



Office of Technology Management informational series: **License Agreement Terms**

The University licenses its technologies to companies who demonstrate the capability and commitment to develop early stage innovations into commercial products, as well as the willingness to share the benefits of commercial that use with the University (e.g. through royalties from sales and sharing of sublicense revenue). The University's license agreement terms reflect this philosophy. Potential licensees submit a technology development plan to the University, including, but not limited to, a description of the University technology(ies), the resulting product(s), market analysis, a product development timeline, and the company resources committed to development. Based on the plan, the scope, developmental milestones, and the financial terms of the license are negotiated. Below is the University's standard policy on some common licensing terms.

Financial Terms

License Fee: The license fee is one indication of the licensee's commitment to developing the technology. It is paid after the agreement is signed, and is one of several financial terms in the license that are inter-related and allow for some trade-off to arrive at the entire package. The value of the package depends on the scope of the license rights and the market value of the technology licensed.

Royalties: Royalties are paid to the University by the licensee when products or services that require the use of the technology are sold. The royalty can be expressed as a percentage (%) of sale or a fee per selling unit. Royalty rates vary according to the industry, significance of the invention, and the base upon which the royalty is applied (e.g., unit, component, subsystem.)

Sublicense sharing: Exclusive licenses usually provide the licensee with the right to sublicense, or authorize others, to make, use and sell the University's technology to facilitate widespread use. Revenues received by the licensee from sublicenses are shared with the University.

license fee
sublicense sharing
royalties
minimum royalties
patent reimbursement

Minimum royalties: When products reach the market, the University requires minimum royalty payments. These payments are set at a fraction of the anticipated sales, and are creditable against any royalties actually earned. These minimum royalties are designed to prevent the technology from being sequestered as well as to ensure the active marketing of the products/services requiring the use of the technology.

Patent Reimbursement: Recovery of the costs incurred for protecting the technology in the U.S. and internationally are part of the license.



scope of license grant
 reserved rights
 federal government rights
 improvements
 patent control
 infringement actions
 warranties
 liability
 developmental milestones

Non-Financial Terms

Scope of License Grant: License rights such as exclusive, nonexclusive, field of use limitations, and territory limitations are all commensurate with the licensee’s product development plans and the market. The University’s licensing objective is to obtain widespread use of its technologies.

Reserved Rights: In any grant of an exclusive license, the University reserves rights to use the licensed technologies and intellectual property in its own programs of research, education, and public service.

Federal Government Rights: The Federal Government has certain rights in inventions developed with its funding. These rights include, among others, a free, non-exclusive license to use the invention for any governmental purpose and a requirement for manufacture in the US.

Improvements: The grant of license rights to a University technology does not include automatic rights to new innovations developed at the University, including improvements.

Patent Control: The University retains the responsibility for protecting its intellectual property. Copies of the applications and prosecution actions are provided to the licensee, along with opportunities for comment. The University will notify the licensee of any discontinuance of patent prosecution and the licensee may then continue prosecution in the University’s name.

Infringement Actions: The University prefers to partner with the licensee to pursue infringements. Only if there is no agreement to partner does the University get the right to pursue the infringer independently of the licensee. If the University declines to pursue, then the licensee has that right. In all cases, any resulting revenue is shared.

Warranties, Liability: The University’s technologies and intellectual property are research-based and are provided “as is” with no warranties of any kind, including no representation that the University’s technologies do not infringe a third party right. The licensee assumes all risk for the products and services they provide.

Developmental Milestones: University technologies often require a significant period of time and effort in product development before they are ready for the market. During this development phase, periodic reports and meeting specific developmental milestones signifying progress are required in order to retain an exclusive license.

