# Discovering Which University Research Projects Will Be Licensable and Should be Financed Using Royalties ©

**Arthur Lipper**

**Although there are significant social benefits in using investor funds to finance university research projects, the focus of investors is earning significant monetary profit. The need is therefore to create a process, which results in the greatest probability of investor success.**

**The following is specifically focused on the licensing of intellectual property (IP) for which a company owned by the Principal Investigator (PI) has, from the university, exclusive international rights, in return for a 5% license fee and the funds necessary to complete the project.**

**Neither manufacturing nor marketing by the company is envisioned. The company will have contractual relationships with service providers and will not require fulltime working employees or significant administrative overhead. The purpose of the company is to acquire the primary license for the use of the IP and to arrange for the marketing of sublicenses to sublicensees who will pay royalties to the company.**

**Investors are likely to require the research project to result in a licensable product within a reasonable period, say 3 years.**

**The proof of concept, or preferably a finished product, must be sufficiently attractive to licensees for them to pay fees, which will be truly significant if the IP is valuable to the licensees.**

**Therefore, a mechanism for initially deciding if a specific project is likely to be completed within the stipulated time period and if the technology and science involved, is important. The approach proposed is the formation of a panel of qualified individuals who will review and evaluate the project. A positive concurrence will be required by investors.**

**A separate panel of experienced and knowledgeable individuals will advise on the probability of the company being able to sell licenses. The panel members will also estimate the size and importance of the market and the likely timing of revenue generated by licensee projects, and therefore license fee generation. The PI should be able to identify prospective licensees. The royalty will be based on the projected revenues found reasonable by the panel.**

**In both cases, the panelists will be paid a fee once the PI's company is able to make the payments, as well as being indemnified by the company. In some cases, the company may subsequently retain the services of some of the panelists, always alert to possible conflicts of interest.**

**The PI will have to create a description of the project in both lay and technical terms. The description will, if a fund raising effort is undertaken, become part of a Private Placement Memorandum (PPM) describing the entire offering of the royalty offered by the PI's company for the funds necessary to be paid to the university for the use of facilities and personnel necessary to complete the project.**

**The terms of the royalty are likely to include a very high percentage of the PI's company's revenues until there is an amount paid in cumulative royalties to the investor(s) reflecting an agreed percentage of their investment. Thereafter, for the balance of the agreed royalty payment period, the royalty will be for a lesser percentage of the company's revenues.**

**Those investing in speculative projects, both as to the creation and ability to license the product, will likely seek an Internal Rate of Return in excess of 20% over the course of the royalty payment period. Of course, royalties can have redemption clauses permitting the royalty issuer to pay a fee in excess of the cumulative royalty payments paid to redeem or terminate royalty.**

**The great advantage of financing well-selected university research projects is the potential scope of use of the products created, and the related amount of possible royalties to be received from licensees.**

**It is urged that those interested review www.REXRoyalties.com and www.Royalties.Website as well as the Library section of www.PacificRoyalties.com.**

**Arthur Lipper, Chairman**
**British Far East Holdings Ltd.**

**November 10, 2015**