

# **M.I.T. System of Technology Transfer**

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# **Legal Basis for University Licensing:**

- **P.L. 96-517 (1980)**

- **Contractor can elect title**

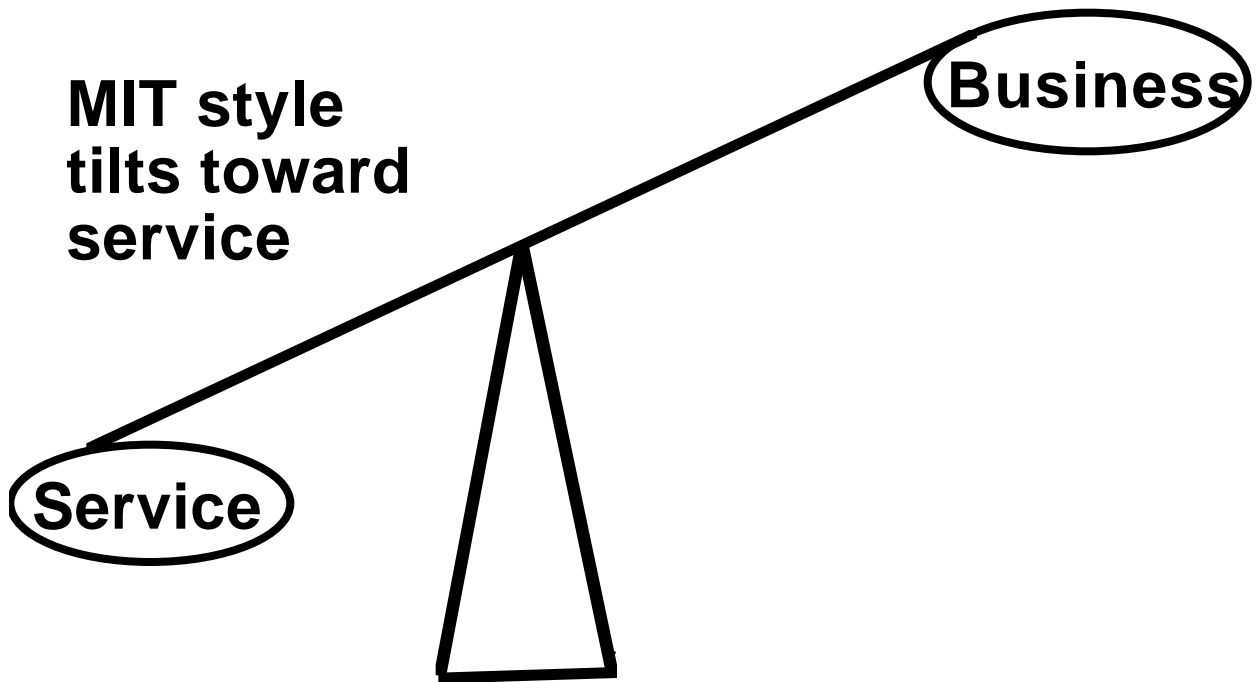
- **Spirit of law is that contractor proactively seek licensees:**

**35 U.S. C. §200 Policy and Objectives**

**It is the policy and objective of the Congress to use the patent system to promote the utilization... and to protect the public against the *nonuse* or unreasonable use of inventions...**

- **Executive Orders (1981-1987)**

- **Loosened restrictions on granting exclusivity**



**Primary Goal:**

**Make embryonic  
technology available  
to public by transfer  
to industry (but  
don't lose money!)**

**Don't: calculate ROI,  
write business plan,  
invest \$.**

**Primary Goal:**

**ROI for  
shareholders**

**Do: calculate ROI,  
write business plan,  
invest \$.**

## **MIT Offices which interact with Industry/Entrepreneurs**

- **Industrial Liason Program**  
Introduce industry to Professors with relevant research interests.
- **Technology Licensing Office**  
License Intellectual Property, coach MIT entrepreneurs.
- **Entrepreneurship Center (part of the business school)**  
Educate student entrepreneurs, study, from an academic point of view, entrepreneurship.

**MIT + Boston is a Virtual Incubator.**

**Boston has entrepreneurs clubs, mentors, angels, eager to facilitate new company creation.**

## **MIT Policy:**

**First, you need a policy document.**

**MIT owns inventions made with significant use of MIT administered funds or facilities.**

**MIT is a Virtual Incubator.**

**After patent costs paid,**

**15% to run TLO**

**1/3 to inventors**

**1/3 to their academic departments**

**1/3 to the General Fund.**

# **MIT Technology Licensing Office**

## **Staffed by Engineers with Industrial Experience**

**Irene Abrams: Biotechnology**

**Stephen Brown: Chemistry**

**Tom Ittelson : Biotechnology**

**Lita Nelsen: Director  
Biotechnology**

**Ben Palleiko: Semiconductor Devices  
Materials Science**

**Lori Pressman: Optics, Lasers  
Semiconductor Devices  
Medical Devices**

**Karen Rivard: Attorney**

**Joe Schatz: Computer Architecture  
Artificial Intelligence**

**Jack Turner: Elec. and Mech. Eng.**

## **Licenses to existing companies:**

### **MIT TLO does:**

- **Coach on patent preparation**
- **Informal dispute resolution**
- **Make contacts with companies**
- **Negotiate license**
- **Put sponsored research milestones in license.**
- **Monitor compliance (some)**
- **Informal matchmaking**

### **MIT TLO does not, itself:**

- **Analyze prior art in great detail**
- **Prepare patents**
- **Do detailed marketing studies**
- **Prepare business plans**
- **Calculate ROI**

## **Licenses to start-up companies:**

### **MIT TLO does:**

- **Give advice on what will fly as a business**
- **Introduce inventors to investors**
- **Introduce inventors to potential CEO's**
- **Give advice on conflict of interest issues**
- **Negotiate the license**
- **Monitor compliance (more)**

### **MIT does not, itself:**

- **Invest \$ (we sometimes take equity in partial lieu of royalties)**
- **Provide Office Space or Administrative Support**
- **Calculate ROI**
- **Analyze prior art in detail**
- **Prepare patents**
- **Do detailed marketing studies**
- **Prepare business plans (We'll read and comment on them though).**

## **University Licenses:**

### **We care most about diligence.**

3.1 LICENSEE shall use its best efforts to bring one or more LICENSED PRODUCTS or LICENSED PROCESSES to market through a thorough, vigorous and diligent program for exploitation of the PATENT RIGHTS and to continue active,

diligent marketing efforts for one or more LICENSED PRODUCTS or LICENSED PROCESSES throughout the life of this Agreement.

3.2 In addition, LICENSEE shall adhere to the following milestones:

- a. LICENSEE shall deliver to M.I.T. on or before \_\_\_\_\_ a business plan showing the amount of money, number and kind of personnel and time budgeted and planned for each phase of development of the LICENSED PRODUCTS and LICENSED PROCESSES and shall provide similar reports to M.I.T. on or before \_\_\_\_\_ of each year.
- b. LICENSEE shall develop a working model on or before \_\_\_\_\_ and permit an in-plant inspection by M.I.T. on or before \_\_\_\_\_, and thereafter permit in-plant inspections by M.I.T. at regular intervals with at least \_\_\_\_\_ ( ) months between each such inspection.
- c. LICENSEE shall make a first commercial sale of a LICENSED PRODUCT and/or a first commercial use of a LICENSED PROCESS on or before \_\_\_\_\_.
- d. LICENSEE shall make NET SALES according to the following schedule:  

199__	_____ units;
199__	_____ units;
199__ and each year thereafter	_____ units.
- <e. Other milestones depending on invention being licensed.>

**3.3 LICENSEE's failure to perform in accordance with either Paragraph 3.1 or 3.2 above shall be grounds for M.I.T. to terminate this Agreement pursuant to Paragraph 13.3 hereof.**

**The MIT Nightmare: We license the cure to cancer, and it sits in the licensee's filing cabinet.**

**For Exclusive Licenses especially, need some combination of measurable milestones, e.g.:**

**Minimum \$ Invested in Development  
Technical Milestones  
Minimum Unit or \$ Sales Volume  
Etc...**

## **A few issues unique to universities:**

- **Sensitivity to the use of the University name (can't be seen as endorsing a product).**

### 10 - NON-USE OF NAMES

**LICENSEE shall not use the names or trademarks of the Massachusetts Institute of Technology or Lincoln Laboratory, nor any adaptation thereof, nor the names of any of their employees, in any advertising, promotional or sales literature without prior written consent obtained from M.I.T., or said employee, in each case, except that LICENSEE may state that it is licensed by M.I.T. under one or more of the patents and/or applications comprising the PATENT RIGHTS**

# • Licensee needs to indemnify us re: product liability

## emnification and Insurance.

### 8.1 Indemnification.

(a) Indemnity. COMPANY shall indemnify, defend, and hold harmless M.I.T. and its trustees, officers, faculty, students, employees, and agents and their respective successors, heirs and assigns (the "Indemnitees"), against any liability, damage, loss, or expense (including reasonable attorneys fees and expenses) incurred by or imposed upon any of the Indemnitees in connection with any claims, suits, actions, demands or judgments arising out of any theory of liability (including without limitation actions in the form of tort, warranty, or strict liability and regardless of whether such action has any factual basis) concerning any product, process, or service that is made, used, sold, imported, or performed pursuant to any right or license granted under this Agreement.

(b) Procedures. The Indemnitees agree to provide COMPANY with prompt written notice of any claim, suit, action, demand, or judgment for which indemnification is sought under this Agreement. COMPANY agrees, at its own expense, to provide attorneys reasonably acceptable to M.I.T. to defend against any such claim. The Indemnitees shall cooperate fully with COMPANY in such defense and will permit COMPANY to conduct and control such defense and the disposition of such claim, suit, or action (including all decisions relative to litigation, appeal, and settlement); provided, however, that any Indemnitee shall have the right to retain its own counsel, at the expense of COMPANY, if representation of such Indemnitee by the counsel retained by COMPANY would be inappropriate because of actual or potential differences in the interests of such Indemnitee and any other party represented by such counsel. COMPANY agrees to keep M.I.T. informed of the progress in the defense and disposition of such claim and to consult with M.I.T. with regard to any proposed settlement.

8.2 Insurance. COMPANY shall obtain and carry in full force and effect commercial general liability insurance, including product liability and errors and omissions insurance which shall protect COMPANY and Indemnitees with respect to events covered by Section 8.1(a) above. Such insurance (i) shall be issued by an insurer licensed to practice in the Commonwealth of Massachusetts or an insurer pre-approved by M.I.T., such approval not to be unreasonably withheld, (ii) shall list M.I.T. as an additional named insured thereunder, (iii) shall be endorsed to include product liability coverage, and (iv) shall require thirty (30) days written notice to be given to M.I.T. prior to any cancellation or material change thereof. The limits of such insurance shall not be less than One Million Dollars (\$1,000,000) per occurrence with an aggregate of Three Million Dollars (\$3,000,000) for bodily injury including death; One Million Dollars (\$1,000,000) per occurrence with an aggregate of Three Million Dollars (\$3,000,000) for property damage; and One Million Dollars (\$1,000,000) per occurrence with an aggregate of Three Million Dollars (\$3,000,000) for errors and omissions. In the alternative, COMPANY may self-insure subject to prior approval of M.I.T. COMPANY shall provide M.I.T. with Certificates of Insurance evidencing compliance with this Section. COMPANY shall continue to maintain such insurance or self-insurance after the expiration or termination of this Agreement during any period in which COMPANY or any AFFILIATE or SUBLICENSEE continues (i) to make, use, or sell a product that was a LICENSED PRODUCT under this Agreement or (ii) to perform a service that was a LICENSED PROCESS under this Agreement, and thereafter for a period of five (5) years.

# **Universities won't warrant validity of the licensed patent rights, or that their practice won't infringe third party owned intellectual property.**

## **Representations or Warranties.**

EXCEPT AS MAY OTHERWISE BE EXPRESSLY SET FORTH IN THIS AGREEMENT, M.I.T. MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND CONCERNING THE PATENT RIGHTS, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT, VALIDITY OF PATENT RIGHTS CLAIMS, WHETHER ISSUED OR PENDING, AND THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE. Specifically, and not to limit the foregoing, M.I.T. makes no warranty or representation (i) regarding the validity or scope of the PATENT RIGHTS, and (ii) that the exploitation of the PATENT RIGHTS or any LICENSED PRODUCT or LICENSED PROCESS will not infringe any patents or other intellectual property rights of M.I.T. or of a third party.

IN NO EVENT SHALL M.I.T., ITS TRUSTEES, DIRECTORS, OFFICERS, EMPLOYEES AND AFFILIATES BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING ECONOMIC DAMAGES OR INJURY TO PROPERTY AND LOST PROFITS, REGARDLESS OF WHETHER M.I.T. SHALL BE ADVISED, SHALL HAVE OTHER REASON TO KNOW, OR IN FACT SHALL KNOW OF THE POSSIBILITY OF THE FOREGOING.

## **And a few more more non-negotiables:**

### **•M.I.T.'s own R&D use:**

M.I.T. reserves the right to practice under the PATENT RIGHTS for noncommercial research purposes.

### **•Government Rights: (As a result of 35 U.S.C. 204:**

Notwithstanding any other provision of this chapter, no small business firm or nonprofit organization which receives title to any subject invention and no assignee of any such small business firm or nonprofit organization shall grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by the Federal agency under whose funding agreement the invention was made upon showing by the small business firm, nonprofit organization, or assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible. )

LICENSEE agrees that LICENSED PRODUCTS leased or sold in the United States shall be manufactured substantially in the United States.

**Lots of flexibility on business terms:**

**Exclusive by field of use (technical or market).**

**Under certain circumstances, can take equity in partial lieu of royalties.**

**Flexibility on timing of payments (low up front fees in exchange for higher royalties)**

Summary:

Good laws + clear policy + multi-cultural  
tech transfer people (technology +  
business) + flexibility on business terms  
+ patience =

Success!

