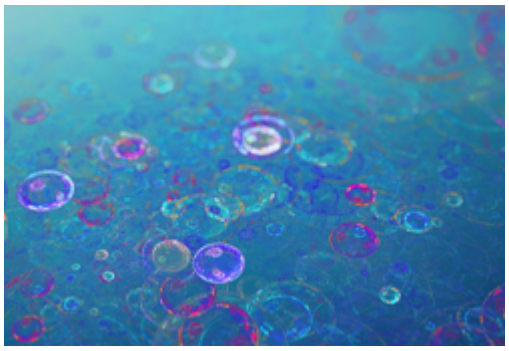
Survival Guide to Structuring Life Sciences Partnering and M+A Agreements



The life sciences space is ever-growing and dynamic as the industry witnesses more companies and, therefore, more collaboration, licensing and M&A agreements, come into the spotlight. While these deals are exciting opportunities for life sciences companies at all stages, they can also be daunting when it comes to their legal structure.

In order to best leverage assets, align incentives, allocate risk and draft agreements to position your partnership for success, Goodwin recommends considering the following business, legal and litigation perspectives as you navigate these type of agreements.

Read the **full insight**.

I want to engage a consultant to provide services on behalf of the company, but that consultant is a professor at an academic institution. Can I still do so?



Yes. Many life sciences and biotech clients work with consultants that are associated with academic or research institutions. However, in considering whether to engage such a consultant, life sciences companies should be aware that the consultant will be subject to the intellectual property and conflict of interest policies of the associated institution. Most (if not all) academic or research institutions require their employees to assign ownership to the institution of any intellectual property (whether patentable or not) created by the employee either (1) in furtherance of the employee's responsibilities for the institution or (2) using

university resources (e.g., labspace, funding, laptops, etc.).

When engaging a potential consultant associated with an institution, the institution will need to review the underlying consulting agreement before the consultant signs it. Be sure to build in time for this review. Usually the institutions will look to ensure the consulting agreement includes a reference to the university policies and an acknowledgement that the consultant is subject to those policies while providing services for the company.

After the consultant is engaged following completion of the institution's review of the consulting agreement, the consultant should ensure that any services provided for the company as a consultant are separated from any of his/her responsibilities for the institution or resources provided by the institution. This includes laptops, computers, iPads or other devices. Life sciences companies should ensure this separation is strictly adhered to. Otherwise, there is the potential for the institution to claim ownership over intellectual property created by the consultant, even if it was for or on behalf of the company.

There are certainly exceptions to institutional policies, so the above are not hard and fast rules. We would recommend always connecting with your Goodwin licensing or commercial counsel and discussing directly with the potential consultant and institution in each instance.

I want to license technology out of an academic or research institution. What kind of compensation will the institution typically look to receive?



Academic or research institutions are at the core of early-stage innovation in the life sciences and biopharmaceutical industries. In order to gain access to the intellectual property generated or owned by those institutions, institutions typically offer to grant a license to its owned intellectual property to companies. In exchange for the license, institutions will look for consideration, which comes in a variety of forms. We can break down types of typical consideration into a few categories.

1. License Issue Fee: Institutions may ask for an upfront fee for the grant of the license. This is a one-time payment paid at the signing of the license.
2. Minimum Annual Royalties/Annual License Fees: Aside from the upfront fee, many institutions will ask for an annual "maintenance" fee. These can take the form of yearly lump sum payments, but can also sometimes be called "minimum annual royalties". If these payments are considered minimum annual royalties, then the yearly fee is creditable against any

royalties owed to the institution that year.

3. Royalties: Institutions may ask for a percentage of the future sales of products that incorporate the intellectual property licensed. This comes in the form of on-going royalty payments. Typically, for most institutions, these are in the single-digits, but depend on the scope and breadth of the license.
4. Development/Commercial Milestones: Institutions may ask for lump sum payments based on the achievement of certain developmental or commercial milestones by the company. For example, if a product that incorporates the intellectual property licensed from the institution receives FDA approval, the institution may ask for a lump sum payment upon such achievement.
5. Sublicensing Income: Institutions like to ask for what we call "sublicense income". Through sublicense income, the institution is entitled to a percentage of the consideration the company receives from a sublicensee, if the company sublicenses the institutions intellectual property to a third party. The percentage varies and usually decreases over time, but is typically in the single-digits to low double-digits.
6. Patent Costs: If the company is taking an exclusive license, the institution will typically want the company to cover the costs of prosecuting any patents being licensed, those both already incurred and to be incurred in the future. In exchange, typically the company will have input in the future prosecution of the patents.
7. Equity: Depending on the relationship of the institution and the company, some institutions may request equity in the company in exchange for the license grant.

The amount and frequency of the above categories will vary from license to license, and will depend on the scope and breadth of the license (e.g., exclusive v. non-exclusive, limited geography v. worldwide, narrow field v. all fields, etc.). There also may be consideration institutions will ask for, other than the above. We recommend connecting with your Goodwin licensing or commercial counsel to discuss what might be typical for the scope of license you intend to enter into.