



## The Pros and Cons of No-Cost, License Revenue–Sharing Patent Marketing and Brokerage Services

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Fuentek, LLC is pleased to provide the following information to technology transfer offices (TTOs) at federal agencies considering various venues for “passively” marketing their technologies. There are a variety of intellectual property (IP) market places on the Internet and through live auctions, as well as brokerage services that include a revenue-sharing component (i.e., take a carried interest) in any resulting deals. In this white paper, we call all of these organizations “Providers” to simplify the discussion.

Each type of Provider offers advantages and disadvantages that should be well matched to the technology the TTO wishes to license through them. As each technology and its potential market are different, a single Provider may not be sufficient to garner the returns that the TTO is seeking, thus a combination of resources is appropriate. Some of the factors that should be taken into account include:

- **The technology’s readiness level (TRL) or stage of development:** The higher the TRL, the less risk there is for licensees and, therefore, the easier it is to secure their interest.
- **Market interest:** The better the match of the technology to market needs, the easier it is to find a licensee.
- **Technology complexity:** The harder it is to understand how the technology will fit a market need, the more education (discussions) must occur to secure a licensee.
- **Number of players:** The more potential licensees in the technology market, the more likely one is to be identified.

The particular combination of these factors will lead the TTO to select the best approach to marketing on a case-by-case basis. For example, a technology with a high TRL and a clear market fit can likely be handled by the government lab’s existing technology transfer program. On the other hand, a technology with many players and that is simple to understand (not complex) may be a good candidate for a competitive bid activity. The combinations go on and result in the selection of one or more tools or approaches for each scenario.

Some government labs already have Web sites that serve as a well-branded venue for providing access to its innovations; however, it is advisable for these labs to seek additional mechanisms to improve search results as companies search for solutions to their technical needs. There are several aspects that distinguish many government labs from many other organizations wishing to license their technologies through these Providers. Recognizing these differences should help the TTO identify the Providers that best meet its needs.

- Several labs have strong and proactive licensing programs. Most companies and universities do not, and thus do not generate interest in their technology portfolio through other venues, allowing them to assume that any received interest is a direct



result of the Provider's services. A potential licensee may have heard of the technology through a variety of activities. How will the TTO identify the origin of the interest in order to determine if the Provider deserves an additional fee? Possible solutions include:

- Select a Provider that offers a venue for an introduction but does not receive a fee for successful deals.
  - Craft contract language with the Provider that allows for the exclusion of fees if the TTO or potential licensee can identify an alternate source of the initial introduction.
- Most federal labs have an obligation to license technology to a company that will reduce the technology to practice (i.e., sell product/services). However, some companies license technology for offensive purposes, either to block others from practicing or to pursue litigation, neither of which requires the company to make a product from the IP. How will the TTO identify this type of interest? Possible solutions include:
    - Craft contract language with the Provider that requires a Commercialization Plan from the potential licensee and allows the TTO to reject any offers that do not conform (as federal labs are already doing in accordance with the CFR). This approach also requires the Provider to post clear language about how the government will be doing business so that expectations are well established for potential licensees.
    - Require running royalties and minimums to ensure that a product/service is developed or the government can terminate the license. This approach does make fee payments to the Provider more complex as they are usually based on royalty revenue. For this reason, most Providers prefer a "sale" of the patent or, alternatively, a license with an upfront licensee fee but no running royalties (i.e., a single payment that allows the fee to be collected upon deal closure).
  - Technologies developed for government purposes tend to be complex and features/components rather than full products. Determining the value of the technology to each potential licensee is therefore a more complicated calculation. How will the TTO identify the value of the deal? Possible solutions include:
    - Select a Provider that offers a venue for an introduction and encourages discussions leading to a licensing deal. This is usually the case with Providers that do not seek a fee for deals.
    - Craft contract language with the Provider that allows the government to negotiate royalty rates dependent on the potential licensee rather than a generic set of terms. This will allow the TTO to maximize its revenue for each specific licensee.

Combining an analysis of the factors relevant for each technology along with the technology commercialization concerns that are unique to the federal government will likely lead TTOs to the selection of several venues for marketing its innovations—be they IP listing Web sites, auctions, or carried-interest brokers—to augment their internal TTO activities.



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