What to expect when licensing U of T technology

Whether you represent an established company wishing to acquire rights to a technology from U of T, or a researcher establishing a start-up company, there are certain principles which govern all U of T transfers of technology. Investors and licensees should understand that the primary mission of the university is education and research. Market-ready products are seldom available, and investors and licensees should understand the risks of early stage technology.

As a public institution receiving grant funds from government sources, U of T prefers to see its technology exploited in Canada, and in particular, Ontario. U of T will reserve the right to use the licensed technology for research, educational and administrative purposes and to publish the results of its findings in academic journals.

A license may be granted for license fees, royalties on sales, equity in a start-up company, or a combination of these, depending on the interests of the parties. Licensees should expect to reimburse U of T for its cost of patenting, which would be supported by invoices from external patent agents, and to assume all ongoing costs of patenting for exclusive licenses.

Including rights to future improvements of licensed technology can pose problems and will be considered carefully. In all cases, improvements will be narrowly defined.

U of T does not manufacture or sell products. The quality and safety of all products is under the sole control of the licensee. The university will require indemnification against any claims arising from use of the technology by the licensee. Also, the university will make no warranties or representation with respect to the technology or the patents, and potential licensees are advised to undertake their own due diligence. The university will require the licensee to obtain insurance in amounts and on terms that are satisfactory to the university. The name of the University of Toronto may not be used in any way that suggests endorsement of a product, and Trademarks of the university may not be used without prior written consent.

Written consent of the university will be required prior to the licensee assigning, transferring, or otherwise encumbering technology licensed from the university.

Licenses will not be granted to start-up companies which do not have adequate resources to fulfill their obligations, and will be terminated in the event of any filing for bankruptcy by the company.

Licensees of U of T technology may undertake contract research at the university in relation to developing the technology on the university’s usual terms and conditions.

U of T as an equity holder

U of T inventors may choose to participate in a start-up and receive equity for their participation. In such circumstances those individuals will be asked to waive their rights to share in equity or royalties received by the
university, and the university will modify the distribution of equity or royalties among the remaining stakeholders to recognize those individuals’ choices.

If U of T holds equity in a start-up as compensation for a license, it will expect to be a party to the shareholders agreement, and may request a seat on the board of directors or the opportunity to attend board meetings as an observer. Commercialization managers at IPO make a practice of attending company annual general meetings. The university does not have funds to participate in further financing of the start-up.

Pre-dilution share positions typically range from 5% to 20% with an average of 10%. We expect dilution to occur after closing of the first round seed financing ($250,000 to $500,000).

**More information**

For more information, contact the Intellectual Property Officer at ip.officer@utoronto.ca or IP Officer, Innovations & Partnerships Office, Banting Institute, 100 College St., Suite 413, Toronto, ON M5G 1L5.