



## Viewing Technology Licensing through a New PRISM

By Fuentek's Laura A. Schoppe

*Note: This content originally appeared on Fuentek's Intellectual Property Management Blog – <http://blog.fuentek.com>*

Doesn't an acronym make everything better? Seriously, sometimes the act of sitting down and thinking through the essence of what you do in an effort to come up with a clever, memorable acronym leads you to greater clarity about what's really important.

PRISM is Fuentek's acronym for how we approach technology licensing services with our clients. Our experience has shown that viewing licensing through the PRISM helps technology transfer offices consistently, predictably, and efficiently execute successful licensing agreements, improving their success rate in transforming technology disclosures into licensing deals.

More detail on each of these components will be discussed in this series, but here's a quick overview of Fuentek's Technology Licensing PRISM:

**Prioritize:** Quickly yet thoroughly evaluate intellectual property (IP) to ensure that resources are directed at those innovations with the greatest potential for technology commercialization success.

**Return on Investment (ROI):** Develop a strategy that delivers the greatest ROI to your organization—be it a company, a university, or government lab—while also calculating your potential licensees' ROI and how they value your technology in making *their* commercialization decision.

**Information Management:** Leverage key attributes of IP asset management database solutions to facilitate communications, data capture, and activity tracking to ensure deals come to fruition efficiently and as a means of evaluating your success.

**Streamline:** Be agile and efficient in getting deals signed, institutionalizing enough process and standard templates to move quickly while still protecting your organization's best interests.

**Measure:** Efficiently identify and capture key operational metrics to monitor and proactively manage progress towards achieving your goals.



Each of these is discussed in detail below.

### ***Always Prioritize Your Technology Licensing Opportunities***

Whether your IP portfolio is small or enormous, prioritizing your commercialization opportunities lets you put your money and effort behind those patents that have the best chances for success and where the payback will be biggest.

In thinking about the technology commercialization process, this prioritization occurs all along the way to ensure that the evaluation criteria for commercializing the technology still holds over time (e.g., new technology developments, changes in the economy). For Fuentek, the prioritizing starts during our two-part technology evaluation. We do a quick screening to get rid of the chaff so that the wheat can get a more detailed assessment to identify specific opportunities and confirm the innovation's commercial potential.

Prioritizing—and reprioritizing—also happens during marketing. Before you even start, ask yourself: What is it going to take to get to a licensing deal and can you afford to fail? As marketing progresses, check in with yourself about how much you've spent and how it compares to the ever-shifting likely return. (Check out Jack Spain's blog series about how marketing IP is an iterative process, available at <http://blog.fuentek.com> as well as on the Insights page of our Web site: <http://www.fuentek.com>)

One of the key factors to consider determining priority is: Who are the players in the target market and are they likely to want what you're offering. If the #1 player is huge and not prone to in-licensing technology (think Microsoft), then the effort probably shouldn't be at the top of your priority list. (Remember: Always do your homework on the target licensees.)

I'm not saying you shouldn't put high-risk opportunities on the priority list, but do it purposely—be willing to write-off the cost to pursue without reaching the long-shot success or to walk away from the opportunity if the probability of success starts to drop. As they say, you can't touch the stars if you don't reach. But consider the Despair.com poster that "At some point, hanging in there just makes you look like an even bigger loser."

So when you're figuring out what should get priority in your portfolio, consider the risks. If risk is high but so is the potential payoff, be very transparent about this with your management, the innovator, and any other stakeholders. Instead of overpromising, be open and honest and tell them what the risks are and what factors may impact that risk. Explain what investment is truly needed in order to get on the path to success. And keep reiterating that success isn't guaranteed. Such an



approach helps ensure that everyone is in agreement about what should get priority.

### ***Calculating the R and I in ROI***

How do you decide if the return is worth the investment when you're prioritizing your technology licensing opportunities? There are lots of methods for calculating ROI in technology commercialization, but consider some of the oft-forgotten aspects of the ROI equation.

Focusing first on the R, it's important to remember that the return on a license isn't always financial. Sometimes it's strategic:

- Maybe the inventors and management in one R&D department are not supportive of technology transfer. Getting a licensing "win" for someone in that group may make them more inclined to step up to the plate later.
- Maybe you have a prolific inventor whose innovations so far haven't been spectacular but where a technology jackpot may be on the horizon. A successful small license keeps such innovators engaged and willing to dedicate the effort when the stakes are higher. (This also fits nicely with any innovator training you may be doing.)
- Maybe you have a patented technology that could positively contribute to a humanitarian or environmental cause. It might not generate a lot of royalty revenue, but it can help maintain a positive public image. (Take note, BP!) Consider NASA's recent license for a solar refrigerator technology that is going to be used to safely store vaccines in off-grid locations around the world.
- Following the concepts of Symbiotic Innovation, maybe you have a patent that could address the technical challenge for a potential collaborative R&D partner who has a patent that'll help you solve your technical problem. (I scratch your back, you scratch mine.)

Besides the strategic return, some of the financial return might be indirect. If you out-license internally developed software to a company and they shrink-wrap it and license it back to you, you may have some significant financial savings. Maybe now you don't have to provide technical support internally, procurement is easier, you don't have to pay internally for improvements... the list goes on.

So consider ***all*** of the qualitative and quantitative returns when you're determining whether your investment in marketing a specific piece of IP is worth it.



That brings us to the I: investment. In planning your marketing strategy, calculate what you have to do to achieve a deal without overspending relative to the return. If you need to invest in a proof of concept in order to reduce risk and get a license, can you expect to get at least that much out of the license? Can you get a license without that investment? In theory, each investment you make should reduce risk and increase the value of the licensing deal. But in practice many technologies (especially from universities and government labs) are so early stage that no license deal will occur without being at least somewhat reduced to practice. Yet the cost to get there may not equal the value to the market. This is the balancing act tech transfer managers go through all the time.

By the way, don't forget to calculate the ROI for the *licensee*. That information also will aid your negotiations. And rather than calculate the value of your technology to the market as a whole, think about what percentage of the value of the product your technology brings to the licensee. If you can determine by how much having your widget will allow the licensee to increase market share (or enter a new market), then you can calculate the licensee's financial ROI. (If they were selling \$100K worth of product, and with your tech they'll sell \$200K, then your tech contributed \$100K of value.) Remember the 25% rule—the licensor generally should get 25% of the profitability gained by the licensee from the invention.

### ***The Ins and Outs of Information Management***

Success in pursuing proactive IP management and technology commercialization depends upon having a solid institutional memory. And yet, as anyone who has recently had a “senior moment” can tell you, relying solely on personal memory can be risky. Thank goodness for the advancements in information management—and, specifically, knowledge management—systems.

Having provided technology transfer services via a virtual environment since our founding in 2001, Fuentek is well versed in information management issues. With years of experience come lessons learned. For example, good information management helps you:

***Strategize.*** Although past achievements are no guarantee of future success, historical data can be extremely useful in setting (and justifying) the starting point in your negotiations. Be sure to consider not only your own deals but also what others have done. (We often use services such as Royalty Source® Online [<http://www.royaltysource.com/>] to analyze trends and historical data.) Such data also help set budgets for your commercialization efforts: “If it cost us \$X to get Deal Y, how much will it cost to tackle Project Z?” Of course, the risks may be different, which will affect your priorities, and the return on investment calculation will vary from deal to deal. Still, looking at the past helps guide you in the present.



**Negotiate.** Getting to a signed licensing deal can take a long time, and the person leading the project might not remember a specific conversation with a prospect—not to mention all of the conversations held with *other* prospects. And suppose someone else has to take over the project? Effectively managing all of the relevant information ensures nothing is lost over time and during transitions.

**Measure and promote success.** Gathering data to report to your management (or other stakeholders) about the number of deals signed last year or other metrics can be a royal pain if you don't have the data handy. Furthermore, many TTOs pursue a proactive communications strategy to chronicle and publicize successes via their Web sites or through other marketing collateral. (We have samples of the success materials that Fuentek has prepared for our clients on our Web site: <http://www.fuentek.com>) Having an effective information management system streamlines the process of preparing these reporting materials. For more about metrics, check out our paper "How'd We Do?: Establishing Useful Technology Transfer Metrics," which is available on our Web site (<http://www.fuentek.com>).

More streamlining ideas are discussed below. And for those of you who are wondering what Fuentek uses for information management, that is an interesting story: 10 years ago, there were no Web-based systems that met our unique needs, so we had to create our own proprietary system. Much progress has occurred in the software market since then, and now we use the Sophia Knowledge Management System from Wellspring Worldwide.

### ***Using Consistency to Streamline Your Technology Licensing Process***

Many people cite Winston Churchill as saying that "Consistency is the hobgoblin of little minds." But there is a key word they're leaving out of that quote. Churchill was decrying "**foolish** consistency." I agree with him, and I'll go further. In technology licensing, **in**consistency is foolish and a waste of time.

Sure, every deal is different. But there is much to be gained from standardizing your technology commercialization process as much as you can and then post that process information on the technology transfer office's website.

**Empower your innovators:** Most TTOs are servants to two masters: potential licensees and the researchers developing the innovations that attract them. For the latter, provide guidance, forms, and other useful information, facilitating innovator participation in technology transfer. For example, the website for MIT's Technology Licensing Office has a lot of well organized information for the "MIT Community" (<http://web.mit.edu/tlo/www/community/>).



**Make it easier, clearer for your licensees:** Create and post checklists and the steps in your process online. Being clear and straightforward about your process ingratiates you to potential licensees. It also helps ensure that the same prospect doesn't come into your organization two different times and experience two different processes. That kind of inconsistency does not reflect well on your organization. The Wisconsin Alumni Research Foundation (WARF) website provides a great example of useful process information for potential licensees (<http://www.warf.org/industry/index.jsp?cid=1>) as does NASA's Glenn Research Center (<http://technology.grc.nasa.gov/licensing.shtm>).

**Increase your staff's productivity:** Post information that clearly lays out your office's process and procedures. Rather than have your staff spend an hour repeating the process to each prospect or innovator, wouldn't you rather they do something more valuable with that time? Philips, for example, has loads of information about its licensing programs on a very well organized website (<https://www.ip.philips.com/licensing/index.html>).

**Eliminate the dead ends early:** Post a basic standard form with a term sheet, such as NASA Glenn's model terms and conditions for technology licenses (available at <http://technology.grc.nasa.gov>). If you and your prospect can't come to agreement on something as simple as that, there is no point in proceeding into negotiations.

**Speed up negotiations:** Develop a robust standard licensing agreement. A well-thought-out template that covers all possibilities dramatically speeds up negotiations. UNC got a lot of coverage for their Carolina Express License Agreement and WARF provides several sample agreements (see <http://www.warf.org/industry/index.jsp?cid=2>).

**Avoid trouble later:** Document your rules to help ensure that potential licensees fully understand what they're getting into, avoiding unpleasant surprises later. Making things up as you go along or having every staff member doing things differently is a recipe for disaster later on, when changes and confusion are more expensive in terms of time and risk to the deal.

These approaches go a long way to streamlining your TTO's work.

### ***Metrics to Measure Your Technology Licensing Success***

Metrics are one of the most challenging aspects of licensing that any technology transfer office (TTO) faces when pursuing commercialization of intellectual property. And yet they're one of the most important.



You have to have an understanding of where you're spending your time and what results you're getting. You need it to report out to your management and gain the ammunition you need to ask for an increase in your staff. Plus, being able to demonstrate your success builds your credibility with potential licensees.

So we agree that metrics are important. But in order to successfully monitor and proactively manage your progress, you have to identify and **efficiently** capture the key operational metrics.

But how on earth do you do that?! Well, Fuentek did a little research and coupled those findings with more than a dozen years of experience. Here's a glimpse into what we found out.

**Align your metrics with your goals.** If one of your goals is to generate licensing revenue, then track royalties and fees. (Duh!) If you want to be a responsive, efficient TTO, track how many days pass between an invention disclosure comes in and when you make the strategic/disposition decision for it. Also track how long it takes for you to tell the innovation's inventor about that decision.

**Normalize for apples-to-apples comparisons.** Pure numbers without context can be misleading. So measure performance relative to appropriate factors. For example, measure the number of disclosures per \$10M in research expenditures. Measure cycle-time, process-efficiency metrics according to the number of full-time equivalents (FTEs).

**Select metrics that address the concerns of your "audiences:"** Different people care about different metrics. The metrics needed for internal goal setting and progress tracking are probably not going to inspire the public or members of Congress. So (without going overboard) make sure your list of metrics is comprehensive enough to be useful when talking to your various "stakeholders."

**Remember that numbers do not tell the whole story.** Augment your quantitative metrics reporting with success stories and anecdotes that illustrate intangible benefits to, say, the regional economy or humanitarian efforts. Fuentek has prepared such stories for NASA centers for technology transfer successes that helped earthquake relief efforts in Haiti and are enabling off-grid refrigeration of vaccines in developing countries.

**Automate the capturing and reporting processes.** If you do a good job with the "I" in PRISM—Information Management—all of the data you need for your metrics should be captured automatically and then be easy to pull into a report. A tall order, I know. But it's far from impossible if you get a good system.





There is much more to say about all of this. So to help TTOs—particularly those in academia and government—Fuentek has posted a white paper entitled, “How’d We Do?: Establishing Useful Technology Transfer Metrics,” which is available on our Web site (<http://www.fuentek.com>). In it are specific suggestions for establishing a useful system for metrics. (Dare I call it “the metrics system”?!)

*If you would like to discuss the concepts presented here in further detail, please contact Fuentek at [info@fuentek.com](mailto:info@fuentek.com) or 919-249-0327.*