

The Hong Kong Polytechnic University

Guidelines for IP Licensing and Assignment

1. Introduction

- 1.1 The University advocates and supports knowledge/technology transfer via various processes and channels to enhance the awareness and applications of its research outputs for the benefit of industry and society. Licensing and assignment of intellectual properties (“IP”) are some of the key knowledge transfer mechanisms to transfer technologies and know-how into commercial practice, in addition to consultancy, collaborative research and startup companies. Licensing is granting licensees a right to practice the IP for their commercialisation, whereas assignment is the transfer of the IP ownership.
- 1.2 The following guidelines set out the principles and considerations for the licensing and assignment framework and the related review and approval process so that licensing and assignment is conducted in a governed, transparent and consistent manner.

2. Considerations of IP Licensing and Assignment

- 2.1 As a general principle, the licensee or assignee should be capable of bringing the invention to the market in a timely manner. Preference shall be given to the licensee or assignee with relevant technical and marketing experience and financial capability to develop and commercialise the technology.
- 2.2 The value of the IP concerned in licensing or assignment shall take into account factors including but not limited to the technology advantages, maturity of the technology, strength of IP protection, commercial viability, market size and impact.
- 2.3 Other factors to be considered include but not limited to the following:
 - a) Whether there is potential conflict or direct competition with the business of any existing licensees or the startups or spinoff companies supported by the University;
 - b) Whether there is any condition imposed by the Hong Kong Government or funding organisations (e.g. Innovation and Technology Commission) that would prohibit exclusive license or assignment for the invention;
 - c) Whether there is any condition imposed by the PRC government that would prohibit the cross-border IP licensing or assignment to a foreign or Hong Kong company under the circumstance that the concerned IP is registered and owned by a subsidiary of PolyU registered in the Chinese mainland; and
 - d) The views and preference of the inventor(s).

3. Exclusivity of the License

- 3.1 Under general circumstances, the University prefers granting non-exclusive licenses to exclusive licenses to allow broader adoption of the technology for commercialisation. Licensees may also opt to obtain a non-exclusive license if they consider their business strategies can cope with the competition with other possible non-exclusive licensees.
- 3.2 On the other hand, licensees may prefer an exclusive license when the commercialisation of the technology requires a long development time and substantial investment such as those for pharmaceutical and biotechnology products, and/or the technology is considered to have high commercial value and market potential with strong patent protection and technological advantages.

4. Assignment

- 4.1 IP assignment is preferred by the assignee who wishes to have full control of the IP concerned for any commercial purposes. This is commonly leveraged by companies in the Chinese mainland for technology commercialisation, applying for accreditation of Hi-Tech Enterprise, and/or financing purposes without restriction otherwise imposed by the terms of licensing.
- 4.2 While IP licensing is a prevailing form of KT, the University may consider IP assignment under the following circumstances and conditions:
 - a) Government policies - The IP concerned is vested in PolyU's subsidiaries registered in the Chinese mainland and IP assignment is supported by the national policies on technology transfer.
 - b) No prior licensing engagement - The IP concerned should not be under licensing engagement with other parties. Otherwise, the first right of refusal of assignment should be offered to the existing licensee(s).
 - c) No encumbrance to other development or commercialisation - the IP to be assigned shall not be essential background IP for commercialising other technologies developed by the inventors.
 - d) Life cycle of IP - The IPs concerned are at the later stage of their life cycle, i.e., the technology will soon be replaced/obsolete or the patent protection period will soon expire.

5. Licensing Terms

- 5.1 The following terms will be included in the license agreement when applicable:
 - a) Specification of the invention – usually refer to filed patents, if any
 - b) Territory – specific country, countries or worldwide
 - c) Scope and areas for application – narrow or broad
 - d) Licensing period – usually 5 to 10 years
 - e) Upfront license fee – one-off payment or in stages

- f) Royalty – % on sales/number of item sold, it can be a flat/tiered rate or fixed royalty annually
- g) Minimum royalty guarantee
- h) Milestone payments
- i) Patenting expenses shall be borne by the Company during the licensing period
- j) Penalty clause for late or default payment
- k) Review of license – a review exercise should be carried out on a regular basis, e.g., every 2 - 3 years after the license has been granted to ensure the performance of the licensee is satisfactory and up to PolyU's expectation. If the performance is not satisfactory, PolyU may change the license from exclusive to non-exclusive or even terminate the license at the discretion of the University
- l) Exit clauses triggered by, for example, material breach of any terms of the related license agreement not remedied within reasonable time

6. Assignment Terms

6.1 The following terms will be included in the assignment agreement when applicable:

- a) Assignment fee – usually one-off payment
- b) Royalty or Milestone Payments – as conditions for assignment
- c) Further collaboration – the assignee shall treat PolyU as a preferred partner for the further development based on the assigned IP
- d) Assigning back of IP – if the assignee does not commercialise the IP within an agreed period, PolyU may have the right to request assignees to assign back the IP
- e) Further assignment of the IP by the assignee to a third party may require PolyU's consent
- f) Rights for academic and education purposes – PolyU shall retain the perpetual rights to exploit the IP for academic, research and education purposes free of charge

6.2 For assignment of IPs owned by PolyU's subsidiary registered in the Chinese mainland, the concerned IP will undergo a valuation and public listing process, which are in line with the governmental regulations on the due process of technology transfer in the Chinese Mainland. The assignment fee is in principle set after the valuation and public listing.

6.3 The terms of each licensing and assignment agreement will be reviewed on the merits and the circumstance of the case under a due process as outlined in paragraph 8.

7. Considerations for Academic-led/Students-led Startups and Community Contribution

7.1 Under the following circumstances the University may offer flexible licensing or assignment terms to the licensee or assignee:

- a) The Company is a startup company and one of its founders is a faculty member or a student of PolyU who is the inventor of the technology or has actively participated in the research of the subject invention.
- b) The technology or invention made available gratis will contribute great benefit to the society despite foregoing limited commercial return.

7.2 The flexible licensing or assignment terms may include, but not limited to, the following:

- a) The upfront payment is made by installments or waived
- b) All or part of the upfront payment can be treated as the advance payment of the royalty
- c) No royalty is charged for the first year or two years after product launch
- d) Relatively favorable royalty rate compared to industrial norm
- e) The first right of refusal is offered to license new derivatives or improved technology/invention of the original invention
- f) The technology or invention may be made available gratis
- g) Equity shares or stock options can be taken up by PolyU in lieu of all or part of upfront payment and royalty

8. Review and Approval

8.1 Knowledge Transfer and Entrepreneurship Office (“KTEO”) is the designated body for the identification, coordination, administration and management of licensing and assignment activities.

8.2 KTEO regularly assesses the commercial potential of the University’s IP, primarily patents, and communicates with academic departments to identify technologies suitable for technology transfer. KTEO also disseminates and markets the technologies, usually with the involvement of academics, to the industrialists, investors and potential licensees through various communication and marketing channels¹.

8.3 KTEO will review and assess the licensing or assignment opportunity based on the principles and considerations set out above, propose whether the case is a high-impact or conventional one, and propose the terms for consideration of Technology Transfer Management Committee (“TTMC”), which comprised of members from PolyU and the industry.

8.4 TTMC will consider and endorse licensing and assignment terms and conditions² for the high impact cases, which refer to licensing or assignment of technologies that would result in significant contributions to the industry in terms of new application, value, market potential, societal wellbeing, and goodwill for the University. Negotiation with the licensee or assignee needs to be aligned with pre-approved terms and conditions of TTMC. In case of material deviation, the matter needs to be taken to the TTMC for review and approval.

¹ The communication and marketing channels include but not limited to meetings, newsletters, open seminars, press releases, conferences and exhibitions.

² The terms and conditions for high impact cases should have clear stipulations on the financial considerations, performance requirements, and other key terms such as exclusivity, exit, and legal liability of the University.

- 8.5 For the conventional cases, which refer to licensing or assignment of technologies of lesser impact, Chairman of TTMC has the delegated authority of TTMC to consider and approve licensing or assignment terms and conditions. Conventional cases also include the following:
- a) Non-exclusive arrangement of an intellectual property for which its licensing terms and conditions had been approved in a previous engagement, such as in collaborative research;
 - b) Graphic design or product design created by students in the course of their studies.
- 8.6 All licensing cases involving taking equity share or stock option should go through TTMC for endorsement, regardless of the classification of the cases concerned is high impact or conventional.
- 8.7 Terms and conditions for all assignment cases, including taking equity share or stock option, should be endorsed by TTMC.
- 8.8 KTEO shall ensure that the provisions of the license or assignment agreements are reviewed and endorsed by the Legal Counsel of the University when non-standard agreement templates are used or material changes are made on the provisions of the standard agreements.
- 8.9 All license agreements should be executed through the PolyU Technology and Consultancy Ltd. (“PTeC”) to mitigate the commercial risk of the University. The designated executive to sign the license agreement is the Executive Vice President (EVP) in her capacity as Director of PTeC. Assignment agreement should be executed either through a subsidiary of PolyU registered in the Chinese mainland (for IP owned by this subsidiary) or through PolyU (for IP owned by PolyU).
- 8.10 Notwithstanding the above considerations and stipulations, EVP, with consent from TTMC, will also consider providing certain technology to the society gratis for the benefit of society at large, provided that there is no objection from the inventor.

9. Implementation

- 9.1 The Guidelines provide the general principles and considerations for licensing and assignment. The terms of conditions of each licensing or assignment case will be considered on the merit of case in accordance with the above principles and process.

10. Revision of the Guidelines

The Guidelines or part thereof may be revised upon the authorisation of the President from time to time when deemed necessary and desirable.