



## How to evaluate new inventions and technology – *Video Transcript*

### **To market to an existing company or to establish a new spin-off company**

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Pacyinz Lyfoung:

*This is Pacyinz Lyfoung, from Public Interest Intellectual Property Advisors (PIIPA). This session will look at to market to an existing company or to establish a spin-off company to commercialize a new innovation.*

So, the advantages of marketing to existing companies consist of the following points:

An existing company will have an existing infrastructure and management.

It will also typically have sufficient funds.

It should be easier for an existing company to assess its finances.

It also has an existing distribution channel.

Because of those factors, usually this means that it will be easier to come up with licensing agreements.

And these factors may be of interest to certain entities: there would be fewer potential conflicts of interest.

The disadvantages of marketing to an existing company would be that...

The company may already have many products that it's working on and therefore the new invention would be less of a priority.

It probably would have its own research agenda in which case it would have greater priority, of course, for its own research agenda.

There may be a difficulty in finding an internal champion and an ongoing contact person to revise the licensing agreement when necessary.

There is also a higher risk of loss of interest within an existing company for which a new innovation is of lower priority.

On the other hand, it is also possible to try to market by establishing a spin-off company.

In that case, the advantages of a spin-off company would be that...

It would be completely devoted to the new technology.

Typically, with a spin-off company, the inventor would be highly engaged.

The financial arrangements would be different, sometimes perceived as more beneficial in the sense that they may include both shares of stocks and royalties, which may translate into a greater certainty of returns. A point of interest would also be that equity shares may become liquid, if royalties do not realize.

On the other hand, the disadvantages of marketing through a spin-off company would be that there could be...

Serious conflicts of interests coming from the inventor or the institution. Royalties may be split between the original institution and the new spin-off company.

There could be problems with the spin-off company being fragile, as it needs to find management, talent and investment funds.

There would be more challenges to get into the market and develop a distribution channel.

Equity shares may fluctuate in the market

Typically, technology transfer agreements are more complex, when dealing with equity investments.

In general, the preferred conditions for a spin-off consist of the following:

The invention is a platform technology that can lead to more than one product.

There is no existing industry making similar products, meaning this new technology is overwhelmingly superior.

The new market is large enough to justify the risks.

There are strong IP systems in the countries where the spin-off emerges or intends to export.

There is at least one credible human technology transfer asset, such as a founder, a consultant or an employee.

The inventor's support of the spin-off is critical.

This concludes this segment on whether to market to an existing company or to establish a spin-off company. In video three, in the next segment, we will look at what to charge for a new invention.