Licensing IP to UT Ventures - What to Expect

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UT considers Ventures to be "license ready' when they are "investment ready". This ensures that any Venture requesting access to IP developed at The University of Toronto (UT) has demonstrated the ability to secure early financing, develop appropriate management expertise, and establish a validated business model. Ventures that are not in advanced discussions for a Qualified Financial Investment should seek an option agreement while continuing to build their business model and secure early investment prior to seeking a license agreement with UT.

In all cases, UT Ventures are required to share business documents. These documents are similar to what would be shared with an investor and may include a business deck, business model, and milestone chart showing how you intend to develop the Venture and secure the capital to commercialize the technology.

AN OPTION AGREEMENT gives the Venture a renewable 12-month period to develop the technology, figure out their business strategy, and raise capital. During this time, U of T will not give IP rights to a Third Party, and may, at U of T's discretion, pay for IP costs. In exchange, the Venture may be asked pay an upfront option fee of $500 - $1500 per year, depending on the size of the IP portfolio. There are a limited number of terms to negotiate and these agreements can take on the order of weeks to negotiate and close. Note in some cases an MOU may be entered into at the early stages of technology development. An MOU sets out development milestones and can be used prior to company incorporation.

To enter an Option Agreement the Venture is required to:

1. Provide a business deck including a business model
2. Provide a milestone chart including financial milestones to trigger the License Term Sheet
3. Pay the upfront option fee

A LICENSE TERM SHEET is used to negotiate the main terms of the License Agreement. Terms include but are not limited to royalties, equity, and annual or milestone payments. It is recommended that Ventures work with their legal counsel and investors during this phase. The License Term Sheets sets out the business terms in plain language. The License Term Sheet is triggered when the Venture is in due diligence for a minimum Qualified Financial Investment. UT recommends a Minimum Qualified Investment of not less than $500k for most technology sectors and not less than $1 Million for medical device /drug and therapeutics technologies.

A LICENSE AGREEMENT grants the Venture commercial rights to the technology while U of T retains IP ownership. Commercial rights include the right to make, have made, import/export, and sell the products that use the IP, and may be non-exclusive or exclusive. The License Term Sheet is used to draft the License Agreement. It is recommended that the Venture works with their legal counsel and investors during this phase. These agreements typically take on the order of months to negotiate and close.

To enter a License Agreement, the Venture is required to:

1. Provide an updated business deck that includes business model, financials & forecasts, capitalization table, and milestone chart; same as that shared with Investors
2. Secure a minimum Qualified Financial Investment
3. Pay for past and future IP costs

THE INNOVATIONS AND PARTNERSHIP OFFICE (IPO) looks forward to working with you on these agreements. We also help UT Ventures to strategize on leveraging UT resources to develop and de-risk the technology and access UT-Entrepreneurship resources for entrepreneurs, including access to investors and strategic partners. For more information, visit uoft.me/start-ups and contact us at innovations@utoronto.ca.

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