

CRADA and LICENSE SCENARIOS

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SCENARIO 1

The Navy has begun research into sensors for measuring and displaying the concentration of oxygen and carbon dioxide in a closed environment.

The Navy prototype device is six inches by four inches by one inch. The sensor and display run off a 12 volt lithium battery with a life time of six months at a cost \$265.00 per unit.

Air Environmentals, an avionics manufacturer, desires to put a small oxygen and carbon dioxide sensor in the cockpits of commercial aircraft. However, the device must be less than 3 cubic inches in volume, operate at three volts, not use lithium batteries, and cost less than \$75.00 in order to meet overall system requirements and market demands.

Air Environmentals has approached the Navy to develop such a device.

- Stage 1 What partnership mechanism would you recommend?
- What IP must be protected?
- Would there be a potential subject invention for this work?
- Would you restrict any potential license derived from this work to avionics?

Scenario 2

Sleekhulls is a leading manufacture of sailing ships and racing yachts. Wonderful Navy Laboratory has developed a unique hydrodynamic code, SWIMFAST, for the modeling and prediction of ship drag for hull designs. Wonderful Lab desires to build a data base of hull designs and associated drag predictions.

Sleekhulls has asked the Wonderful Lab to make a series of hull configuration design runs using SWIMFAST.

STAGE 1 What are the possible mechanisms that can be used?

STAGE 2 Sleekhulls wishes the data to be proprietary and protected from public release. Sleekhulls also wants the Navy to sign a Non-Disclosure Agreement.

What are your recommendations?

STAGE 3. For internal research purposes, the Navy would like to retain the data generated as a result of conducting the modeling and prediction runs for Sleekhulls.

What are your recommendations?

STAGE 4 Sleekhulls does not wish to provide any Government Purpose rights to data generated using SWIMFAST.

What are your recommendations?

How does Navy handle data when the work is completed?

SCENARIO 3

D. V. Paints specializes in the manufacture of paint for commercial fishing vessels.

DVP would like to enter into the Navy market and has developed a new paint they believe has unique corrosion resistance and inhibits biological growth on hulls.

DVP is offering samples of their new paint, DVPEX1, to a Navy laboratory. They wish the Navy to conduct experiments for a period not to exceed one year with this paint on samples of materials used for ship hulls and determine if they offer corrosion resistance and inhibit biological growth.

STAGE 1 option: What Agreement mechanism would you suggest?

STAGE 2 option: DVP is willing to pay up to \$20,000 for these tests.
They wish this data to remain proprietary to DVP?

Now what Agreement would you suggest?

STAGE 3 option: DVP has decided that they do not wish to grant
Government Purpose Rights for the data generated under
the proposed tests?

Now what Agreement would you suggest?

SCENARIO 4

The Wonderful Navy Laboratory has developed a paint sealant, NAVYGOODSTUFF, that when applied to the hulls of Navy craft reduces drag, increases corrosion resistance, and inhibits biological growth on hulls.

The Navy has obtained patents for these sealants and wants to explore the commercial potential of this technology.

STAGE 1 What options should the Navy lab consider?

STAGE 2 The Wonderful Navy Lab as a result of a BAA has decided to offer samples of the sealant to three companies: D. V. Paints, N. G. Cruiseline, and Spevack Enterprise.

- 1 D. V Paints offers to test the sealant and conduct further tests using NAVYGOODSTUFF as a sealant for their experimental paint DVPEXP1 and provide those results to Wonderful Navy Laboratory.

What options should the Navy lab consider?

- 2 N. G. Cruiselines is the dominant ship manufacturer and operator in the cruise line industry. They are willing to use NAVYGOODSTUFF on their next ship S. S. Pleasure Venture. Furthermore, N. G. Cruiselines desires Navy technical assistance in the actual process of applying the sealant to S. S. Pleasure Venture. N. G. Cruiselines states that if the results after one year of testing are satisfactory, that they want an exclusive license to use the sealant on all of their ships.

What options should the Navy lab consider?

- 3 Spevack Enterprise, the world leader in container shipping and oil transport wants an exclusive license on this technology. In order to bring this technology rapidly to their fleet, Spevack Enterprise wants the inventor of NAVYGOODSTUFF to work in their ship yards for a period of two years Their business plan indicates that they will also sub-license this technology D. V. Paints and N. G. Cruiselines.

What should the Navy offer?

SCENARIO 4A

D. V. Paints tested NAVYGOODSTUFF and DVPEXP1 under a CRADA with I. M. Wonderful Navy Laboratory. One year after the CRADA was completed, D. V. Paints finds that one of its technicians made a discovery that was not reported.

The technician in order to quickly complete a test run of the samples, applied an external heat source of 200 degrees Fahrenheit to the sealant after its application. This was contrary to the Navy written instructions requiring the sealant to be air dried for 24 hours, so he did not report the results. However, the result of applying the heat source to the sealant was that drag was reduced by a factor of an additional 30 percent over other test runs and corrosion resistance was doubled.

D. V. Paints claims they have exclusive rights to this improved processes for applying NAVYGOODSTUFF to ship hulls.

Question: What are the Navy rights?

What are the company rights?

PATENT LICENSING SCENARIO

SCENARIO A

A Navy laboratory specializing in diving equipment for Navy SEALs has a patent on a new SCUBA cold water regulator. A French Company, Ce Moi – as approached the Navy desiring an exclusive license on the regulator. In their initial offer Ce Moi has stated that they wish to market this world wide, and are offering a one time up front payment of one million dollars for these exclusive rights.

What procedures must the laboratory follow?

What counter offer should the Navy make?

What are the issues of a one time benefit?

SCENARIO B

The GHK Navy laboratory has a CRADA with General Batteries Inc. The purpose of the CRADA is to develop safe, corrosion resistant battery cables, clamps, and restraints for the commercial personal boat industry and a vendor to the American automobile industry. The Navy has a foundation patent on corrosion resistant battery cables. The objective of the CRADA is to reduce the cost of the Navy item by a factor of twenty in order to be market competitive. General Batteries is supplying \$250,000 to the Navy lab for two years to identify new materials and meet the general operational parameters of the commercial market. General Batteries wants an exclusive license on the existing patent and all patents that may be derived from the CRADA. The target price for the new battery cable-restraint package is between \$ 27 and \$33 dollars per unit. General Batteries preliminary offer to the Navy for the existing patent license and future patent licenses is no up-front fee, as they have paid for the research and development, and a two percent royalty on all units sold for the next five years.

What issues, if any, do you foresee with the license deal offered to the Navy?

Must you charge an up-front fee?

What counter offers should the Navy make?

SCENARIO C

The ABC Navy laboratory has developed and patented a wax that reduces hydrodynamic drag on objects in sea water. Two companies have approached ABC for licenses on the wax.

Pine Mountain Ski Inc. desires an exclusive license to use this product for sales to the commercial snow ski industry. Their preliminary market analysis indicates that a 4 ounce can of this wax will successfully sell for \$6.50 per customer. The US ski market has more than 8 million potential customers. Pine Mountain is offering an up front fee of \$100,000 plus a fixed royalty of 35 cents for each 4 ounce can of wax sold for the next five years.

Hyrdo Ski, a manufacture of water ski products, also wants an exclusive license to the ABC wax. Their preliminary market analysis indicates that that can successfully sell a 6 ounce can of the wax for \$8.00 per customer. Their anticipated market is more than 12 million recreational boaters and users of water ski products. They are offering the Navy a an up-front fee of \$125,000 plus a fixed royalty of 40 cents for each 6 ounce can sold for the next five years.

How can you provide exclusive licenses for both the snow and water ski companies?

Are the up-front fees appropriate?

Any other concerns?