

# Keeping the Sharks at Bay

while Adding Value to University  
Technology through a  
Virtual CRO

*Facilitator*

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# University Inventions

## *And the Circling Sharks*

### ■ Market for University Technology Transfer\*

*(AUTM Survey FY 1997 cited in Corporate Legal Times)*

- \$30 billion in economic activity
- Quarter of a million new jobs
- 3,328 new licenses
- 333 new start-up ventures
- 4,267 new U.S. patent applications

### ■ The Sharks are Winning\*

*(AUTM Survey 1996)*

- \$697.5 million gross royalty license income
- \$1 in every \$43 comes back to University in Royalties
- Only 1 in 4 invention disclosures leads to a license/option
- Average gross license income per license/option is a paltry \$227,000

# University Inventions

## *Royalty Revenue for the Select Few*

- Most university inventions never generate royalty income.
- The Technology Transfer Offices that enjoy large incomes often derive it from isolated successes.
- No consistent relationship observed between the size of the TTO (# of FTEs) & license income generated.
- The number of invention disclosures received is linearly related to the number of technology transfer FTEs.



# Tech Transfer Nightmares

## *Mountains of Disclosures*

- ***Massive Workload:*** Technology Transfer Office (TTO) overburdened by annual flow of invention disclosures.
- ***Patent Factory:*** TTO consumed preparing patent applications for inventions with no chance of product definition or commercialization.

# Tech Transfer Nightmares

## *Misallocation of Resources*

- ***Staying Alive:*** TTO does minimum to get patents for TOO MANY inventions: staff lacks industry experience necessary to determine which inventions have product potential and industrial applications.
- ***MBA's Would be Nice:*** TTO may lack expertise or reference sources to prepare information on market size and competing products and approaches.
- ***Keeping the Day Job:*** Part-time faculty reviewers have limited time to spend on finding and improving the inventions that they see.
- ***Abstracts Must Do:*** TTO staff too busy to hang out in Inventors' Labs to find "hot" new inventions

# Tech Transfer Nightmares

## *Embryonic Stage of Development*

- ***Move em Out:*** Embryonic stage of development for inventions makes them unlicensable.
- ***Taken em 'As Is':*** Lack of time and expertise to Add Value to embryonic but promising inventions.
- ***Hot Tamales:*** Over-valuation of invention by TTO staff.
- ***All Mine:*** Few academic partnerships to further peer development of inventions.

# Tech Transfer Nightmares

## *Failure to know the "Customer"*

- ***Just Between Us:*** The "Scientist" is not the ultimate Customer.
- ***Short & Sweet:*** One-page patent abstracts are insufficient to get past industry "Gatekeepers"
- ***Who Needs More:*** Lack of sufficient "non-confidential" material on inventions for Gatekeeper.
- ***Secrets:*** In absence of non-confidential briefing book, Gatekeepers won't agree to non-disclosure/non-use agreements that might compromise on-going in-house work.
- ***Riding Shotgun:*** "Shotgun" approach fails to identify most likely licensees for invention and to set forth a fit between the invention and the existing programs of the licensee.
- ***If you seen one ....:*** Failure to get to know the Gatekeepers.
- ***It's Perfect:*** Failure to understand the depth and scope of the industrial review process.

# Tech Transfer Nightmares

## *Inability to Close the Deal*

- ***Waiting for a Response:*** Failure to timely follow-up on opportunities.
- ***You've Seen it All:*** Lack of additional confidential supporting data.
- ***Let's Just Talk:*** Unfocused presentations by scientists, lacking understand of internal business review policies.
- ***It's a Blockbuster:*** Failure to understand true value of invention in its current stage of development.



# The Triage™ Solution

## *CRO Offers a New Paradigm*

- ***The Troika:*** A Trio of Expertise in a *virtual* Contract Research Organization ("CRO")
  - A gatekeeper scientist and drug developer.
  - An entrepreneurial patent lawyer
  - A clinician/inventor.
- ***Customer First:*** Customer-driven approach
  - Personal interactions with the Gatekeepers at target companies.
  - Training programs for faculty inventors.
- ***Know the Customer:*** Understanding the customer
  - What they need
  - What they choose
  - How they choose
- ***A Little Extra Goes a Long Way:*** Resources and expertise to add value to embryonic, but promising, inventions.

# The Triage™ Solution

## *Eliminating the Mountain*

- ***Extra Help:*** CRO will *supplement* TTO staff with the CRO staff in a team effort.
- ***Setting Priorities:*** CRO will prioritize inventions for patent application.
- ***Found Money:*** CRO will free resources dedicated to non-productive patent applications by rejecting nonproductive inventions.

# The Triage™ Solution

## *Reallocation of Resources*

- ***Only the Best:*** CRO will select only the "best" inventions (3-5/ year) for further development and patent protection, using criteria including "best costs outcomes".
- ***Business Acumen:*** CRO will bring knowledge of the market, reference sources and product definition to development of selected inventions.
- ***Extra Help:*** CRO will oversee and supplement the faculty review process of new invention disclosures.
- ***Getting to the Source:*** CRO will establish new invention review processes with direct contact with inventors.

# The Triage™ Solution

## *Adding Value to Embryonic Inventions*

- ***Know When to Hold 'Em:***  
CRO recognizes that promising inventions may not be licensable in their current stage of development.
- ***A Bit of Friendly Advice:***  
CRO's dedicated consultants have the time and expertise to add value to promising inventions.
- ***Realistic Valuations:***  
CRO is able to determine "true value" of inventions in their current stage of development and set realistic expectations.
- ***Sharing the Glory:***  
Interdisciplinary matchmaking abilities between academic research groups.

# The Triage™ Solution

## *Knowing the "Customer"*

- ***Just Between Us:*** The "Director of Business Licensing" is most often the customer and gatekeeper.
- ***Secrets:*** CRO will secure non-disclosure agreement by getting sufficient info to Gatekeeper to assess adverse impact on in-house programs.
- ***Targeted Search:*** CRO will identify "best fit" industrial partners.
- ***Best Fit Marketing:*** CRO will contact ONLY best fit partners.
- ***Among Friends.*** CRO's former gatekeepers know the review process.

# The Triage™ Solution

## *Briefing the “Customer”*

- ***Comprehensive and Concise:*** CRO will assemble the "non-confidential" briefing book that sets forth sufficient information for gatekeeper to assess the value of the opportunity:
  - ***Rationale*** for the invention.
  - ***Supporting data*** on invention.
  - ***Applications*** and potential market.
  - ***Competitors*** and competing research.
  - ***Review*** of scientific literature.

# The Triage™ Solution

## *Closing the Deal*

- ***Aggressive Pursuit:*** CRO stays in constant communication with "best fit" partners to facilitate rapid decision-making.
- ***Direct Feed:*** CRO provides supplemental confidential data when available.
- ***Careful Planning:*** CRO works with inventors and TTO staff to prepare presentation material and provides coaching.
- ***Realistic Valuations:*** CRO values the invention and sets realistic expectations for the University.



# The Triage™ Solution is:

- ***NOT*** a broad-based university licensing agent.
- ***NOT*** a grant funding agency.
- ***NOT*** a clearinghouse for inventions.
- ***NOT*** a replacement for the Technology Transfer Office.





# Defining the Relationship

## *The Operating Agreement*

- **Who Pays?**
- **Who Controls?**
- **Who Does?**
- **Who Gets?**

# Defining the Relationship

## *A tool to facilitate negotiations*

- An *expert system* that capture institutional knowledge.
- A *decision tree* to structure and focus analysis.
- An automated *drafting tool* to create the term sheet.
- A *database* to track the agreed upon terms.

# Defining the Relationship

## *A word about SmartWords®*

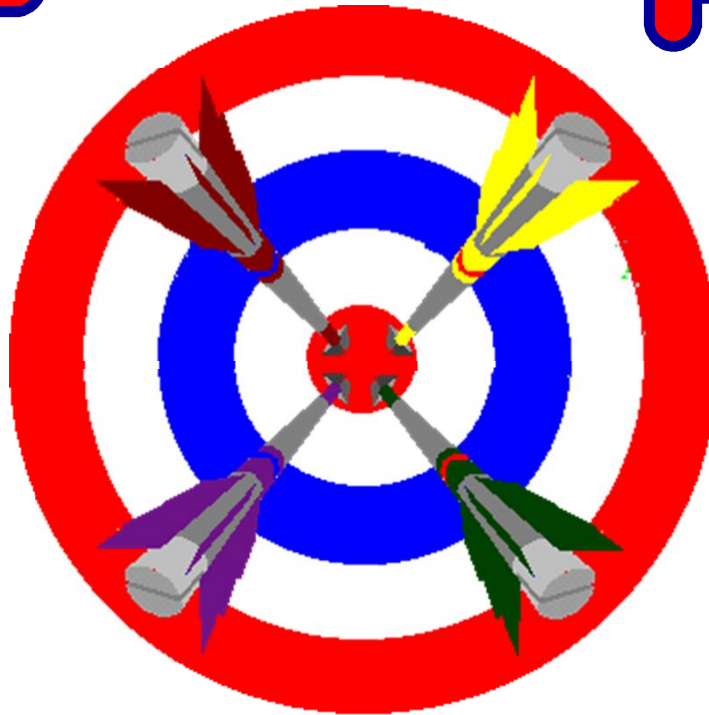
- A tool designed for *transactional* documents.
- A fully *interactive* tool
- An *integrated* drafting and data entry tool
- A *web-enabled* tool allows for collaboration and control
- A *rapid* development platform

# SmartWords<sup>®</sup> allows ...

## Ultimate Control

Standards

Flexibility

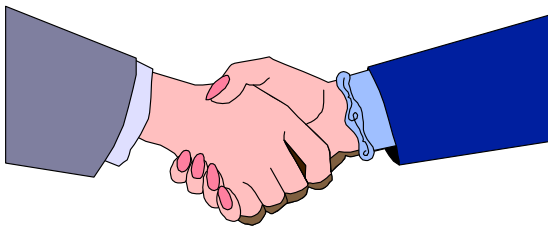


Speed

Savings

# Standard Terms . . .

- Quickly create a complete Term Sheet
- All options pre-approved by counsel.
- Hand shake on the deal.



SmartWords - [Template: University License Agreement & Framework]

File Edit View Format Proof Insert Develop Tools Window Help

**A** **B** **I** **U**

Attorney Issues

Termination - Exit Strategy

Termination for cause Notice Period: {v141 for cause termination}

Allow No Cause Termination .....{d183 no cause termination?}[  
Termination without Cause Notice: {v140 no cause termination} ]

Allow Termination of Funding .....{d184 funding termination?}[  
Termination of Funding Notice: {v142 funding termination} ]

Pharma improvements licensed to Univ. royalty-free .....{d180 free license to improv?}

All rights, data, results etc revert to University .....{d181 reversion to univ?}

University may buyout Pharma share of joint improvements .....{d182 univ buy jt improv?}

Arbitration and Dispute Resolution

Mandatory arbitration .....{d190 mandatory arbitration?}

Establishment of escrow fund for disputes .....{d191 dispute escrow fund?}

Liquidated damages for certain issues .....{d192 liquidated damages?}

Judicial Resolution of Disputes ..... {d193 choice of law & forum?}[  
Controlling Law (Country): {v120 choice law country}  
Controlling Law (State/Province): {v121 choice law state}]

Arbitration Provisions

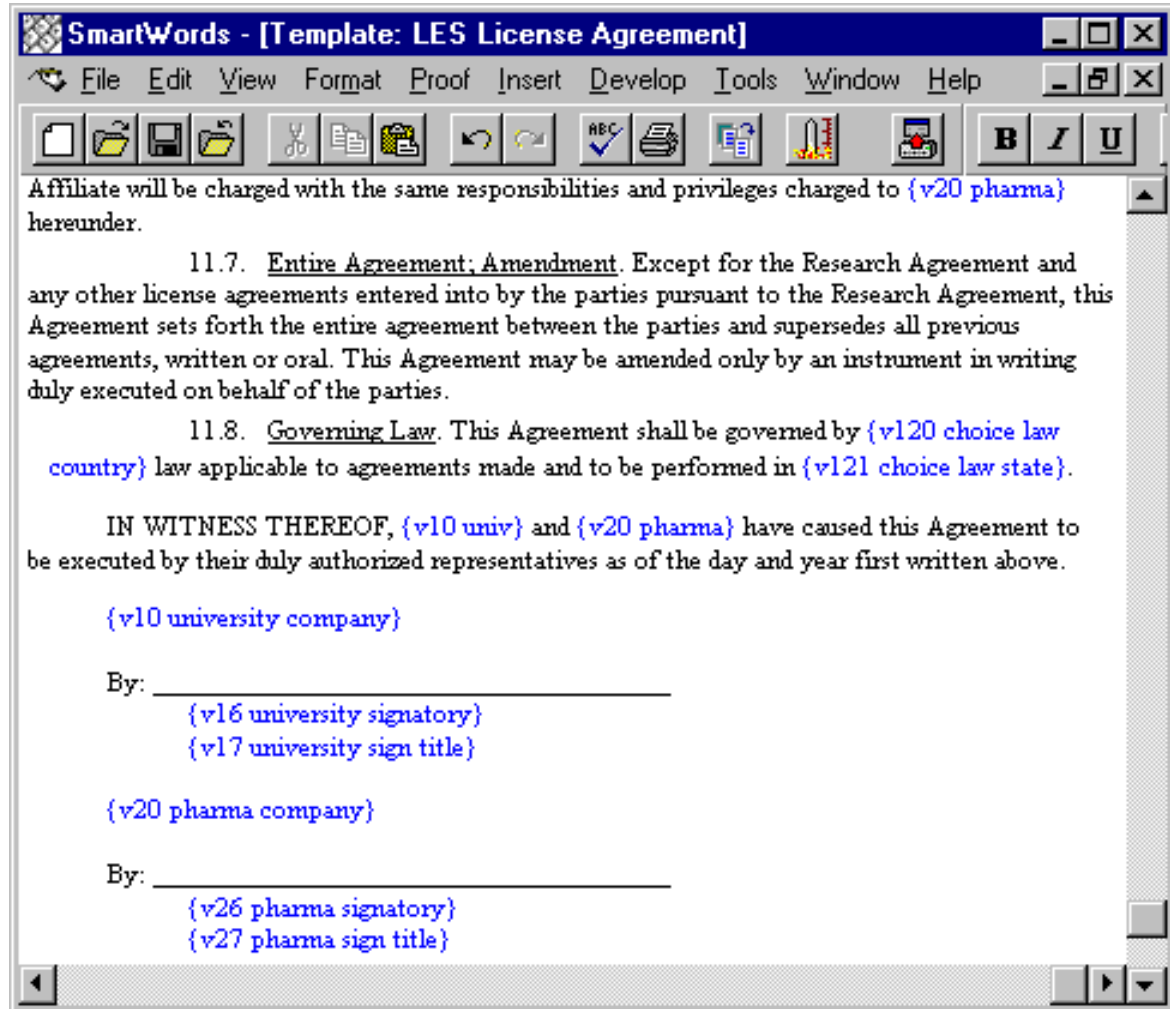
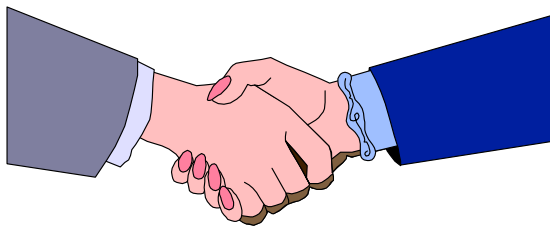
Arbitration Forum {v124 arbitration forum}

Arbitration Controlling Law {v124 arbitration state law}

Broad Arbitration - Arbitrate All Issues .....{d190 arbitration broad?}

# Start with a Master template . . .

- All contract language pre-approved by your own lawyers.
- Ready for execution.



# Refine the deal ... over the Internet

The screenshot shows a Microsoft Internet Explorer window titled "-- A SmartWords Application - Microsoft Internet Explorer". The address bar contains "http://oemcomputer/swweb/SmrtWrds.ASP". The main content area features a dark blue header with the "Law on the WEB" logo and navigation links: "HOME • MY DOCUMENTS • HELP" and "Location / Progress". A left sidebar lists various document sections, with "Territorial Exclusivity" highlighted by a red arrow. The main content area has two tabs: "Territorial Exclusivity" (active) and "Regions". Under the active tab, the title is "Term Sheet: Territorial Exclusivity". Below the title is a list of checkboxes for regional selection: "European Community?", "Asia/Pacific rim?", "Africa?", "South America?", "Australia?", and "Other?". The "Other?" checkbox is checked. Below the list is a text input field labeled "Enter Region" containing the text "Independent Republic of Kosovo". At the bottom right, there are four navigation buttons: "Back", "Next", "Stop", and "Help".

Law on the WEB

HOME • MY DOCUMENTS • HELP

Location / Progress

Info on University Entity

Info on Biopharma Company

Research Agr Basic Terms

Research Requirements

Scope of License

Field of Use License

▶ Territorial Exclusivity

Carveouts \_Reserv of Rights

Duration of License if Patent

Publication Rights

Data Rights

Basic Funding Options

Funding of Develop Costs

Develop Funding: Milestones

Milestone Elements and Payment

Equity Investment/Rights

Direct Investment by Stock Pur

Territorial Exclusivity Regions

Term Sheet: Territorial Exclusivity

European Community?

Asia/Pacific rim?

Africa?

South America?

Australia?

Other?

Enter Region

Back Next Stop Help

# Facilitator

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# Negotiators

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