RED
Research & Enterprise Development

University of BRISTOL

Key routes to commercialisation

Various commercialisation options

- Direct sale of products and services
- Research collaboration
- Open source route
- Assignment / sale
  - To existing company
  - To start up / spin out company
- Licensing
  - To existing company
  - To start up / spin out company

Direct sale of products and services

- Production of a product or offering of a service directly from the institution/laboratory e.g.
  - Specialised chemicals
  - Material analysis
- Use of institution's equipment
  - Institution must benefit
- Need to be careful
  - Unfair competition with private sector: depends on market
  - Product liability
  - Accreditation issues (e.g. diagnostic service, chemical analysis)

Research collaboration

- Swop IP for a research grant
- Institutions can get more money through this route than through conventional licensing
- Usually involves a royalty-free license
- Inventors should be able to provide input on their needs and whether they agree with this approach
- Be aware of non-monetary benefit-sharing provisions in IPR Act / IP policy

Open source route

- Software can be provided through an open source model
  - Source code provided
  - Can include license but usually royalty-free
  - Can include clauses to share income if sold commercially
- Can also apply to
  - Dissemination of information on new technologies or improvements to existing technologies
    - Manuals
    - Practical training programmes

Assignment / sale

- Give up all rights to the IP, usually for a fee or for shares / equity
- Problem:
  - You lose control over what happens to the IP in the future
  - You lose your use of the IP for further development
  - No real involvement by inventors
- Not generally used by public research institutions

Licensing

- Most common route for commercialisation
- Start up / spin out
  - Need to raise investment to advance research
  - Barriers to entry for new company are low
  - Fits within value / supply chain
  - Inventors may join and/or may hire new staff
  - Need access to expertise to fulfil company roles
- Existing company
  - Licensee is dominant market player
  - Few licensees
  - Technology capable of being developed by a licensing partner
  - Barriers to entry are high

Licensing to an existing company

- Advantages
  - Infrastructure in place, including management
  - Funds to develop the invention
  - Distribution channels
  - Brand name and market access
  - License agreement is much easier than spin out agreement
  - Potential conflicts of interest far less likely
- Disadvantages
  - Difficult to get the attention of an existing company with new but unproven inventions
  - Existing companies have their own research agenda and priorities
  - Difficult to find a “champion” who will support a new technology that is not his or her own
  - Risk that the company will lose interest in the technology

Licensing to a spin out company

- Advantages
  - Spin out will be dedicated to developing the invention as its first priority
  - Will work closely with one or more of the inventors
  - Research institution knows the people involved
  - Financial arrangements may include shares so upside even if technology doesn't work
- Disadvantages
  - Substantial risk of conflict of interest
    - Concessions on future IP
    - Misuse of institutional resources or staff time
  - Must find management talent and raise investment money
  - Difficulty in marketing and developing distribution channels

How to decide

- Spin out
  - Need to raise investment to advance research
  - Technology is basis for new industry
  - Barriers to entry for new company is low
  - Fits within value / supply chain
  - Reward is high
  - Access to expertise to fulfil company roles
- Existing company
  - Creating a company will add no value to commercialisation process
  - Licensee is dominant market player
  - Few licensees
  - Technology capable of being developed by a licensing partner
  - Barriers to entry are high

Spin out preferred if

- Invention is a platform technology that may have many products
  - Spin out company more likely to exploit all potential applications of the technology, while an established company will more likely focus on a single addition to its existing product line
- No existing industry making similar products
  - difficult for a new company to compete in an established market unless the technology is overwhelmingly superior
- The market is large enough to justify the risk, particularly if require substantial investment in development
- Strong IP protection exists in the country in which the spin out exists and/or in the major markets to which it intends to export
- At least one credible inventor will join the company