



Stanford eCorner

The Sobering Truth About Technology Licensing

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Most people might assume that Stanford University generates a large number of high profit licenses. Ku explains what the financial numbers really look like on average.



Transcript

So you think we brought in a lot of money, which we did but the sobering statistics are really sobering. Two out of 5,600 inventions are what we consider a big winner. A big winner bringing in more than \$15 million in royalties. Thirteen cases out of 5,600 generated five million or more and 43 cases generated a million or more. So it's a huge numbers game. We have to see a lot of disclosures in order to hope that there's a big winner. My bottom line to the university is, they can't rely on our income for operating expenses. So in fiscal year, this is a one year snapshot, we brought in almost \$15 million in royalties and then we divvied it up according to the royalty sharing policy which is one-third goes to the inventors, one-third to the department, one-third to the school. So 436 inventions generated money. We try to get almost all of our inventions that are newly licensed generating money every year.

But there are pages and pages of cases which generated \$5,000 and \$10,000. So most of them are not big winners. However, it does cost us a lot of money to run the office besides our whole budget which is around \$3 million. We spent \$6 million in legal expenses and most of these legal expenses are for filing on time. So we need money to live on, too. So we take 50% off of any gross royalty income then we subtract expenses. So a typical patent US, one patent might be \$10,000 or \$15,000. But if we file foreign applications, it's far more. If we move into the \$25,000 or \$50,000 per kind of invention, that's a lot of money. And we need to feel like we can recoup that and a lot more before we're going to invest in that.

What's left over is net royalties and we divide that up with inventors' department in school.