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Commercialisation Fact Sheet

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This is part of a series of fact sheets designed for innovators by the Eastern AHSN Innovation and Industry team.

1. Intellectual Property
2. Product Development
3. Market Assessment
4. Commercialisation Models
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Download a digital edition from the Innovation Pathway hub on the Eastern AHSN's website:

www.eahsn.org/our-work/innovation-and-industry/the-innovation-pathway

Each fact sheet forms a comprehensive but not exhaustive source of information outlining the intricacies of the Innovation Pathway and are designed to help you navigate your way to a successful outcome. At the end of each fact sheet you will find the hyperlinks to referenced organisations.

You can also access Funding Resources directory at www.eahsn.org/our-work/innovation-and-industry/funding-resources

Overview

The process of commercialising a product will require multiple resources and a range of expertise.

Often small companies find it difficult to cover all the varied and specialist areas required to support the research and development, regulatory and evidence building as well as the manufacture and sales skills needed, to ensure success in the market place.

While some companies choose to take their products, and associated intellectual property to market directly, others opt for a license or rights to sell to a commercial partner to exploit and take a slice of a profit.

Factors to be considered when deciding to involve third parties in the commercialisation process include:

- Strategic relevance of a product to the company's or organisation's business objectives
- The type and Technology Readiness Level (TRL) of the idea being commercialised
- Resource-related challenges; capacity to respond to opportunities and to proceed with appropriate technology expertise, networks, marketing and management direction
- The market barriers and an understanding of the competitor landscape.

Dedicated Spin-out Companies

Spin-out companies originating from research institutions are typically established when there is no existing business to approach about a significant breakthrough in their field of work, or if the work has the potential to generate a portfolio of products and applications and so, represents a sustainable business opportunity. Many parts of the NHS will not seek to establish a spin-out as it is outside of their core activity but it is a viable route for some.

In the commercial arena, a parent company may spin-out a company from within its business where the commercialisation activities diverge significantly from the company's core corporate objectives. Parent companies may provide support to the new company by retaining equity

in them, or opt to divest fully through the sale or distribution of new shares in part of the parent company (creating a spin-off company).

Separating from its founding organisation enables the spin-out to better address the often differing operational and strategic needs of both entities, and can be an attractive route for entrepreneurs. Refer to Funding Resources for further information (www.eahsn.org/our-work/innovation-and-industry/funding-resources).

Establishing a spin-out is a demanding process, especially obtaining funding. Most spin-outs get funded initially by a combination of grants and equity investment and frequently approach the investment community, including business angels, venture capital trusts, or a 'seed fund'. To successfully convince such investors, a compelling proposition is required to balance the relatively high-risk nature of these early stage investments.

Licensing

Licensing technology and related IP rights to another party can be an effective way of commercialisation, particularly if a company doesn't have the resources or experience required to develop and market the new product or service that it has conceived.

A licence is a legal agreement in which an IP owner ('licensor') grants a third party ('licensee') certain rights to use its IP, in a certain way, typically in return for a royalty stream.

With licensing, it is a balance of risks and rewards which must be weighed up to determine how long to invest in the proof of the concept before licensing or engaging partners.

A product that gained CE certification, and/or gathered valuable data from trials, will have a more attractive licensing proposition than an early proof of principle prototype.

When negotiating and drafting licences, several options are available to the licensor/licensee:

Rights Granted

IP rights enable an innovator to stop others making, using, selling, stocking, importing or exporting items which are protected. This means that an innovator can license another party all or some of these rights. In addition, innovators are also able to give another party the right to sub-license all or some of these rights to others should they wish.

Exclusivity

An exclusive licence enables an IP owner to agree with their licensee to grant no other third party a licence for the IP and in addition to not exercise the right to make or use the IP themselves. An exclusive patent licensee is also often given the right to bring patent infringement proceedings.

In contrast, non-exclusive licence, enables a licensor to use the IP right themselves while also granting other non-exclusive licences to other third parties.

Field of Use / Territory

An IP licence can be subdivided into various fields of use for the technology. An innovator/company can therefore choose to licence a piece of IP to separate companies either via non-exclusive licences to companies in one field, or as exclusive licences to parties that would each develop the technology for a separate particular market or field of use. Similarly, the territory in which a licensee is permitted to use the IP can be divided into specific regions, providing the possibility for the licensee to reserve certain territories for itself or other licensees.

Commercial Collaborations

While companies often license their product or idea at an early stage, there may be ways to pursue a collaborative development approach, enabling the company to continue to benefit from the commercialisation of an idea.

One form of commercial collaboration is that of a joint venture, a business association between two or more independent organisations to undertake a common project. Such mechanisms can enable organisations to exploit and share intellectual assets with reduced financial investment. A serious commercialisation partner may be willing to contribute towards IP costs in addition to supplying technical and business expertise along with further financing.

Such collaborations could take the form of a contract or through the creation of an independent legal entity (such as a joint venture company). The choice of the collaboration format will depend in part on the collaboration's scope, the terms of a partnership and legal advice received.

Outright Sale

The sale of an inventive idea normally involves the permanent transfer of ownership of IP rights (such as a patent, design right, trade mark, copyright or know-how), from the owner to another party.

In contrast to licence agreements, where the IP ownership is retained by the licensor, the sale of an inventive idea can involve IP assignments which transfer of title of IP rights. Sale agreements which include IP assignments can be an attractive option where a business does not have the resources or interest to undertake commercialisation and where it prefers to receive, for example, a one-off lump sum payment for the technology.

This approach can remove obligations towards the future maintenance or the enforcement of the IP rights, as well as any associated commercialisation costs. However, it can also mean loss of control over assigned the IP rights.

It is worth noting that many national IP offices require the recording of assignments in their official registers, and failure to do so can cause assignees to lose significant IP rights.

Summary

There are several options available to commercialise an idea from creating a new company to licensing the idea and related IP rights to multiple parties in different territories. Deciding what is the most appropriate commercialisation strategy, an innovator should consider the in-house and partner resources, the stage of development and the strategic relevance of the idea to the owner's business objectives.

Useful links

Business Incubators

<http://entrepreneurhandbook.co.uk/incubation-centres>

Forums/Social Networking for Entrepreneurs

www.f6s.com/f6s

www.doctorpreneurs.com

Acceleration Programmes

www.entrepreneurial-spark.com

www.techstars.com

<http://acceleratoracademy.com>

<https://ignite.io>

www.innovation.england.nhs.uk/en/clinical-entrepreneur

Innovation Funding

Innovate UK

www.gov.uk/guidance/innovation-apply-for-a-funding-award

SBRI Healthcare

<http://sbrihealthcare.co.uk>

Medtech Accelerator

www.medtechaccelerator.co.uk

European IPR Helpdesk

Official IP service initiative of the European Commission providing free-of-charge, first-line advice and information on intellectual property rights.

<http://www.iprhelpdesk.eu/services>

Enterprise Europe Network

Offering information and advice on intellectual property issues to EU companies

<https://een.ec.europa.eu>

'To License a Patent – or to Assign it: Factors Influencing the Choice' Neeraj Dubey

<http://psalegal.com/wp-content/uploads/2017/01/IPRTechnologyBulletin-IssueXV09072010053040PM.pdf>

This fact sheet is for your guidance only. It is not exhaustive nor is it meant to replace any official NHS policies or guidelines.