



OFFICE OF TECHNOLOGY DEVELOPMENT

University of Southern Mississippi Guiding Principles for Technology Licensing

One of the University of Southern Mississippi's missions is to create transformative research that translates into real-world applications. Ultimately, USM's research enterprise serves as a conduit for innovations to benefit the public. In keeping with that mission, USM is aware that licensing of intellectual property to a third party may be desirable in achieving this goal. In doing so, USM has some guiding principles:

Intrinsic Value: The assets that result from research discoveries are generally in some form of intellectual property ("IP"). USM spends money, time, and other resources creating the asset (i.e. the research) and protecting it (i.e. patent applications, copyrights). Even though the technology's potential may not be fully realized at inception, it does represent a real investment for USM which holds real intrinsic value to its researchers, USM and the State of Mississippi. USM's standard position is that it does not relinquish ownership of or assign away its rights to its IP and inventions, rather that it licenses the right to commercialize such IP.

Equitable access: USM will allow access to our technologies, or IP assets, via a licensing agreement to a company. USM intends that the licensing company will use reasonable efforts to attempt to create a commercially useful product(s) for the benefit of the public. Since the asset originated through the use of public funds and public assets, USM has an obligation to the public to receive something of fair value back for this access.

Upfront Consideration: USM understands that university based technologies are typically embryonic (early-stage), and that there exists real business risk and costs associated with exploring their commercialization. USM's goal is to license many of these assets in good faith, knowing that some will be successful, while others may not. It is USM's belief that in order to be successful, a licensee must be committed to the technology from the onset. This commitment is captured and reflected in "upfront consideration. The upfront consideration is intended to capture an initial value of the technology that appropriately reflects our intrinsic value. The upfront consideration also ensures that the IP asset's intrinsic value is commensurate with the expectations of the commercial entity assuming the business risk.

Fair Deal: USM has a transparent process for determining a fair value for the upfront consideration. USM incurs real financial costs to subscribe to relevant databases, obtain market and technology reports, interact with experienced professionals in the appropriate technology field both domestically and internationally, and to appropriately capture the value of IP asset. These costs enable us to appropriately perform due diligence. The information obtained from this due diligence is shared openly with potential licensees. Simply put, the objective is to negotiate a fair deal for both parties: It must not be onerous on the licensee to the



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point where it extinguishes successful commercialization; however, it must fulfill USM's duty to the public by realizing appropriate consideration for the licensed IP asset.

Downstream Consideration: We approach every transaction with the mindset that the technology will be successful. Assuming the technology proves to be commercially valuable, it is reasonable to assume that it will generate revenue for the company that licensed the IP asset(s). The asset, in its market state, will have a greater value. While we fully realize that the company is responsible for some or even much of the increase in value, there are other factors that the company is not responsible for, such as: further advances in technology through research by our or other institutions' faculty; the initial investment in legally capturing the IP; and the emergence of market acceptance and the technology's timing being more relevant. As the proven IP asset is utilized to generate revenue for the company, it is reasonable and appropriate that value is returned to the public.

Direct Tie to Sales: It is traditional and appropriate to tie downstream consideration directly to the sales of products enabled by USM's IP asset. This direct tie can take many forms but is usually a royalty fee, a fee which is a specified percentage of sales. This link is important for several reasons. First, in the public interest, USM should benefit when its IP assets are used to benefit a third party commercially. Second, USM has a duty to reward its inventors for the commercial success of their innovative and creative discoveries or ideas. Third, USM needs a straight-forward mechanism that can be easily monitored, managed, and audited by USM administrators, inventors, and stakeholders. Lastly, this model is widely adopted by peer-institutions and commercial enterprises due to its proven track record of working successfully, incentivizing inventors and fostering future innovation.

Fair Deal – Royalties: USM will use the same transparent process approach taken for Upfront Consideration to determine Downstream Consideration or Royalty Rates. Due diligence will reveal the relevant market data to determine fair royalty rates for *each particular* product in *that* industry or market sector. This due diligence will establish the direct correlation between profit margins and royalty rates that are typical for the particular industry and market. Royalties vary from market to market and industry to industry. By way of example, commodity-driven markets will typically have lower royalty rates (i.e. chemical markets) and higher margin markets will typically have higher royalty rates (i.e. software). For both Upfront and Downstream Consideration, rates are impacted for a number of factors including: external development of the technology, maturity of the market, and strength of the IP protecting the asset. USM's goal in negotiating these licenses is to develop a successful opportunity for all parties involved: it must be fair to all parties, not overly onerous, and it must fulfill USM's obligations to the public stakeholders in the IP Asset.



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In addition to these guiding principles, there are some practical aspects of university licensing that a company should be aware of:

- **Milestones:** USM needs to ensure a licensee's ability to license the IP Asset and move it into the market place. USM must also prevent the acquisition of IP Assets; intended for the benefit of the public, with no intention of moving the IP Asset to market. This common practice occurs where the IP Asset would compete with a licensee's other products. Although this strategy might be viewed as an effective business practice for the licensee, it contradicts USM's mission of dissemination of knowledge to the public. As a result, USM must include provisions which detail development milestones that must be achieved. As a burden on the licensee to achieve these mutually acceptable milestones, an obligation is stipulated during the license negotiations to help ensure these milestones are achieved. These milestones are tailored to each technology so that reasonable expectations are created.
- **University Rights to Practice Non-Commercially:** A USM researcher's livelihood and reputation depends on their ability to acquire and perform competitive research on the topics of their expertise. The faculty of USM must have assurance that their ability to do so is protected. For these reasons, USM retains the rights to educational, research, and academic use of the IP Asset. This retention of rights can be extended to other non-profit organizations for similar purposes. By way of example, if a faculty-inventor were to leave USM for another institution, they will be able to practice their IP Asset for non-commercial purposes.
- **We License IP Assets...Not Faculty:** USM can guarantee that a licensee has rights to an USM IP asset. USM cannot guarantee the level of involvement of an USM inventor. Academic freedom is valuable to USM faculty and USM supports this freedom. Licensees can, and very often do, have productive and beneficial access to USM inventors through consulting agreements or other relationships, and USM supports these relationships and will ensure they are in compliance with the appropriate governing policies.
- **We Cannot Indemnify a Licensee:** USM is a public institution that gets its direction from state law and the Attorney General of Mississippi. As such, USM cannot indemnify a licensee.
- **Faculty Consulting:** USM faculty and other USM employees desiring to perform consulting work for outside organizations are required to obtain the prior concurrence in accordance with current USM policy.



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Inventions and discoveries made or developed solely in the course of consulting work performed with prior concurrence in accordance with current USM policy shall not be considered as having been made or developed in the course of USM employment unless otherwise provided in the concurrence or unless a significant use of USM facilities and/or equipment is involved, in which case USM will determine the level of its involvement.

Any inventions or discoveries arising from consulting engagements by faculty and other employees not having prior concurrence or approval by the appropriate Vice President and involving substantial use of USM facilities will be governed as follows, notwithstanding any agreement between the consultant and his client: The patent rights to inventions, discoveries and developments resulting from research or other activities conducted by faculty, other employees or students within the field of their official duties and responsibilities or programmed or substantially supported by USM are retained by USM. Disposition of patent rights is handled by USM. However, the faculty members, other employees and/or students, who are the inventors of record may participate in the income from discoveries and inventions on which patents are obtained.

Students working with faculty on consulting projects are governed by this same policy.

- **Governing law:** As an agency of the State of Mississippi, the University of Southern Mississippi cannot enter into agreements that are governed by the laws of another state or country. For all license agreements, the governing law must be that of the State of Mississippi.
- **Publication:** Another key mission of USM researchers is the publication of research results to further contribute to the collective knowledge of our society. In addition, students must maintain the ability to publish as part of their academic requirements. To support the licensing effort and the objectives of USM researchers, language to reasonably delay publication can be incorporated into a license; however, any restraint on publication must be reasonable in light of expectations placed on USM researchers.

USM cannot give up the right of our faculty to publish. Our standard position is as follows: USM's Investigators shall have the right to publish or otherwise publicly disclose information gained in the course of the research provided that copies of all materials to be published will be submitted to Sponsor for review thirty (30) days prior to being submitted to publication. Fair consideration shall be given to Sponsor's



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comments; however, USM shall have the right to the final decision. Any and all proprietary information of Sponsor will be excluded from publication. In order to permit Sponsor an opportunity to determine if a patentable invention is disclosed, the Principal Investigator will provide Sponsor with drafts of intended articles, whenever possible as soon as they reach a stage suitable for distribution. Sponsor shall inform USM and the author(s) within thirty (30) days so as not to delay publication whether in its judgment the material contains information on which patent applications may or should be filed. If Sponsor wishes to file a patent application, Sponsor may request that publication be delayed for an additional thirty (30) days.

For additional information regarding intellectual property and technology licensing at the University of Southern Mississippi, please contact:

Office of Technology Development
Chase Kasper, Director
118 College Drive #5012
Hattiesburg, MS 39406

Chase.Kasper@USM.edu