

LICENSING



FREEDOM TO OPERATE - DRUG SCREENING PLATFORM

In the course of due diligence prior to acquiring drug-screening technology for a listed company (the acquirer), it became apparent that one reason the screening IP was for sale was that the owner/innovator could not secure a freedom to operate licence from a major US corporation. The US corporation was proposing high fees for the licence which the screening technology owner was not in a position to pay. Indeed, this issue had become a deal-breaker for the innovator in a licence they had been negotiating with a major pharma company.

Acquisition terms were agreed for the IP and technology subject to the acquirer getting the necessary freedom to operate licence. The US corporation continued to demand high fees which prompted the acquirer to carry out a detailed examination of their patent position. Based on this close scrutiny, vulnerabilities in US corporation’s position were identified. These were disclosed to the US corporation resulting in a much-reduced fee for the FTO licence. Terms for the FTO licence were subsequently agreed. However, at the last minute the US corporation reneged on the deal. The acquirer went ahead to secure the rights to the screening technology nonetheless and negotiated a deal with the major pharma. Special terms in the licence dealt with financial and risk management in the event that no FTO could be achieved within a certain period of time. The acquirer challenged the validity of the US corporation’s patents and won. The pharma licence achieved the full seven-figure consideration.



CASE STUDY NOTES

FTO threatened the main commercial opportunity. Understanding the strengths and weaknesses of the various items of IP in the mix informed a strategy to achieve a good outcome.

It could be argued that if the US corporation had priced its licences more judiciously they would not have attracted undue attention.

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