



## Frequently asked questions

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### **Why a set of guidelines on dealing with intellectual property rights (IPR) for academic start-ups?**

Utilising knowledge gained from research carried out at public research organisations is important for society, particularly for dealing with societal issues and economic opportunities. Intellectual property plays a relevant part in knowledge utilisation. This kind of valorisation can form the basis of a relationship with an established company or with a start-up, which may or may not have evolved from within the public research organisation.

There is an increasing need for guidelines on dealing with intellectual property rights (IPR) for academic start-ups. It can help remove obstacles. The Technopolis report entitled “Bottlenecks for growing academic start-ups in the Netherlands” of 11 November 2015 (sent to the Dutch House of Commons by the Secretary of Education, Culture and Science and the Minister of Economic Affairs, TK 32637/ 31288, no. 215) notes the following:

- Negotiations between universities and start-ups about IPR are lengthy and costly;
- KTOs want to keep possession of the IPR for as long as possible;
- KTOs do not have enough independence from the university – they need a mandate;
- Everything needs to take place within the framework of public funding, so conforming to current market value.

Businesses and public research organisations and their KTOs also have different expectations when it comes to a division of labour. As it turns out, in addition to the problems described above, start-ups feel that:

- KTOs are too risk averse and not enterprising enough;
- KTOs expect returns from IPR much too quickly; and
- The negotiations between knowledge institutions and start-ups start far too late in the day.

These Guidelines can also contribute to a clearer division of roles between the various parties and the interests they represent. For a successful start and continued growth of a new company, trust between the parties and understanding of each other’s objectives and limitations is essential.

These guidelines are also important to further grow KTOs and to establish a KTO NL Roadmap as advised in the Technopolis report, in order to come to a more strategic IP policy that does justice to the differences between the various sectors.

The aim of this set of guidelines is to make it clear from the outset to the parties involved what the principles underlying the transfer of IPR are, in order to create predictability and transparency about what the party concerned can expect in terms of acquiring existing IPR as well as future IPR based on the results of scientific research for the benefit of his company or the start-up.

### **What are academic start-ups?**

Start-ups based primarily on knowledge, research results, materials and/or intellectual property gained from scientific research carried out at Dutch universities, UMCs and institutes of NWO and KNAW. Often, but not in every situation, employees of the organisation are directly involved in the start-up.

### **Why do public research organisations not give their 'own' start-ups priority?**

In principle, nobody has priority. If there is a recognised expert on the market who wants to acquire a licence for a particular technology, then that is usually the preferred option. Under the right contractual terms there will then be a minimal risk of the valorisation failing. The risks of granting a licence to a start-up are a lot greater; there is a greater financial risk that can cause the product development to fail and the management is often less experienced. Many public research organisations do want to give their starters a chance and will do their best to try and find a solution or a deal structure.

### **Will a start-up get the same terms as an existing company?**

The deal structure is often a little different for a start-up compared to an existing market participant. A starter might have a more back-loaded deal, meaning the full compensation or most of the compensation for a licence might not be paid until much later, usually when a technology has proved successful and often largely in the form of royalties over the product's profit. The start-up will have very limited financial means initially to afford a licence. However, a company with more capital can strike a more front-loaded deal, paying a substantial sum for the licence up front and paying out less or no royalties down the line. The deal structure will be largely determined by the available financial means as well as the expected development of the company and the risks involved.

**Is the amount that a knowledge institution receives through the deal it makes with a company an argument to say that there is no public funding involved?**

Yes, but that is not the only reason. Matters need to be settled in a business-like manner in line with the market value, which will not necessarily be the highest bidder. The attitude is more likely to be what is called 'FRAND' (Fair, Reasonable And Non-Discriminatory).

**Why is it that my company has to share its plans with the public research organisation?**

The licensor must be given enough reassurance and/or guarantees that the licence is in good hands, the technology is being developed and will eventually reach the market or society. The knowledge institution will want to see whether the management can cope with the challenges and whether there is funding for the plans, or whether it is likely that they will find investors in the future.

**Why can the public research organisation not keep knowledge confidential?**

A condition for operating as a public institution is publication. Under certain circumstances this can be waived, where the public and society as a whole would demonstrably benefit from keeping the knowledge a secret (temporarily). Information gained from third parties can also be kept confidential without any problems.

**What is the aim of inventor's regulations?**

The aim is to stimulate valorisation and knowledge utilisation. Rewarding inventors of good, marketable inventions, compensating for the extra time and energy that inventors and researchers have put in (which regular academic KPIs do not take into account) all fulfil the legal regulation for reasonable compensation.

**Why do the intellectual property rights often stay with the organisation?**

Where necessary, arrangements can be made for the transfer of intellectual property. Organisations can ask for assurances to prevent their intellectual property falling into the wrong hands or being wasted (for example in the case of a start-up going bankrupt). Examples of such assurances could be right of retention for the organisation, or transfer of IPR in a phase when the continuity and financial security of the start-up seem assured.

### **Who does an invention belong to?**

Normally, the inventor's employer. Sometimes the employer has already made an agreement with a third party that grants the third party the rights to an invention. It is also possible for the financiers of a research project to ask for the rights to an invention.

### **Why can't I get the patent for free if the knowledge institution wants to let it expire?**

The value is determined by many factors including, but not limited to, the patent. Sometimes it is better for the valorisation to let the patent expire than to pass it on to a third party for free. If the patent is useful, the third party will have to pay a fee to acquire the rights (see also under state support). The entrepreneurial inventor is also rarely the only inventor on a patent and the organisation, the research department but also the other inventors all have the right to a percentage of the revenue. These interested parties must not be short-changed.

### **Do TTO/KTOs take risks?**

TTO/KTOs are constantly taking risks to build up and finance patent positions as well as through taking out shares in start-ups. The risks do need to be acceptable. In the case of exclusivity for a third party, this third party will normally also be expected to take over the costs of a patent. Some organisations also have their own Proof of Concept fund or a Holding that can take higher investment risks.