.A. Annual Meeting*

development on an exclusive or a nonexclusive basis. However, if you are thinking of national distribution in a highly competitive industry (and the textile industry is an example), please remember that most academic institutions do not have the necessary muscle. For one thing they do not handle the matter of possible infringement suits very well, nor do they even want to think about them. They and the industry as a whole are better served in most instances by the grant of an exclusive license. The problem then becomes how does one insure that the exclusive licensee will fight to uphold the patent and will make the invention generally available to the other elements of the trade? The answer is to give the exclusive licensee *a large incentive*, in short, you make him an offer he can't refuse.

With things somewhat in hand, and assuming a decision has been made to license the invention on an exclusive basis, one should take care to select an entry point into the market which affords the maximum potential for royalty return. Among other factors, *look for leverage*. This can best be understood from an example. My company, using its own funds, developed new dyes and dyeing techniques. While we realized that a dye manufacturer might have the optimum potentiality, we did not go this route. Rightly or wrongly, we reasoned that any such manufacturer would already have established product lines and might well ask why go to the considerable expense of developing new dye systems which might simply crowd out equally profitable existing lines. With these factors in mind, we chose to give an exclusive license to a very important *customer* of the dye manufacturers, for once that customer had an opportunity to verify the benefits and potential return of the process it was axiomatic that interest on the part of dye manufacturers is assured. Proceeding through an intermediate licensee/licensor in this fashion can be very *expensive* from the standpoint of royalty give-ups. However, given an enlightened partner, the method has much to recommend itself.