

Dealterms spin-offs

Framework on dealterms
related to providing spin-offs access to IPR

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Knowledge Transfer Office (KTO)

CREATE IMPACT FROM RESEARCH

3rd Core task of Universities: Innovation/valorisation

Impact should not stay within the research community.

GO BEYOND PUBLISHING: CREATE SOCIETAL IMPACT FROM RESEARCH

Knowledge Transfer Office (KTO)

CREATE IMPACT FROM RESEARCH

- Scouting & Screening
- Business development support (incl IP protection)
- Tech transfer:
 - Licensing
 - Spin-off

Dealmaking - KTO

- Maximizing impact out of University's research
- Knowledge/Technology Transfer
- No state-aid: fair market value

Dealterms spin-offs

Framework on dealterms
related to providing spin-offs access to IPR

Context

- Initiated by Universiteiten van Nederland
- First set of dealterms for providing spin-offs access to Intellectual Property Rights (IPR)
 - at least one of the scientific founders is committed to work fulltime for the spin-off
 - max TRL 4

Early Adopters

Erasmus MC	Radboud UMC	Wageningen University & Research
Leiden UMC	Radboud University	TU Delft
Leiden University	Tilburg University	TU Eindhoven
VU Amsterdam	University of Groningen	University of Twente
		TNO

IPR = patents, copyright on software or designs, database-rights, know-how

New database on university spinouts highlights dissatisfaction

Company founders are generally unhappy with the process and terms of their launches

by **Rick Mullin**

June 15, 2022 | A version of this story appeared in **Volume 100, Issue 22**

THE PROBLEM
WITH THE
UNIVERSITY
SPINOUT
PROCESS IS
MUCH MORE
THAN JUST
EQUITY

WRITER Ben Clark

LIKES 0



Oscar Hornstein

GOVERNMENT & POLICY / TUE 21 NOV 2023

Why Universities are the Worst Shareholders for Spin-out Companies

January 31, 2013 by **Duncan** 2 Comments

FEATURED — POLICY — READ THIS — THREE FEATURE SLIDER — ACADEMIA — RESEARCH — SPIN-OUTS — STARTUPS — UNIVERSITIES

Are British universities holding back tech spin-outs with unreasonable equity demands?

Demands for up to 50% equity are putting off investors and founders.

ELIOT BEER

May 19, 2022 . 9:10 AM — 7 min read



Universities urged to take less spinout equity by government review

Dealmaking – challenges

- Many opinions
- Comparison with other countries/universities
- Investors opinions & expectations
- Keep founders committed
- No (inter-)national uniformity in deal terms
- No transparency in NL to the outside world

Goal

Fair, simple & transparent deal terms with the aim to conclude deals with spin-offs faster,
in which the perspective of founders as well as investors is included:

- Founder friendly
- Attractive for investors

no limitations by universities in growth of the spin-off

to optimize impact of the research

International benchmark

	US MODELS ^{1,2}	SWISS MODELS ³	QUICK LINCENSE ⁴	UK ⁵
Equity	< 10% 'single digit'	Max 12% (max 9% non dilutive)		Up to 50% (Median 33%)
Dilution	Non-dilutive till X M\$ valuation	Fully dilutive		Fully dilutive
License	Royalty	Royalty	Royalty	
Exit Fee			Fixed exit Fee	
Possibility of assignment of patent to spin-off	No	No	No	Yes

Based on publicly available sources (February 2023)

Consultations – together with TechLeap

- Universities
 - What type of 'dealterm-tools' is currently used
 - Driving forces
- Investors
 - 'Red Flags'
 - What type of deal is preferred
 - Role University
- Founders
 - Role University
 - Type of deal

The TechLeap logo consists of the word "techleap" in a lowercase, sans-serif font. The letters "tech" are in a light blue color, and "leap" is in a dark blue color. The logo is positioned in the bottom right corner of the slide, set against a white background.

techleap

Dealmaking (spin-offs) – basic principles

- No state-aid: fair market value
 - Benchmark with international KTO's
- Trust
- Transparent, consistent & clear
- Simple
- Founder friendly
- No hurdles for future investors
- Stimulates growth of spin-off in favor of societal impact

Frame

- Deal terms are solely related to providing access to IPR
(not investment by university, use of facilities, ... etc)
- Applicability:
 - at least one of the scientific founders is committed to work Fulltime for the spin-off
 - max TRL 4

Deal terms - general

- Spin-off is granted access to IPR in exchange for equity, royalties or combination of equity and royalties
- Starting point: exclusive license on the IPR till completion of the Milestone
- Milestone:
 - XXX k€ equity investment of YYY k€ turnover
 - Optional: technology Milestone
- Upon completion Milestone:
 - exclusive license is continued
 - option on transfer IPR after completion Milestone at no additional costs (at latest at exit)
- In case of patent(application):
 - spin-off bears costs for maintenance
 - Reimbursement of historical patent costs
- Inventors are rewarded for their contribution in the past ('inventors fee': 1/3 of future revenues)

Dealterm Frameworks

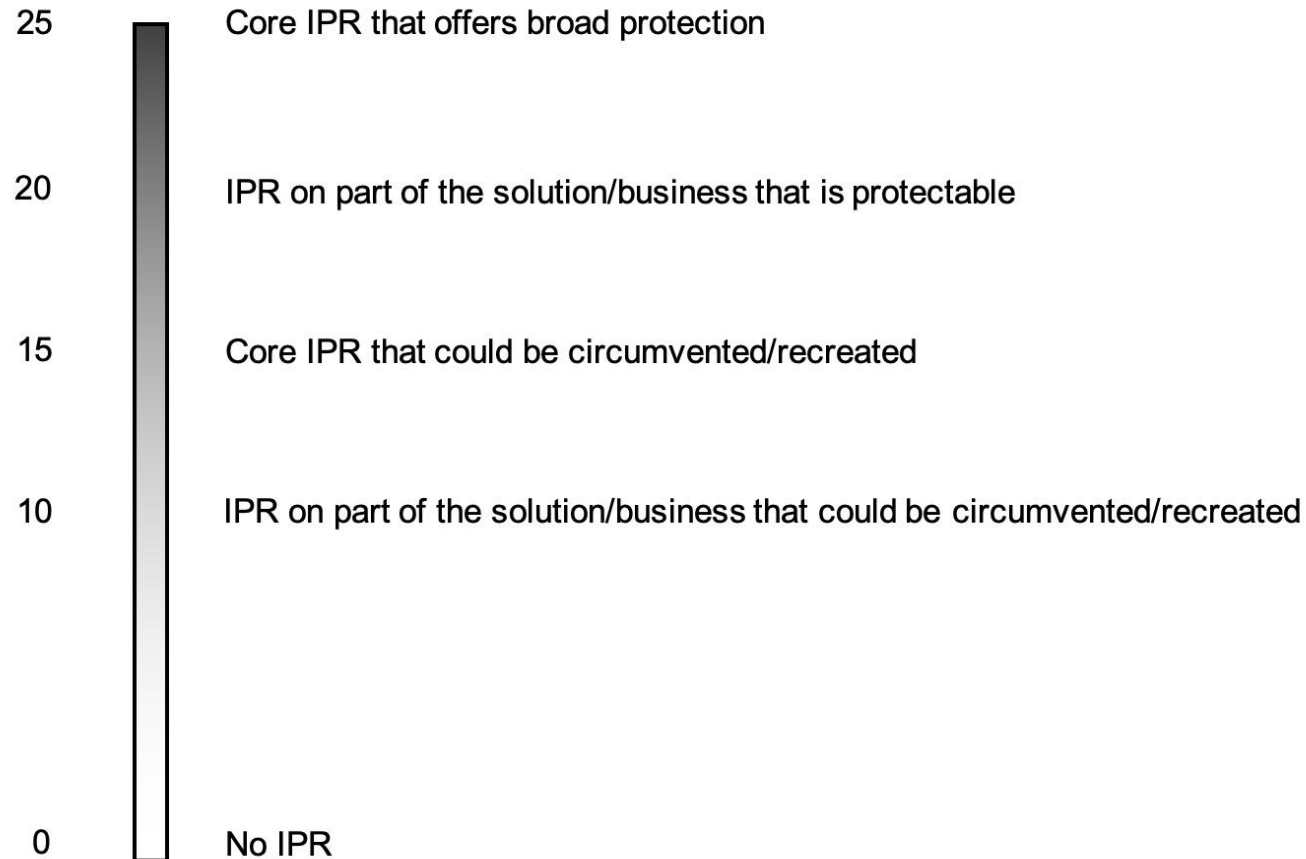
- Equity
- Royalty
- Hybrid: Equity + Royalty

Deal terms – Equity (1)

- Fully dilutive shares
- No special rights for University/holding
(except for common protection clauses)
- Shares are for future team and commitment
(Inventors maintain their rights on the inventors fee)

Dealterms – Equity (2)

- Importance IPR for spin-off determines deal
- Dealmaking: ruler as guideline



- TRL 3-4
- Universities can ask additional equity for e.g use of facilities, providing capital, ...

Royalty

Deal terms – Royalty

- Royalty on turnover related IPR - % depending on sector/market
- Sublicense fee – % depending on sector/market
- [optional] Milestone payment (e.g. upon certification or first commercial sales)
- [optional] Minimum annual royalty payment
- Royalty agreement stays in force at completion Milestone
- Royalty obligations stay in force at exit, option to buy-off

Hybrid

Deal terms – Hybrid

- Combination of equity and royalty
- Hybrid Royalty deal at softer conditions than full royalty deal

NL-Dealterms

	NL-HYBRID	NL-ROYALTY	NL-EQUITY
Equity	Max 12,5%		Max 25%
Dilution	Fully dilutive		Fully dilutive
License	Royalty	Royalty	
Exit Fee			
Possibility of assignment of patent to spin-off	Yes	Yes	Yes

NL-Dealterms - Benchmark

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Key take aways

- >30 deals
- Transparency on dealterms gives researchers comfort when entering dealmaking process
- KTO starts dealmaking as a conversation
- Interpretation of ruler results in - limited – negotiation
- Accelerates dealmaking process
- Dealterms provide framework, not an exact manual

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