

# Commercially Realistic Technology Transfer – Extracting IP From Research

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# The Invention

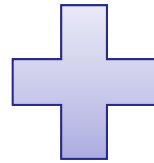
## Invented at University of Woop Woop

- ❖ Dr. Huntsman recognized utility of auto fluff to make building materials with improved properties.
- ❖ Auto fluff is the 15 to 20 percent of vehicle materials remaining after a vehicle has been shredded and removed of reusable parts and metals. Auto fluff is composed of plastics, rubber, foam, residual metal pieces, paper, fabric, glass, sand, and dirt.

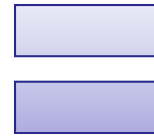


# Invention

**Standard  
Concrete**



**Auto Fluff +  
Binder  
and Heat**



**Many Types  
of Building  
Products**



**Roof Tiles**



**Building  
Siding**



**Tilt Wall  
Construction**



**Etc.**

**That are as durable as  
concrete yet lighter weight  
and insulated**

## Analysis by University

- ❖ Dr. Huntsman, per policy, contacts the University Technology Transfer Office (TTO).
- ❖ The TTO personnel analyse:
  - Patentability, commercial viability;
  - Uses in a variety of applications; and
  - Commercial viability.
- ❖ A basic patent application is filed.
- ❖ The availability of the invention for marketing is publicised.

## An Entrepreneur Gets Interested

- ❖ Mr. Koster, a serial entrepreneur in the “green space” sees a potential for the invention.
- ❖ He likes the variety of potential markets.
- ❖ He likes the “story” of taking something of no use and using it.
- ❖ He thinks he can sell the idea to venture capitalists.
- ❖ He is recently out of a job, having sold off his last company and made a decent amount of money.

# The “FluffCrete” Business Plan

- ❖ Global focus with Australian, Asian and European subsidiaries created to capitalise on grant schemes and tax concessions.
- ❖ Roofing tiles selected as initial product.
- ❖ Capital to be raised based on technology and market opportunity.

# Stars in Their Eyes

- ❖ Manage expectations
- ❖ Due diligence



The Technology is Licensed

# Terms to be Negotiated

- ❖ Ownership of IP
- ❖ Exclusivity
- ❖ Field
- ❖ Upfront payments
- ❖ Equity
- ❖ Milestones
- ❖ Royalties (including minimum royalties)
- ❖ Research and Development Commitments

## Terms as Negotiated (Take One)

- ❖ Exclusivity in all fields
- ❖ Generous up-fronts in cash and equity
- ❖ Milestones
- ❖ Minimum royalties based on exploitation of in all fields
- ❖ University ownership of IP and improvements

FluffCrete™ LLP is Founded

# Everybody is Happy

- ❖ Company sees big opportunity
- ❖ University sees big returns

# FluffCrete Begins Operation



## Problems Ensur

- ❖ Industry is vertically integrated, dominated by large companies, and highly competitive. It is hard to raise capital.
- ❖ Efforts to scale up manufacturing identify significant challenges and lead to falling out with researcher.
- ❖ Company seeks out another researcher on campus causing political issues.
- ❖ Milestones delayed.
- ❖ Company unhappy with quality of work and expenses incurred by University patent attorneys

## Problems Continue

- ❖ Significant research by Company identifies new methods of incorporating original waste material not envisioned by Dr. Huntsman this development is outside scope of the license agreement.
- ❖ FluffCrete realises global focus will not work.
  - A developed country technology, since auto fluff is not prevalent in emerging markets.
  - Requests amendments to agreements to consolidate rights in one entity.

# University Issues

- ❖ Limited scope of exploitation.
- ❖ Fields of invention initially shallow.
- ❖ Inventor issues and politics at the university, including the problems of an upset professor and the need to find a replacement.
- ❖ Approaches from another company interested in commercialising the technology.

# Renegotiation Time

## The New Terms

- ❖ Some Milestone payments delayed
- ❖ Other Milestone payments converted to research funding back to the University (accessing R&D tax benefits)
- ❖ Control of patent prosecution transferred to Company

# FluffCrete Begins to Succeed



## Description of the New Model

- ❖ Company realised it could not compete against very well established industry players supplying final products
- ❖ Shifted focus upstream in the supply chain, to provide Auto-fluff “pre-mix” for use by established manufacturers
- ❖ Sales based on tons of pre-mix sold, rather than final products sold

# University Issues

- ❖ Whole new direction for the business!
- ❖ Significant fields and geographic areas unexploited.

# Renegotiation Number Two

## Company Requests

- ❖ New royalty rate to reflect supply of component mix rather than final product – lower margins
- ❖ Clarity required on University IP actually being used under new model
- ❖ New milestones – fewer plants needed to supply diverse manufacturers

# University Requests

- ❖ Exclusivity be limited to Australia and that the non-Australian IP be returned.
- ❖ Has other potential licensees in other jurisdictions.

## The Final Deal

- ❖ Exclusive to FluffCrete in Australia.
- ❖ Milestones disappear in favor of reasonable minimum royalties.
- ❖ Non-Australian IP licensed back to university with a royalty to be paid to company if it is exploited.



In the End

## Parties Happy, but Not Thrilled

- ❖ FluffCrete is succeeding under new deal, making money, and paying royalties.
- ❖ There is an exit strategy that makes all of the equity owners, including the university a nice return on investment, if not as wealthy as they once thought they would be.
- ❖ The successful exploitation of the technology by another company in the US creates a second stream of revenue for the university and FluffCrete.

Questions?

# Speaker Information

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