



**The Research  
Foundation for**

The State University of New York

## License Agreement Monitoring Guidelines

**Function:** Industry and External Affairs

**Procedure:** N/A

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### Background

Consistent with its mission to serve SUNY, RF routinely transfers SUNY innovation to the private sector through Intellectual Property licensing and other transactions. In exchange for granting commercial rights to SUNY Intellectual Property through license agreements, RF receives royalties, which may include fixed upfront and/or periodic cash payments, equity, running royalties based on a percentage of sales or other formula, milestone payments, and various other types of consideration. RF's primary goal in all Intellectual Property licensing transactions is the development and commercialization of SUNY innovation into products and services that transform lives.

After Intellectual Property license agreements between the RF and private sector partners are signed it is important to monitor and enforce the agreements to ensure that the goals of the partnership are attained, and RF's partner is meeting its obligations under the license. Employing diligent agreement monitoring processes is a best practice. A systematic license-monitoring process sends a clear message to partners that RF takes agreement compliance seriously and is not an inactive partner.

These Guidelines for License Agreement Monitoring are designed to offer a standardized approach and guide administrators to be cognizant of applicable policies and best practices to manage license agreements post-execution.

### Guidelines

#### Agreement Management System

RF's technology transfer offices utilize a system, [Inteum](#), to manage workflow, intellectual property prosecution, agreements, payables and receivables, correspondence, and sponsor compliance in a manner that is consistent with SUNY, state, and federal regulations. All agreements related to the use, development, sharing and licensing of Intellectual Property should be recorded in Inteum on a timely basis. The following types of information are key to any complete Inteum agreement record:

- Contact information. The contact information of the individual(s) indicated in the notices section of the agreement and other key representatives of the partner should be captured in Inteum. Sometimes a phone call or other communication to the contact is necessary to determine the status of royalty payments and other reporting obligations of the partner outlined in the agreement.
- Intellectual Property. Agreement records, technology, and intellectual property records should be related and associated as applicable.
- Agreement type. Agreement record should include the type of agreement (e.g., confidentiality, option, exclusive or non-exclusive license). Different agreement types obligate the partner to abide by different

- requirements. Indicating the agreement type will enable more efficient monitoring.
- Reporting and Payment Obligations. Partner reporting and payment obligations should be included in applicable agreement records. Reporting and payment obligations should be input to Inteum and annotated if necessary, in a manner that enables these obligations to be queried and sorted by the due date. Every month, administrators should utilize Inteum to query all active agreements to understand what reports and payments are due and from which partners. Using the Inteum system in this manner allows for administrators to manage agreements in an automated and proactive manner.

**Amendments**

From time to time, agreements may be amended. Such amendments may include modification to a partner’s reporting and payment obligations. This existence of an amendment should be captured in Inteum, and the specific provisions of the related agreement that the amendment modifies should be reflected in Inteum as well.

**Royalty Payments**

Many license agreements include provisions for the RF to receive royalties on a partner’s net sales. It is customary for RF to require partners to submit royalty payments with a detailed report indicating the formula used to calculate the amount of royalty being sent. This formula will be based on the terms negotiated in the license agreement. The administrator should review the terms of the agreement with the report to ensure consistency. A well-documented royalty report showing how the royalty payment is calculated helps to determine if royalties are being calculated as provided under the agreement.

Records and payments provided by the licensee must be reviewed to ensure all payments including fees, minimum royalty, and earned royalties are paid and that the information provided in the reports is accurate. Report requirements should be based on the type of royalty payment being paid and reporting requirements for each type of royalty payment (e.g., percent of net sales, minimum annual royalty) should be detailed in the license agreement. The reporting requirements must provide enough detail so the technology transfer office can ensure the licensee is paying the proper amount of royalty. For example, for royalties based on net sales the report should include at least the following information to ensure that net sales were properly calculated:

Product Name	No. Units Sold	Invoice Price	Gross Sales	Allowable deductions	Net sales
Product X					
Product Y					
Product Z					
<b>Total net sales</b>					
<b>Royalty rate (%)</b>					
<b>Royalty due</b>					

The right to review all backup information related to the royalty report should also be requested in the license agreements. All royalty reports shall be certified by an officer of the licensee and be prepared in accordance with Generally Accepted Accounting Principles. These requirements already exist in RF’s standard license agreement templates which are located in RF’s Technology Transfer Transaction Toolbox (see below).

**Report Review**

Ensuring the timely receipt of agreement reports is one aspect of diligently managing agreements post-execution and reviewing those reports for consistency and accuracy allows for more diligent review.

Administrators should promptly review reports when received for accuracy and to ensure that any accompanying payments adhere to the obligations embodied in the related agreement. Here is a list of potential problems that administrators may encounter when reviewing reports:

- Inaccurate reports;
- Payments during the same reporting period decline from reporting period to reporting period;
- Earned royalties never exceed the minimum;
- Sublicensing income not reported (if applicable);
- Late reports and/or late payment;
- Partner contact unresponsive; and
- Change in the way royalties are reported and calculated.

If one or more of the occurrences above are realized, then the administrator should notify his or her supervisor because the partner may not be sending accurate reports and payments. Administrators should review all mathematical calculations for correctness and if discrepancies arise, a discussion with the partner may be warranted.

### **Agreement Audits**

To add an additional layer of protection, intellectual property agreements should provide that RF is permitted to monitor the accuracy of all information submitted by the partner. In situations when the RF administrator calls into question the accuracy of the information contained in the report and/or the value of the royalty payment accompanying the report, the RF can invoke its right to audit the partner. A robust “audit clause” is included in all RF license agreement templates that preserves RF’s ability to audit partners when warranted.

### **RF’s Technology Transfer Transaction Toolbox**

The RF’s Technology Transfer Agreement Toolbox contains various types of intellectual property agreement templates that should be utilized to ensure that transactions with private partners include adequate reporting requirements. Each agreement is reviewed regularly and updated accordingly to ensure RF has the appropriate framework to support proactive and adequate post-execution agreement monitoring.

### **Conclusion**

Agreement monitoring requires time and effort. Using Inteum and the various types of template agreements in RF’s Technology Transfer Agreements Toolbox can reduce the effort administrators have to devote to resourcing an effective post-license management process, but no system or template can wholesale replace the need to have regular contact with partners to ensure a transparent partnership and having regular contact makes it easier for the technology transfer office to understand issues that affect the partner, such as cash-flow problems, patent infringement, acquisitions, and the like.

### **Definitions**

*Intellectual Property* – Patentable Inventions, tangible research materials, computer software, and any unique or novel innovation in the technical arts or any new and useful improvements thereof, including methods or processes for creating an object or result (a way of doing or making things), machines, devices, products of manufacture, product designs, or composition, mask works or layout designs for printed circuit boards or integrated circuits, compositions of matter, materials, any variety of plant, and any know-how essential to the practice or enablement of such innovations and improvements, whether or not patentable.

### **Related Information**

[SUNY Patents and Inventions Policy](#)

[SUNY Procedures for the Disclosure and Management of Patents and Inventions](#)

[SUNY Guidelines for the Management of Intellectual Property](#)

[RF Guidelines for the Administration of Industrial Relationships](#)

## Change History

Date	Summary of Change
July 15, 2020	New Guideline.

### Feedback

Was this document clear and easy to follow? Please send your feedback to [webfeedback@rfsuny.org](mailto:webfeedback@rfsuny.org).