

University and Other Non-Profit Research Institutions Use of Royalties In Project Financing

Non-profit research institutions prefer and have a tradition of seeking grants to finance their research.

However, the availability of grants is less than the number of meritorious research projects. Therefore, the institutions and the society frequently are deprived of the possible benefit of the research, which can only continue if funded.

Research institutions well understand the process of marketing patent and other licenses for use of institution owned intellectual property (IP). There are two distinct possible funders of the research. Most naturally, is a company wishing to use the IP. The other is an investor wishing to share in the license fees received by the owner.

It could be possible to license the use of IP associated with some specific research projects even though not yet at the patent filing level of development. This would probably require the institution to agree to make a patent filing.

The required task would be the creation of a description of the project and range of applications satisfying the needs of the prospective purchaser of a license. If the investment opportunity can be satisfactorily described the remaining challenge would be the negotiation of a fair and sufficiently attractive royalty, from the perspective of the prospective IP user and investors.

The approach to using royalties as a way of financing companies we have patented could be used, The calculators we have created could also be used by both the IP owners, licensees and investors to reach agreement as to the terms of the royalty.

The essence of the calculators, developed for royalty investors and royalty, is one of investors seeking a royalty structure which focuses on their minimum Internal Rate of Return (IRR) objective and does not require a discussion of the value of the asset being licensed.

We will be pleased to assist both institutions and those interested in seeking a high, but clearly speculative, IRR,

**Arthur Lipper, Chairman
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