UC Berkeley
Office of Technology Licensing
Practices for Licensing to
Early Stage Startups

Background

UC Berkeley encourages the formation of companies that develop products based on technologies that are created by our researchers. Successfully developing products and building companies is extraordinarily challenging. Accordingly, the campus provides an innovation and entrepreneurship ecosystem that supports our entrepreneurs and startups. As part of our ecosystem, the UC Berkeley Office of Technology Licensing (OTL) is highly supportive of startups that license the university's IP. This document highlights the 12 licensing practices that we follow to support our early stage startups.[i] Many of these practices are applicable to when we license to mature startups (i.e. selling product, post series A) and established companies as well young startups – and those practices are designated with a *.

Practices

1. **Perspective**: Successfully starting companies and developing products is hard. Therefore, we aspire to make the licensing process the easiest of the many transactions / tasks (e.g. raising money, hiring people, developing products, selling to customers) that startups need to accomplish. However, startups should understand that to make a license a good fit for the company and university, the process requires some discussion, due diligence, and transaction time.

2. **Partnership***: The university wants its startups to be successful showcases of how research leads to creating new products, companies and industries that solve societal problems and address technological opportunities. Therefore, we see licensing as a partnership, and we make the licensing process friendly (not adversarial). Our goal is to make each license a win-win-win for startups, the university, and its inventors. However, startups should understand that the university needs to impose some contractual obligations in order to be good stewards of the university's IP. For example, exclusive licenses need to have reasonable performance milestones, the university needs to recover patenting costs, and it's not prudent to forgo all royalty payments for equity (that can be diluted by, and made subordinate to subsequent equity issuances).

3. **Catalyst***: The objective of university licensing is to establish agreements and relationships that get our technology commercialized fast and broadly to benefit society, support university research and education, as well as reward inventors for their ingenuity. Therefore, we try to craft licensing terms that act as catalysts for commercializing technology. However, startups should understand that the university needs to focus its budget on education and research, and therefore, the university wants to recover its patent costs and minimize subsidizing startups.

4. **Uniqueness***: Each startup is different with regard to attributes such as a company's: business model, market size and growth rate, profit margin, competition, R&D investment, product development timeline, and risk factors. Therefore, we strive to establish license financial terms and structures that fit the unique business attributes of each startup. However, startups should understand that if their business plans are rudimentary, then we need to make assumptions in order to determine financials, and also be flexible as startups mature (see Practice #11).

5. **Value***: Each university technology is different with regard to attributes such as a technology's: maturity (e.g. prototype, lab-scale), risks (e.g. proven efficacy, production costs), strength of patent rights, as well as product development investment and timeline. Therefore, we strive to establish license financial terms and structures that reflect the value of the university's IP rights relative to the value that startups create to successfully commercialize new technology.

6. **Cash**: Startups are typically tight on cash and need to focus their cash on product and company development. Therefore, we try to minimize the cash payments to the university early in the license term by offsetting some cash payments with equity, as well as back-ending fees and royalty payments. We are also sensitive to the unequal materiality of early cash payments in that the difference between a few thousand dollars is not material to the finances of the university, but might be material to the finances of a newly formed startup. Finally, we try to make the license income commensurate with the success of the company by using royalty structures.

7. **Speed***: Startups often need to move quickly. Therefore, we strive to work at the-speed-of-business. We try to accomplish our licensing action-items such that we minimize the time in which we are on the critical path towards completing a license.

8. **Education***: University licensing is not rocket science, but it's also not widely understood – especially by first-time entrepreneurs. Therefore, we happily explain the rational and logic underlying the ways and means of university licensing.

9. **Angst**: Startup teams are often stressed. Therefore, we try not to add to their anxiety, and we look for opportunities to assuage their concerns about licensing.

10. **Patience**: Startup product development and funding plans are frequently hard to predict, and subject to change – often beyond the control of the startup. Therefore, we are patient with startups, and if necessary, we wait many days, weeks or months for startups to complete a license.

11. **Flexibility**: Startups often pivot their plans and corresponding business models. Therefore, we try to be flexible – including being open to renegotiating existing license agreements.

12. **Professionalism**: Entrepreneurs sometimes can have "demanding" personalities. Therefore, we will not make the licensing process / negotiation personal. We will be professional, and act on behalf of the university in order to build long-term relationships with our entrepreneurs.

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[i] Note that despite the best attempts to make companies satisfied (and possibly, delighted) with the license process and terms, this goal is challenging to achieve. It's challenging to make companies happy because ideally, they would like to minimize their license costs, or even forgo the license. This situation is exasperated by the fact that, in many cases, university patent rights (or copyrights) aren't strong enough to justify the cost of enforcement against infringers and thereby create competitive advantage for companies. Consequently, companies often view licenses as an unnecessary tax/toll, instead of a value to their business. There are exceptions – for example, with seminal patents particularly in the biotech sectors. The situation is further exacerbated with startups for which a founder is also the university developer of the licensed IP. In those cases, the founders might be miffed that they have to license from the university the technology that they developed (often as graduate students who aren't compensated well).