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Sublicensing Terms Must Strike Right Balance Between University Rights and Licensee Needs

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Michael D. Hobbs, Jr.

Troutman Pepper Partner Mike Hobbs is quoted in the *Tech Transfer Tactics* article, "Sublicensing Terms Must Strike Right Balance Between University Rights and Licensee Needs."

Many licensors don't allow any sublicensing, notes Michael D. Hobbs Jr., JD, partner with the Troutman Pepper law firm in Atlanta. There can be some loss of control in the process with a sublicensee and they often want a direct, exclusive contractual relationship with the licensee, he says.

However, sublicensing can be critical to the financial considerations of a deal, allowing the licensee to make money without which it can't pay the amount of royalties the university wants.

In those cases, the sublicenses usually contain a clause that the licensor is a third-party beneficiary to the sublicense agreement and has the right to step in and take legal action in the event of a breach by the sublicensee, he says.

In some cases, the licensor and licensee may not negotiate a standard sublicense, but rather approve agreements on a case-by-case basis. This carries with it uncertainty for the licensee as it may spend the time and effort to negotiate a sublicense only to have it rejected by the licensor, Hobbs says.

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