

Out-Licensing Services



**TECHNOLOGY
CATALYSTS**

Out-Licensing Services

Technology Catalysts International (TCI) has provided global consulting services to the pharmaceutical, consumer care, and chemical industries since 1979. As a fully integrated technology licensing company, we have assisted in the development of more than 500 technology and strategic alliance agreements. We offer you a mechanism to maximize earnings from under- or unutilized technology and intellectual property.

TCI's **Out-Licensing Service (OLS)** provides a cost-effective way to out-license technology in your portfolio. These technologies can be licensed for cash, royalties, and/or "quid pro quo." Our approach is to insure that you make optimum use of available expertise (internal or TCI) in the development and implementation of your out-licensing strategy.

OLS is a proactive program. On-going client-TCI interaction allows the team to:

- Select those technologies with the best potential for successful out-licensing ("the supply").
- Provide information on licensing needs that your portfolio may satisfy ("the demand").
- Utilize TCI's License Pricing Model to develop pricing scenarios.
- Obtain market data.
- Develop out-licensing dossiers.
- Identify potential licensees.
- Present the candidate technology to potential licensees face-to-face.

Why Out-License?

The reasons to out-license technology are many. In our experience the principal reasons are:

- Obtain a return on investment for product development
- A shift in corporate emphasis to concentrate on "core competencies"
- Desire to generate income from "Lazy Patents" or good early stage technology not meeting criteria for investment or development
- Achieve faster development of the licensed technology through the use of R&D grant-backs by the licensee
- Expand into an export market niche through regional licensing

How OLS Works

Once the company has made the decision to out-license a portion of its technology portfolio, a number of tasks need to be completed before beginning the OLS program:

- Identification of technologies the company is willing to consider for out-licensing
- Collection of the related intellectual property and documentation supporting the technology on a worldwide basis
- Analyzing potential competing technology, and potential licensees
- Pricing the technology
- Writing the technology out-licensing dossier
- Creation of a one-page description of technology and market potential

The Out-Licensing Service (OLS) is an ongoing twelve-month consultancy that is designed to help companies establish licensing partnerships through a business strategy. OLS provides a specific action plan related to approaching and presenting the technology with the objective to out-license it in the most cost-effective manner.

TCI's assistance in the out-licensing process can include:

- Development of the dossier or non-confidential information package (the basic marketing tool)
- Preparation of pricing scenarios to optimize the mix of upfront and royalty payments
- Determining the licensing strategy such as the Option License Agreement
- Identification and analysis of the market, competitive technology, and potential licensees (identifying the right individual at the target companies is critical for success)
- Contacting potential licensees to pre-establish level of interest in the technology
- Dissemination of the dossier (non-confidential out-licensing information package)
- Initiation and scheduling of meetings with potential licensees; addressing potential licensees' information needs
- Assistance in signing CDAs
- Presentation of the technology to potential licensees
- Negotiation of the terms and conditions of the license agreement

The Dossier or Information Package: The Basic Marketing Tool

As with any successful marketing campaign, it is vital that the technology be presented so that the potential licensee can read the information and see its benefits quickly. The dossier must be complete, yet to-the-point. Non-confidential information is always presented first, so the dossier must be compelling. TCI is experienced in provision of the research and analysis needed for the dossier, including:

- Non-confidential information
- Quantified market data
- Unmet market needs addressed by the technology
- The solution provided by the technology
- Benefits to the potential licensee from the technology

Market Analysis

TCI can develop a worldwide market analysis as part of the input for the information package. In the dossier, the technology is described, non-confidentially and in-depth, along with its sustainable competitive advantage for the licensee. As part of its analysis, TCI investigates what is needed in terms of regulatory, production and developmental requirements to produce a commercial product.

Pricing Scenarios

One of the most critical and complex issues negotiated between a potential licensee and licensor is the price of the technology to be acquired. This issue becomes increasingly difficult when the technologies under consideration are early-stage and largely unproven. Both parties need to develop a pricing mechanism that will establish a fair rate of return on the value of the intellectual property investment. The ultimate price paid for the technology is dependent on a number of factors including:

- Nature of the technology or product
- Stage of development
- Status of competing technologies
- Scope (patent vs. know-how vs. field of use vs. territory)
- Strength of the patent or know-how
- Potential market
- Corporate rate of return hurdle
- Comparable transactions (from TCI's historical records)
- Negotiating skills of the two parties



Net Present Value Analysis

The standard tool for evaluating license pricing used by licensing executives is net present value (NPV) analysis and internal rate of return. Although NPV should be used as a negotiating tool, TCI has seen acquisitions completed on the basis of a single number.

To determine the appropriate total cost and mix of compensation methods for a particular technology, an assessment of the value of the technology to the licensee compared with the cost of acquisition, needs to be made. Estimates of the potential licensee's costs and revenues are developed to produce a cash flow model that will yield the likely returns to the licensee. Once this assessment is developed, the licensor can assess whether its short-term and long-term investment return criteria are met.

The licensee and licensor can share the cash flow model to reach an understanding of the criteria used to determine the licensed technology's value.

Partner Identification

Licensing is a long-term partnership, and it is critical to identify compatible companies as potential licensees. Criteria should not only include a licensee's ability to pay the licensing fees but also:

- Ability to commercialize the technology and meet the licensor's idea of the expected market forecast
- Manufacturing capability and ability to meet regulatory standards
- History of successful product commercialization through licensing
- Commitment to safety
- Concern for the environment
- Regulatory expertise

TCI investigates each potential licensee to ensure a good fit.

Contact and Negotiation: TCI Possesses Unique Tools

This stage is the action step that will ultimately lead to the negotiation of a license. At this time, TCI (or the client) will contact the potential licensees to present the dossier or information about the technologies. In the case of TCI contacting the potential licensee, TCI takes advantage of its long-term relationships with potential licensees, and its global network of affiliates to converse with the licensee in their own language and time zone.

An initial meeting to present non-confidential information is scheduled, or alternatively, two-way secrecy agreements are signed so that a comprehensive meeting can take place.

Depending on circumstances, many potential licensees are contacted, until, an option license agreement is signed by any single potential licensee, in exchange for a payment for their evaluation time, resulting in a halt to continued contact with multi-potential licensees.

The client benefits from using TCI due to unique tools that it has developed for convincing potential licensees to in-license technology. Some of these tools include:

- Prior knowledge about the potential licensee's "passion-index" for in-licensing, and for commercializing licensed technology
- Demonstration of how the technology can fill the licensee's internal gaps leading to a new product launch
- Illustration of diversification scenarios based on the technology
- Suggested innovative cross-licensing or "quid" proposals
- Development of technology pricing with reasonable rates of return, with prior knowledge of licensee's hurdle rates, and attitude toward comparable transactions
- Proposals for international territorial sub-licensing strategies or carve-outs

The client can perform any task itself, or have TCI take responsibility for completing a particular task. If the dossier (marketing tool) is completed and the client needs assistance in presenting the technology to potential licensees in a particular region of the world, TCI's on-the-ground staff can work to set-up meetings and present the technology.

Advantages of Using TCI's OLS Service

- Ideal for unproven technology or products
- OLS is an "unbundled service" clients can elect to do certain tasks alone, making OLS cost-effective
- The client's staff is free to devote time to other projects
- Obtaining cost effective market data
- Knowing about competitive technologies to avoid surprises
- Proprietary License Pricing Model[®] software that can assist in demonstrating the technology's value, determining negotiating ranges, and encouraging rational and logical decision-making
- Access to TCI's database of comparable licensing transactions
- Tapping TCI's long-term relationships with potential licensees resulting in faster evaluations and deals
- Using TCI's experience in assisting in the development of more than 500 technology transfer and strategic alliance agreements
- On-the-ground multilingual staff with offices in Europe, Asia, and the Americas who can contact potential licensees around the world

Typical Fees for OLS

TCI works on a per diem fee for service, and does not usually take a success fee. The fees for OLS are dependent on which parts of the service a client decides to have TCI conduct. Clients may decide to utilize TCI's expertise in any or all of the following tasks:

- Dossier development
- Market study
- Competitive technology identification
- Selection of potential licensees and an analysis of their needs
- Pricing scenarios
- Comparable transactions
- Meetings with potential licensees
- Negotiation

Whatever your reason, TCI can help you meet your out-licensing goals in the most cost-effective manner.



About Technology Catalysts International

Technology Catalysts International (TCI) was founded in 1979 to provide consulting services that satisfy the licensing and business research needs of the pharmaceutical and chemical industries. We specialize in technology licensing, technology assessment, and technology portfolio management.

The firm is headquartered in Falls Church, Virginia, a suburb of Washington D.C. Our global network includes offices in Japan, India, Argentina, the United Kingdom, Germany, China, and Czech Republic.

Our research staff is composed of professionals with backgrounds in a variety of technical disciplines with additional expertise in international marketing, licensing, finance, and business development. The breadth of our experience assures clients of high quality, actionable information, and complete coverage on topics of interest.

TCI's core consulting services are based on continuous monitoring of global technology development. We provide consulting and technology transfer services to leading product developers and manufacturers in North and South America, Europe, and Asia. Our client base consists of small, medium, and large corporations.

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