KU
CENTER FOR TECHNOLOGY COMMERCIALIZATION
The University of Kansas

CENTER FOR TECHNOLOGY COMMERCIALIZATION

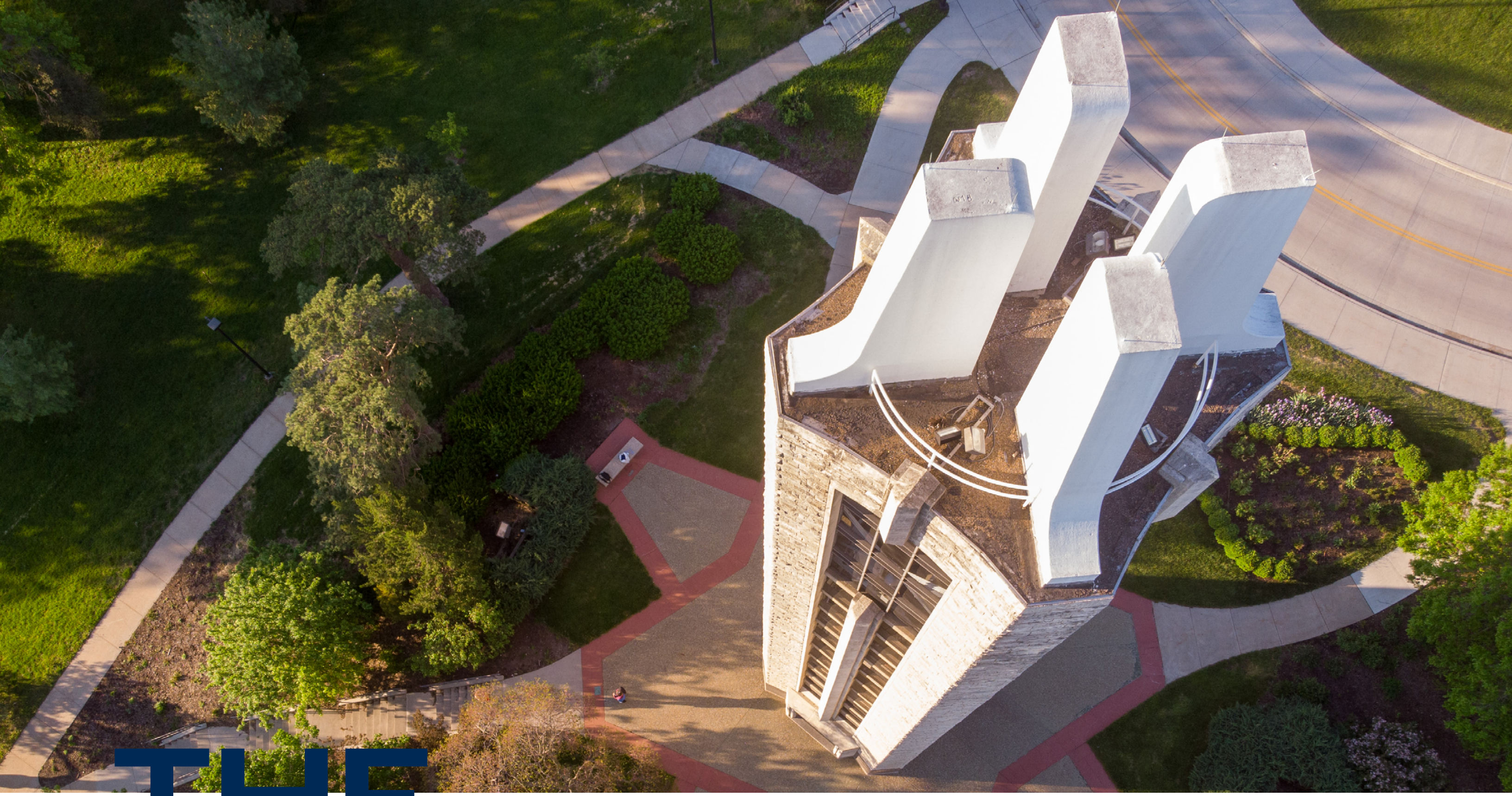
Understanding an Exclusive License Guide

A guide for those looking to license and commercialize KU intellectual property

Overview

This document contains generalized information and is meant to be a startup-friendly guide highlighting key provisions found in most KUCTC licenses. Every license and business opportunity presents unique factors that often need to be accounted for in a license. This document should not be considered binding nor legal advice and may not apply to every license.

While the language of a license can seem formal or intimidating at first glance, the purpose is straightforward: to support impact-driven commercialization while ensuring the University of Kansas can continue to pursue its mission. In this guide, KUCTC has attempted to avoid jargon, explain **why** these terms are relevant to you, and highlight terms and conditions that are largely considered standard in university licenses. This guide highlights key information from some articles and is not all-inclusive of the material found within an exclusive license agreement. Please review a sample agreement here.



THE BIG PICTURE

KU's licensing practices are like those found at its peer institutions. Nearly every successful university spinout operates under agreements like KUCTC's exclusive license.

KUCTC's exclusive license isn't designed to scare or restrict founders. It's meant to:

- Give startups real, defensible IP rights
- Encourage active development
- Balance public mission with private entrepreneurship

This license is **not a barrier**—it is meant to be a **bridge** between KU research and real-world impact. The best licenses come from collaboration between KUCTC and its licensee. When KUCTC understands your plan, it can better appreciate the business model, and together we can create an exclusive license that balances our needs. Communication and partnership are the hallmarks of good university licenses. A successful outcome will allow us to collaborate for a long time.

What is an Exclusive License?

An **exclusive license** is the agreement that gives your company the right to use KU-owned intellectual property (IP) to build and sell real-world products based upon that IP. "Exclusive" means the university agrees **not to license the same IP to anyone else** in that field or territory, as long as you meet your obligations.

A note about exclusive licenses which don't include patent rights—Exclusive licenses to copyrighted materials, software, etc., may not include patent rights. In those cases, certain terms outlined here may not be applicable, or additional terms may be necessary.

ARTICLES

1 - Definitions

This Article defines the vocabulary and terms specific to the license that are used throughout the agreement. You can consider this a glossary of particularly important terms, and when you see those terms in the agreement, you can reflect on the definitions to ensure you understand what they mean.

It sets ground rules for what is considered a licensed product, how net sales are accounted for, what patent or other IP is included in the license, the territory or field, and other pertinent information.

Why it matters to you—Many key obligations and important concepts are included here to better understand and navigate the exclusive license.

2 - The License Grant

This Article grants your company the exclusive right to make, use, and sell products based on the KU intellectual property in return for an agreement to make certain payments.

- The rights granted can be limited to a specific field of use (e.g., in cases where a particular technology may have multiple applications) or a specific geographic area (U.S., Europe, Asia/Pacific Region, etc.).
- The rights are exclusive, meaning KU will not license the same IP to anyone else in the field or territory.

In order to meet its mission as a research university as well as protect the ability of KU faculty to continue their research, KU retains a limited right to use the intellectual property for research, teaching, and other academic purposes.

If the IP was developed with money from a federal grant, KU must include terms granting the government a limited right to use the intellectual property and include certain reporting requirements. This is standard for university technologies given much of KU's research is federally funded, and it rarely interferes with commercialization prospects.

The sublicensing of IP rights (when applicable) may also be included in this Article and includes any limitations on sublicensing and what terms or conditions must be included in a sublicense.

Why it matters to you—This Article gives you and potential investors confidence that your company is the exclusive partner for KU for this purpose and has the rights needed to build a business.

3 - Term of the Agreement

This Article defines how long the license lasts—often it will last as long as the intellectual property or other proprietary rights exist.

Given that development times may be long for certain types of technology, the term can also be framed in X years from first sale of a product.

Why it matters to you—Your company's obligations exist throughout the term. It's important to consider how long the license and your exclusivity to the rights will last.

4 - License Consideration

This Article outlines what consideration (fees, royalties, reimbursements) is paid back to the university for the exclusive license. People may see this as an intimidating Article—but across most universities, the terms are often similar and negotiable. Although there are many possible financial terms, not all are included in every license.

Tip: *A shared understanding of how and when revenue will be generated by the company can be helpful in selecting what financial terms are reasonable.*

What you may see includes a combination of the following financial terms:

- **Upfront License Fee**—a one-time fee paid at the time the license is executed.
- **Annual Maintenance Fee**—generally a modest yearly payment to keep the license active prior to product sales.
- **Running Royalties**—a percentage of the company's net sales paid quarterly once products are on the market.
- **Minimum Royalties**—following the first sale, a commitment by the company to make at least a minimum annual royalty payment of a certain value. This is a "floor"; if running royalties paid to the university exceed the minimum royalty, it's not applicable.
- **Milestone Payments**—one-time payments triggered by the achievement of a major development or commercialization event (e.g., first sale, clinical trial launch, etc.).
- **Sublicensing Revenue Sharing**—a fixed percent of any additional revenue or value the company receives for granting a sublicense to the IP.
- **Patent Reimbursement**—patents are expensive and, like most universities, KU typically requires the company to reimburse it for the costs of patent filing and maintenance.
    - ***Tip:*** *Often with small companies, the university can be quite flexible with the timeline for such reimbursements, especially for costs that have already been incurred.*

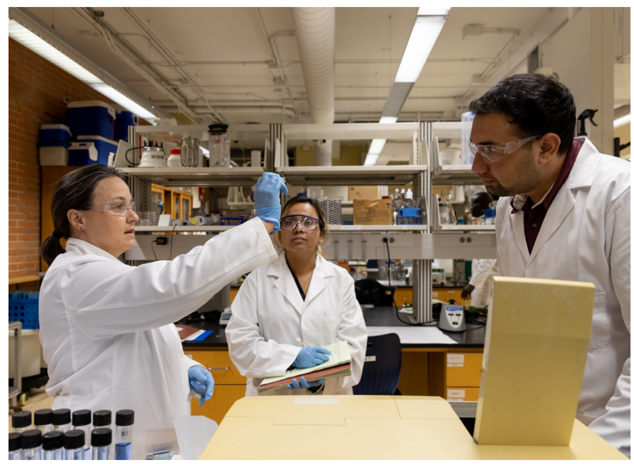
Why it matters to you—These are the payments your company will be required to make back to the KU for the license. It's important to understand the timing of the payments and how they align with your funding and development timelines. During negotiation, it's in KUCTC's interest to keep early costs manageable for startups, align rewards with success, and ensure KU can continue protecting the IP.

When a startup is successful, it's also a success in which KU takes pride.

5 - Commercial Diligence & Milestones

This Article describes a clear and agreed path forward for the IP to be developed toward a product. It helps the university safeguard against useful technology being licensed and then shelved or abandoned with little potential for public benefit. Examples of milestones include fundraising goals, completion of key development activities, achievement of regulatory or technical milestones, product development timelines, initiation of clinical studies (where applicable), first commercial sale, or other mutually agreed-upon commercialization objectives.

Tip: *A good business/commercialization plan is a great place to look for the right milestones to include based on the expected development timeline. Identifying the right ones is a collaborative process and tailored for each license. A shared understanding early between the company and university with respect to the timeline and requirements for development are helpful.*



The company is asked to develop and commercialize the technology, reaching certain agreed-upon and reasonable milestones over time. If the company stops investing its time and energy in developing the IP, KU may have grounds to terminate the license.

Why it matters to you—This is a balanced approach meant to protect both the company and KU. The company keeps exclusivity by making progress, and KU sees its mission fulfilled by seeing the public benefit from university research.

6 - Equity or Success Fees (when applicable)

This Article describes non-cash considerations that the university may receive as part of the license. Equity ownership aligns the university and company as both benefit from success.

Tip: *Often with small or startup companies, equity or a success fee can be alternatives to upfront payments.*

Like other financial terms, not every license includes equity or a success fee; they are options that may be part of the consideration given to KU.

KU's equity stake is usually small and often maintained (not dilutable) until the company completes early fundraising rounds.

In certain instances, KU may receive a one-time success fee instead of equity if the company exits (e.g., acquired or sold) or goes public.

Why it matters to you—These non-cash considerations allow for flexibility. Sharing equity with the university as part of the license can reduce early cash burden on the company, align KU's interests with the company's success, and is common in university startups, so downstream investors are familiar with seeing university equity holders.

7 - Confidentiality & Publication

This Article's goal is to balance academic openness with business needs. This is somewhat unique to university licensing; it serves to enable the university and its researchers to meet their mission while putting reasonable safeguards in place for the company. Both KU and the company agree to protect each other's confidential information. KU researchers may still publish or present their research findings, and the company gets advanced notice so it can take steps to protect its IP rights.

Why it matters to you—This enables researchers to continue their academic work while protecting a commercialization opportunity.

9 - Reporting, Records, & Audits

This Article sets expectations regarding transparency between KU and the company. It requires the company to share annual reports on its progress, royalty reports (if sales have occurred), and financial statements. KU provides examples and templates to make it easier to fulfill these requirements. KU has the right to audit royalty reports to verify accuracy.

Why it matters to you—These are standard terms commonly found in university license agreements and ensure good record-keeping and communication between both parties.

11 - Patent Prosecution & Maintenance

This Article describes how patents relating to the license are managed. KU continues to own and manage the patents, and the company reimburses KU for the associated costs. The company is given opportunities to provide input and participate in the development of the patent strategy.

Why it matters to you—These terms outline professional patent management, ensure KU and the company's interests in intellectual property remain aligned, and associate costs with those who benefit.

12 - Termination (what happens when things don't go as planned)

This Article explains how either side can end the agreement and wind down the relationship. KU may terminate if: payments aren't made as agreed, reports aren't submitted, or commercialization efforts cease. The company may terminate at any time with a reasonable period of prior notice. After termination, the company must stop using the IP. Remaining inventory (if any) may be sold. Following termination, KU may relicense the technology to others.

Why it matters to you—A clear plan is needed if/when KU and the company part ways.

13 - Exits & Acquisitions

This Article's goal is to describe what happens if the company is sold. In the case of an acquisition, the license is generally expected to be transferred by the company to the new owner. KU's consent is required for the license to transfer, which is standard for university licenses. This helps ensure the university has a clear understanding of who will be commercializing its intellectual property. In certain instances, a small transaction fee may be applied.

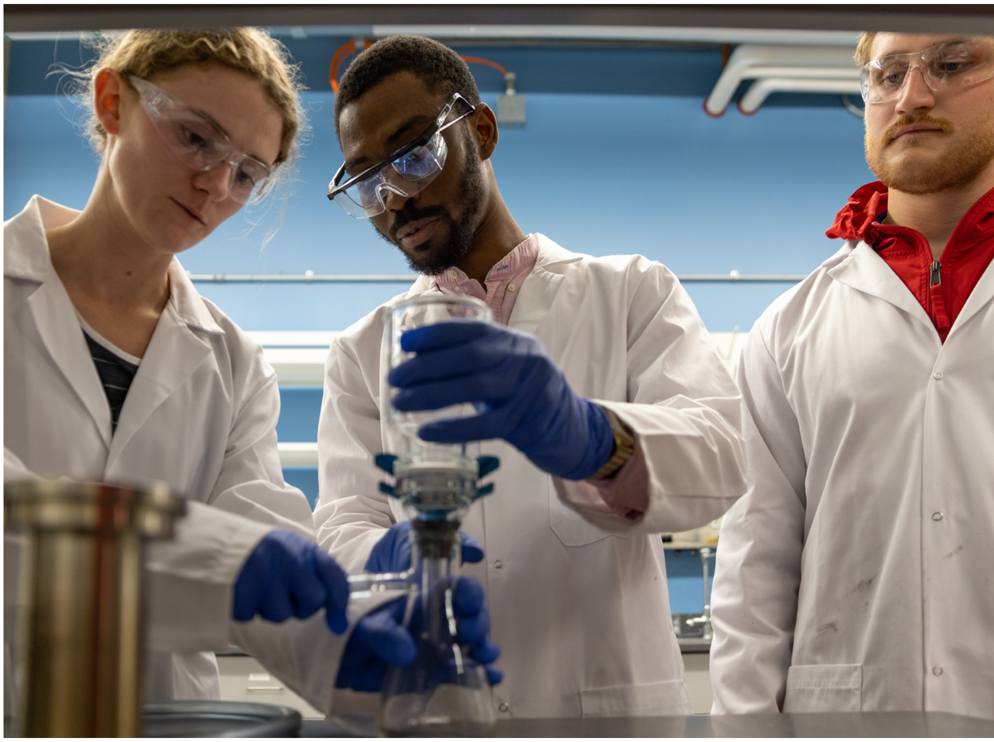
Why it matters to you—This Article helps navigate mergers, acquisitions, and exit planning. Often, KU's initial licensee may not be the eventual company taking a product to market.

17 - Liability, Insurance, & Indemnification

This Article allocates legal responsibility between KU and the company.

In general, since KU doesn't manufacture or sell the products, KU is not responsible for products made or sold by the company. It requires the company to carry appropriate insurance and to protect KU from claims related to commercialization.

Why it matters to you—This is standard for all university licenses and enables appropriate risk management practices.



DEBUNKING MYTHS

Myth: "The university owns my company."

Reality: KU doesn't own your company. It owns the underlying IP and licenses it to your company. Any ownership interest KU has in a company (equity) as consideration for a license is typically a small, non-controlling stake and dilutable.

Myth: "I can lose the license for missing one small milestone."

Reality: The agreement provides notice and opportunities to fix issues that may arise. The intent is to ensure progress, not to be punitive. In fact, it is in KU's interest to work with you to resolve an issue rather than terminate the agreement. If there are delays (e.g., development, financial, or otherwise), an early conversation with KUCTC is helpful toward managing expectations.

Myth: "Royalties will kill my startup."

Reality: Royalties only apply after sales exist and are typically consistent with peer universities and investor expectations. The more KUCTC understands about the potential path to market and company plans, the better it can be in adapting royalties and other financial terms to share in value without creating hardships for the company.

Myth: "KU can compete with my company."

Reality: KU doesn't manufacture or sell products. KU only retains rights for research, teaching, and non-commercial purposes, not for commercial use.

Myth: "Publishing will ruin my chance to commercialize."

Reality: Publication continues with reasonable notice to protect patent filings or other confidential information. Additionally, peer-reviewed publications can be powerful tools in validating the underlying technology and increasing interest from investors or potential business partners.

Myth: "This agreement is unusual or risky for investors."

Reality: KU's licenses and structure are aligned with the typical practices of peer R1 and AAU research universities and are generally acceptable to investors. A startup's success is a shared success with KUCTC, and communication is key—if investors are questioning terms in a license, it's worth engaging in a discussion with KUCTC for help.

Myth: "This is going to take forever to negotiate."

Reality: Negotiations may not take as long as you think, especially if a well-defined business/commercialization plan has been developed. The more information you have about how you plan to develop and generate revenue, the better KUCTC can tailor a license to match. While some agreements can take time, particularly for complex technologies, many startup licenses move relatively quickly. Clear communication, aligned expectations, and timely feedback from both sides allow for successful negotiations.

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