

Case Study 5: Intellectual Property Licensing

Situation (Discuss)

A team of two physician researchers were granted a patent describing a method to analyze basic pulmonary monitoring data in a way that generates improved diagnostic information. The researchers, along with an angel investor, formed a company with the intention of licensing the patent to a large pulmonary monitoring equipment manufacturer. The company had initiated contact with several prospective licensees, but had been unable to attract interest in licensing the patent based on the initial terms they proposed. The company was referred to Magellan because of its experience in the pulmonary monitoring marketplace.

Business Recommendation (Design)

Magellan's recommendation included four components: 1) development of a functioning prototype of the improved signal processor for the dual purposes of proving that the concept worked in practice and having the ability to conduct clinical research with the prototype; 2) completion of a thorough market analysis to fully characterize the potential applications for the patent and to refine the target list of potential suitors; 3) development of an in-depth financial model to more accurately characterize the value of the patent and generate appropriate licensing terms; and 4) assistance from Magellan in the negotiation process as an independent third party to the process.

Magellan Team (Deploy)

A Design Engineer with signal processing experience specifically in the pulmonary market (who was not bound by a non-compete agreement) was assigned to partner with the client to help develop a functioning prototype. A Business Development Manager/Financial Analyst worked with the Project Manager/Strategic Consultant to: complete the market analysis and identify prospective licensees, develop the financial model (including licensing terms), and lead negotiations with licensing prospects. The Executive Sponsor guided the project and worked to ensure the quality of project deliverables.

Results (Deliver)

The project produced the following key outcomes for the client:

- A functioning product prototype
- A detailed valuation model
- A market analysis resulting in a target list of key potential buyers/licensees
- A term sheet for the prospective sale or license of the technology
- Negotiation support

Business Impact

A comprehensive financial model was developed for the client, allowing them to present licensing terms that were based more soundly on the expected market value of the intellectual property. Two potentially interested parties were identified, and negotiations were begun with these companies on behalf of the client. Once the process reached the stage where the client fully understood the key drivers of value for the intellectual property the project was handed back to the company and its attorney to finalize the negotiations.

Competencies Demonstrated

Product Development (Prototyping) • **Business Development** (Business Planning, Valuation, Financial Modeling)

Go Further™

Magellan Medical Technology Consultants