Office of Technology Commercialization

UK STARTUP LICENSE PROGRAM

Office of Technology Commercialization

As part of our continuing efforts to expand support for entrepreneurship, the University of Kentucky Office of Technology Commercialization (OTC) is excited to offer the UK Startup License program, a streamlined process to support the transfer of intellectual property from the University to startups prepared to commercialize the technology. By offering startup-friendly terms to entities formed specifically to develop the technology being licensed, the program, which is optional for those UK faculty and staff entrepreneurs who wish to participate, is designed to stimulate the creation of viable companies and better prepare them to de-risk UK's early stage technologies, license our related intellectual property, and introduce those innovations into the marketplace.

Key Features

- The UK Startup License program includes educational programming and support for UK innovators who would like some early guidance in forming their company before moving forward on their own. While working with OTC's New Ventures team to further develop their ideas for the business, the startup receives an option to exclusively license the technology (which means that, while you prepare your business development action plan during the option period, UK OTC specifically reserves the technology for your startup and will not license out the intellectual property to any other party).
- Once a mutually agreed upon business development action plan is in place, the company may exercise the option to license the technology under the "ready to be signed" UK Startup License agreement with fixed terms that are favorable to eligible companies.

Benefits

The UK Startup License program provides transparency and fairness by offering standardized, favorable deal terms to all UK startups that choose to participate. The license terms have been developed with input from seasoned entrepreneurs and investment professionals, with an eye toward helping to attract investors and commercialization partners interested in UK startups.

In addition, the process provides participants the opportunity to access services available through our New Ventures team to assist entrepreneurial UK innovators in the company formation and development process. These services and other financial support create a UK Startup benefits package valued at up to $50,000 that includes, among other things, waiver and deferment of intellectual property protection expense reimbursement, guidance from business development experts, and discounted company space in UK's convenient on-campus business incubator.

Attractive licensing terms available to UK Startups include the following:

- **No up-front licensing fee**
- **Waiver and deferment of certain pre-license patent expense reimbursement**
  - While intellectual property protection is essential for high-tech startups, it often comes at a significant price. To allow startups to direct more of their early funding toward building momentum, the UK Startup License provides for waiver and deferment of certain patent legal and other necessary related expenses incurred by OTC before the effective date of the license.
  - See "UK Startup License Terms" below for additional details.
- **Preferable royalty rate**
  - A royalty rate that is at least 0.5% lower than the applicable industry standard, based upon the type of technology to be licensed[1]
    - Industrial manufacturing processes . . . . . 1% of net sales
    - Drugs and therapeutics . . . . . 2% of net sales
    - All other technologies . . . . . 3% of net sales
- **No annual minimum royalty payments for years 1-3**
- **No milestone payments**

Assistance available to UK startups for company development includes the following:

- **Support for working with vetted, experienced startup professionals:**
  - Access to a pool of potential mentors from the Executives-on-Roster (XOR) platform with applicable industry experience for commercialization consulting;
  - Access to support and guidance related to writing and submitting SBIR/STTR applications; and/or
  - Access to dedicated startup advisors from the OTC Mentors-in-Residence (MIR) program, as available and applicable, such as a financial modeling or regulatory expert.
- **Website development**
- **Office and lab space:**
  - Office and/or lab space in the ASTeCC incubator in the center of UK's campus is available for free or at a reduced rate, contingent on availability.
    - Partially-subsidized rent for the first two years of the license
      - A subsidy of $4/square foot/year during year 1
      - A subsidy of $2/square foot/year during year 2
    - Free co-working space (available starting Fall 2020)

[1] Licensing Executives Society High Tech Sector Royalty Rates & Deal Terms Survey Report (2019)

Eligibility Requirements

Any new startup created specifically for commercializing UK technology is eligible to participate in the program, provided that each of the following requirements is met:

1. At least one UK inventor named on the patent or patent application or innovator of the technology to be licensed must be a founder of the company (an "inventor-founder").
2. As of the effective date of the license agreement, all inventor-founders must have Conflict of Interest Management Plans approved by UK.
3. The company must have received less than $2M in funding since its founding.
4. The company must have fewer than 10 employees.

UK Startup License Process

The program involves a two-step process to facilitate the licensing of technology to new startups. Our goal is to help startup teams develop into a company with the scientific and business knowledge needed to commercialize the technology.

Step 1: Option Period
Startups receive an exclusive option to license the technology while they work with OTC's New Ventures team to develop a mutually agreed-upon business development action plan and outline initial diligence milestones. The startup and OTC examine the specific needs of each company during an intake meeting with the New Ventures team. This step is intended to result in an action plan for execution by the startup, to position it as a more viable candidate for successful commercialization as an exclusive licensee of the technology.

The Business Development Action Plan may include one or more of the following:

- Creation of a validated business model
- Utilization of OTC's suite of company development services such as market research and commercialization grant consulting
- Participation in the XOR (Executives-on-Roster) platform for building a management team
- Completion of the UKAccel program
- Development of an advisory board
- Participation in UKPitch

Step 2: Exclusive License
Upon successful completion of the Business Development Action Plan, the startup may exercise the option and obtain an exclusive license under the UK Startup License Program terms.

UK Startup License Terms (non-negotiable)

- **Grant**. Exclusive, worldwide license for relevant fields of use as identified in mutually agreed upon business plan, subject to the rights of the US Government, if any.
- **Upfront Fee**. None.
- **Royalties**. Licensee will pay to UKRF royalties at a rate based on the technology type (as described above) of net sales made by licensee or its affiliates (no fixed, pass-through royalty obligations on sales made by sublicensees).
- **Sublicensing Income**. Licensee will pay to UKRF 20% of any payments, including royalties, and the fair market value of all other consideration, that Licensee receives from any sublicensees, but excluding payments made by the sublicensee to Licensee for either:
    - amounts paid for the performance of further research and development of licensed products or services; or
    - debt or equity investments in the startup made by a sublicensee in consideration for the issuance of equity or debt securities of the startup.
- **Annual Minimums**. If total royalties and/or sublicensing income amounts actually paid to UKRF are less than the applicable minimum amount set forth in the following table (the "Annual Minimum"), Licensee will pay to UKRF an amount for that license year equal to the shortfall.

License Years	Annual Minimum Royalty Payment
1 through 3	none
4 and 5	$5,000
6 and 7	$10,000
8 and thereafter	$15,000

- **Milestone Payments**. None.
- **Reimbursement for Prior Patent Costs**. Reimbursement of patent expenses incurred before the effective date of the license ("Prior Patent Costs") will be due according to the following schedule:

Prior Patent Costs	Date Due
the first $10,000 incurred	waived
the next $25,000 incurred	deferred until the first to occur of: (a) a liquidity event such as an asset sale, merger, acquisition, IPO, or assignment; (b) the grant of a sublicense; (c) the first $100,000 in sales of licensed products/services; or (d) the 5th anniversary of the effective date of the UK Startup License
expenses beyond the initial $35,000	1/3 will be due upon each of the 6th, 7th, and 8th anniversaries of the UK Startup License

- **Responsibility for Ongoing Patent Costs**. Patent and related necessary out-of-pocket expenses incurred after the effective date of the license will be due to OTC within 30 days of receiving an invoice for such expenses.
- **Diligence Obligations**. Licensee will use reasonable commercial efforts to effect introduction of licensed products into the commercial market. Specific diligence milestones, mutually agreed-upon with OTC's New Ventures team prior to licensing, will be set forth in the license agreement.

Additional Information

For additional information please contact Eric Castlen, Associate Director, Commercialization and Licensing at (859) 257-8211 or eric.castlen@uky.edu.