

Universiteit van Amsterdam

Innovation Exchange Amsterdam (IXA)

Text brochure

From researcher to entrepreneur, how can UvA researchers set up a spin-off?

What aspects do you need to consider? What agreements need to be made? This brochure will help explain how to go about setting up a spin-off and who can help you. You can find real-life examples and frequently asked questions on the special insert.

What is a UvA spin-off?

A UvA spin-off is a knowledge intensive company set up by a UvA employee. This new business uses UvA knowledge or research results to develop new products or services, such as new technology, chemical substances, new measurement methods or teaching methods. Service activities that utilize UvA facilities or scientific advice can also be incorporated into a spin-off. The possibilities are practically endless!

IXA-UvA is part of the collective knowledge transfer office of AUAS, UvA, VU and Amsterdam UMC. The UvA's IXA team consists of business developers, grant advisers and legal advisers, who themselves are mostly academics, former researchers or entrepreneurs. These experts are ready and waiting to discuss your ideas with you and work out the best way for you to market your knowledge.

How should I go about it and how can IXA help?

As well as benefitting the education the UvA provides, the university's knowledge and research results can also add value to the economy and society. However, academia is often far removed from the general public and society as a whole. IXA has the essential expertise required to bridge this gap. Any doubts you may have can also be discussed with IXA. Do you want to run the business yourself or would you rather have someone else do it? And how will entrepreneurship affect your academic career?

The first step towards knowledge-driven entrepreneurship is often describing your idea (knowledge, invention, innovation) and determining whether it is suitable for further commercial exploitation. This is done using an 'Invention Disclosure Form' or IDF, and IXA's business developers will help you to do this.

Sometimes, this knowledge needs to be protected. In some cases, knowledge is automatically protected, e.g. via copyright for certain software, but in others, the knowledge has to be actively protected, e.g. by applying for a patent. IXA assists you with the patent process and the cost of the patent application is paid via the *UvA Patent Fund*. The patent will be in the UvA's name, as you developed this knowledge as an employee of the UvA (this is stipulated in the CAO-NU). The researcher will be registered as the inventor in the patent.

Subsequently, together with the IXA business developer, you will design a market strategy for the new idea that is tailored to your situation. If a UvA spin-off appears to be the optimum route for commercial exploitation of your idea, then you will subsequently discuss the substantive, organisational, financial and legal issues with IXA and incorporate these aspects into your business plan. During this process, you will examine what role you could play in the business and what role the university should play.

If a spin-off is not the best way to present your knowledge to the market, then you will discuss other opportunities for commercial exploitation of knowledge with IXA, such as collaborations with or licensing of knowledge to external parties (patents).

Development of the idea: feasibility study

It often costs money to assess the technical feasibility and commercial viability of innovative ideas and make the idea market-ready. Researchers can request funding of such analysis via the *UvA Valorisation Fund*, *Academic Proof of Concept Fund Amsterdam* or via the *NWO Take-Off Programme*. The *Noord-Holland Innovation Fund* also provides Proof-of-Concept loans to start-ups. For more information about these funds, see the official IXA website.

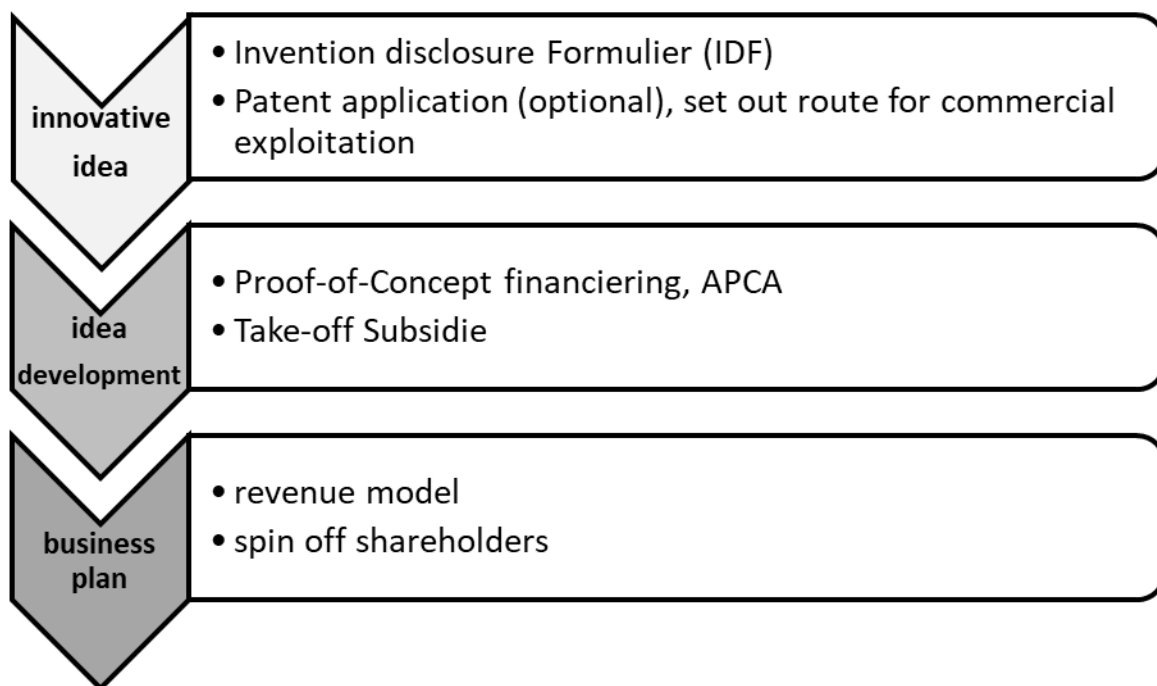


Figure: steps and action to take

Business plan and distribution of shares

A strong business must be based on a solid business plan that describes the problem that the new product or service will solve, what needs it will fulfil, whether there is a market for it and what its competitors will be. The plan must include market analysis, a marketing plan and a revenue model.

During this stage, the shareholder structure will also be examined: who will the shareholders be, how will the shares be distributed and how many shares will be issued to researchers in compliance with the *UvA Regulations Governing Knowledge Utilisation*.

Full-time UvA researchers can receive a maximum of 4.9% of the shares. A larger percentage of the shares may be issued in the event of partial termination of employment at UvA in order work in the spin-off or if you invest your own money in the spin-off. Of course, to prevent apparent or actual conflicts of interests, clear agreements must be made with your dean and IXA. The *Regulations Governing Ancillary Activities*, which can be found on the UvA website, provides information on all aspects that you must consider, such as the obligation to report your share ownership on your personal UvA web page.

You can also waive your shares, in which case, you will be awarded a share of the proceeds from the commercial exploitation of the knowledge generated by you.

Distribution of net proceeds from the commercial exploitation of knowledge

- 1/3 goes to the researcher. Was the knowledge generated by multiple researchers? If so, the researcher's cut is distributed among all parties concerned up to a maximum of €2.5 million. In both cases, a maximum of €1 million per researcher applies.
- 1/3 goes to the faculty in which the knowledge was generated. The faculty in question will decide how these funds will be used.
- 1/3 goes to the university, which will spend these funds via IXA on knowledge valorisation and the facilitation, encouragement and protection of innovative ideas stemming from research.

The UvA will purchase shares in the spin-off via UvA Ventures Holding. The percentage of the shares will depend on the value of the research knowledge contributed by the UvA. For example, if the spin-off is the result of costly and long-term research that required the use of expensive facilities (laboratories, instruments, etc.), then the UvA's share percentage will be relatively high. In such cases, UvA Ventures Holding is permitted to receive a maximum of 49% of the shares.

Investors can also obtain shares in exchange for their investment. The spin-off can then enter the remaining shares into an option pool for future employees.

More information on the rules governing share ownership can be found in the *UvA Regulations Governing Knowledge Utilisation (2018)*.

Which parties will I be dealing with?

A variety of parties within the UvA will provide you with support during the development of the spin-off and during development of your entrepreneurial skills.

IXA will support, advise and facilitate you during the set-up of the business, the development of your business plan, early financing and -if necessary- protection of knowledge (intellectual property). IXA also regularly organises workshops that can help you during this process. Furthermore, IXA determines how many shares will be issued to the researchers involved and to the UvA (via UvA Ventures Holding) in accordance with the UvA Regulations Governing Knowledge Utilisation.

UvA Ventures Holding BV is a wholly owned subsidiary of the UvA that was set up to ensure a strict division between public and private funding of activities initiated by the university. Upon the set-up of a UvA spin-off, UvA Ventures Holding can provide guidance during the design of the spin-off's organisational, financial and legal structure. This can relate to shareholders' agreements, articles of association and sometimes financial management. The degree of support depends on the equity interest that UvA Ventures holds in the spin-off and can fluctuate over time. Whether or not UvA Ventures Holding will invest in the spin-off depends on a number of factors. These are determined based on due diligence examination of the following aspects (among others):

- Business plan and financial plan
- Team composition
- Market potential
- Public interest

ACE -the Amsterdam Centre for Entrepreneurship- is a BV (private limited company) in which AUAS, UvA, VU University Amsterdam and Amsterdam UMC participate. ACE provides entrepreneurship programmes and facilities in the start-up and scale-up phases of knowledge-intensive businesses.

You will make agreements with your **dean, institute director or department head** concerning these ancillary activities, the number of hours per week that you will spend on the spin-off and usage of UvA facilities (e.g. laboratories). The UvA spin-off will pay a fee for this usage in line with market rates. You can agree to defer payment for the use of these facilities in the first few years.

Use of a UvA patent by the spin-off

If a patent has been taken out for the invention that your business wishes to use, then IXA will generally license the UvA patent to the spin-off. In such cases, the spin-off will be granted access to use the knowledge for commercial activities in return for a fee in line with market rates. If the spin-off proves to be successful for a prolonged period of time, then the patent can be transferred to the spin-off with the same agreements in place. IXA can make agreements with the spin-off concerning reimbursement of the patent and license costs incurred.

In addition to these, other agreements can also be made between the UvA spin-off and IXA/UvA, such as agreements concerning the scope of use of the patent, the degree of exclusivity, the countries in which the licence is valid and whether sublicences can be issued. Finally, at all times, the UvA reserves the right to use the patented knowledge for further research and teaching activities.

Develop your skills: workshops, training courses and incubator facilities

Would you like to develop your entrepreneurial skills? Are you curious to learn about your colleagues' experiences of running a business? Do you need help to request a grant or funding for your spin-off? If so, both IXA and ACE regularly organise workshops, seminars and *Inspire Sessions* for researchers who wish to market their knowledge and research results. Participation is free of charge.

IXA provides a range of business incubator facilities in Amsterdam under the name **Amsterdam Venture Studios**. These breeding grounds for business offer facilities that help rookie knowledge entrepreneurs to grow their start-up. You can find an overview of all activities, workshops and facilities via www.ixa.nl.

Thinking about going into business?

In addition to questions concerning the practical aspects of starting a spin-off business, you may be wondering how entrepreneurship will affect your academic career. Will you be able to combine it with your research duties, will it take up too much of your time and is it really worth the effort? If these or other issues are running around your mind, arrange an appointment to discuss any questions and doubts you may have with our experts. We will be happy to help you set up a successful business!

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IXA is the knowledge transfer office of:

Amsterdam UMC

Hogeschool van
Amsterdam

Universiteit van
Amsterdam

Vrije Universiteit
Amsterdam

Examples

User rights for enterprising employees

Together with colleagues, Willem, an assistant professor, developed special software that is extremely useful to businesses. Willem agreed with the UvA that he would reduce his working hours at the university to enable him to work on a self-employed basis for three days per week. For the use of the software, Willem and the UvA agreed a fee in line with market rates for a non-exclusive user licence: Willem fully owns his consultancy practice and every year, he pays the university a fee -in line with market rates- for the use of the software. In addition, effective agreements have been made to prevent Willem's commercial interests from influencing his duties at the UvA.

Division of shares of spin-offs

Albert, an associate professor, and Ronald, a postdoc, have developed a new type of artificial fertiliser which the UvA has patented. Albert was keen to further develop his product via a spin-off, although he also wanted to keep his job as a researcher. The dean recommended a plan in which Albert works for the spin-off for one day per week for two years, retaining full pay. If the spin-off proves successful, then when the two years are up, Albert and the dean will discuss whether he should increase his involvement with the spin-off.

In consultation with IXA, it was agreed that 4.9% of the shares would be provisionally issued to Albert. 49% of the shares were issued to UvA Ventures Holding and the patent was licensed to the spin-off.

Upon completion of his postdoc period, Ronald would also like to work for the spin-off. With IXA's help, he applied for an NWO Take-Off grant, allowing the spin-off to employ him. Over time, 20% of the shares will be issued to Ronald. The remaining shares have been entered into an option pool for future employees. Subsequently, the patent was licensed by IXA to the spin-off for a royalty percentage of 5%. It is agreed that once the spin-off becomes profitable, the patent can be transferred to the spin-off for a fee in line with market rates.

Using UvA facilities for entrepreneurship

Upon obtaining her doctorate from the UvA, Silvia wished to use the faculty's MRI scanner during assignments conducted for external parties. The director of the research institute agreed to this, as the scanner is not frequently used for research purposes and this set-up will enable more efficient use of the equipment as well as facilitating valorisation. In consultation with IXA and UvA Ventures Holding, a business was set up that is wholly owned by the UvA. Silvia was then employed by this spin-off, receiving a salary in line with market rates and a turnover-related bonus.

From researcher to shareholder

Carolien, a professor, was approached by an experienced entrepreneur who wanted to set up a biotech company using the technology created by her research group. The initial discussions went well. The entrepreneur set up the business plan, appointed the management team, injected seed

capital and sought investors. 35% of the shares were issued to UvA Ventures Holding, while Carolien chose to take a 4.9% equity interest in the spin-off and will continue to work full-time for the university. The other researchers in question decided not to take any shares, instead opting for a share of the profits generated by the commercial exploitation of the knowledge.

For the first three years, Carolien will serve as Chief Scientific Officer of the spin-off: she maintains her full-time position at the university and is seconded to the spin-off for one day a week. To prevent apparent or actual conflicts of interest, Carolien does not represent either the business or the university during formulation of mutual agreements.

IXA and the spin-off agreed a fee for the exclusive use of the UvA's patent. In the event of new discoveries by Carolien's research group, IXA will reassess the situation to see if these findings can be licensed to the spin-off. In due course, the entrepreneur can purchase the patent for a fee in line with market rates provided she has invested a sufficient level of capital.

Frequently asked questions

Why is the UvA facilitating entrepreneurship?

Entrepreneurship is not a goal in itself for the UvA, it's simply a way of incorporating knowledge and research results into society, e.g. by bringing knowledge and innovation to market via a product or service. Furthermore:

- spin-offs offer an alternative professional perspective for PhDs and researchers;
- spin-offs help to create jobs;
- government bodies expect universities to facilitate knowledge application;
- knowledge-intensive business helps to present a positive image of science, academia and the university to the general public.

How does the UvA prevent conflicts of interest?

At all times, researchers must be able to function in a critical and independent manner. For this reason, agreements are made at an early stage between the entrepreneur and IXA -together with the faculty- in order to prevent conflicts of interest. This is in line with the national guidelines for ancillary activities as formulated in the CAO-NU.

Can former employees get involved in UvA spin-offs?

It is possible for UvA alumni to set up a business together with UvA IP.

How does the UvA spend the income from spin-offs?

UvA Ventures Holding receives money from the sale of shares or patents. After deduction of certain costs, this income is distributed among various parties (see text box on page 3 and the *UvA Regulations Governing Commercial Exploitation of Knowledge (2018)*.)