

For researchers of Amsterdam UMC and Vrije Universiteit Amsterdam



➤ From researcher to entrepreneur

How to start a spin-off company?

www.ixamsterdam.nl

INNOVATION
EXCHANGE
AMSTERDAM



Brochure for researchers of Amsterdam UMC and VU

› Do you want to start a company based on your research results or invention?

In this brochure you can read about the steps to take when setting up a spin-off company: which agreements are necessary, how do you approach it and who can help you.



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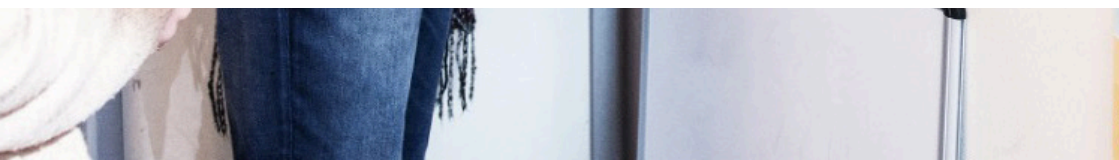
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» What is a spin-off?

A spin-off is a knowledge-intensive company set up by a university employee. This new company uses the knowledge or research results of the knowledge institution to develop new products or services. Think of a new technology, chemical substance, new measurement method or new teaching method. In certain cases, service activities from university facilities or scientific advice can also be included in a spin-off.

IXA is the joint knowledge transfer office of Amsterdam UMC, HvA, UvA and VU. The IXA team consists of business developers, grant advisors and legal counsels, who themselves

are often former researchers and entrepreneurs. You can discuss your ideas with these experts and determine the best way to market (exploit) your knowledge.

» How do I approach this and how can IXA support me?

The knowledge and research results you have developed can be of great value to society, but the gap between society and the academic world is often great. IXA has the essential expertise to successfully bridge this gap. Any questions or doubts you may have can also be discussed with IXA. For example to determine whether entrepreneurship suits you, which role you would like to play in the spin-off: do you want to be actively involved or do you prefer to stay in the background? And how will entrepreneurship affect your scientific career?

The first step in entrepreneurship is often to describe the idea (knowledge, invention, innovation) and determine whether that idea is suitable for further exploitation. With the help of an IXA business developer you write this down in a so-called Invention Disclosure Form (IDF).

Protection of an innovation or invention

Sometimes the knowledge needs to be protected. In some cases, knowledge is automatically protected, for example via software copyright, which is created immediately and does not need to be requested. In other cases, it is necessary to actively protect your knowledge, because potential users of the knowledge may need exclusive rights in order to earn back the necessary investments. The most appropriate route for inventions is to apply for a patent. IXA helps you in the patenting process. The costs for the application

are paid via the Patent Fund of your knowledge institution. The patent will be owned by the knowledge institution because you have developed the knowledge as an employee of the institution. This is stipulated in the CAO-NU, CAO-University Medical Centers and in the Knowledge exploitation regulations. The researcher is mentioned as the inventor of the patent.

Writing a business plan

Subsequently, together with the IXA business developer, you will develop a market strategy for the new idea that is tailored to your situation. If a spin-off appears to be the best way forward, then you discuss the substantive, organizational, financial and legal aspects with IXA and write these down in a business plan. Together you will explore what your possible role within the company will be and what role the university should have.

If a spin-off company does not seem to be the best way to bring your knowledge to the market, you can discuss other opportunities for knowledge exploitation together with IXA. Think of licensing your knowledge to an external party or developing the idea further through a collaboration with a company.

› Developing your idea: funding your feasibility study

Investigating the technical feasibility and commercial viability of an innovative idea often costs money. As a researcher, you can apply for funding with the help of IXA, for example via the NWO Take-off program. In addition, there are funds that provide a Proof-of-Concept loan to start-up companies such as the Innovation fund Noord-Holland. The VU and Amsterdam UMC also have such funds. An overview of the various funds can be found on the IXA website.

INNOVATIVE IDEA

- Invention disclosure form (IDF)
- Knowledge protection, for example Patent application (optional)
- Work out route for commercial exploitation

IDEA DEVELOPMENT

- Proof-of-Concept funding
- Take-off grant

BUSINESS PLAN

- Revenue model
- Spin-off shareholders

› Business plan

A strong company starts with a solid business plan. A business plan describes what problem the new product or service will solve, what needs will be met, which market it will serve and what position it has in relation to its competitors. The plan contains market analyses, a marketing plan and a revenue model.

› Distribution of shares

The composition of shareholding is also considered during this stage: who will the shareholders be and how will the shares be distributed? In the initial stage, the knowledge institution will often want to exercise some control over the knowledge through its shares in the company (via its holding BV). Possible other shareholders are for example investors and an externally recruited director (Chief Executive Officer or CEO). As a researcher you have the choice between participating via shares or via the distribution of income of the knowledge institution from the sale of its shares or income from the license agreement as laid down in the Knowledge Exploitation Regulations.

As a researcher employed by VU or Amsterdam UMC you can acquire a maximum of 4.9% of the shares. In certain cases it is possible to obtain a larger equity share. This depends on different situations, for example in the event that you partially terminate the employment of the knowledge institution in order to work for the spin-off.

Ancillary activities

To avoid apparent or actual conflicts of interest, clear agreements are required with your manager. The *Regeling Nevenwerkzaamheden* of your institution formulates the aspects you should consider. You are obliged to be transparent about your shareholding and publish your company shares according to the applicable rules and via the available channels.

Distribution of net proceeds from knowledge exploitation:

- **1/3 part** is for the researcher personally with a maximum of € 1 million. Was the knowledge generated by multiple researchers? Then the researcher's share is divided among all those involved, with a maximum of € 2.5 million. This is gross revenue and is paid out as a bonus.
- **1/3 part** is for the faculty, division or research group in which the knowledge was generated.
- **1/3 part** goes to the knowledge institution and is used for valorisation purposes, the stimulation and protection of innovative ideas stemming from research.

The knowledge institution holds the shares in its Holding BV. The share percentage depends on many factors, including what various shareholders contribute to the spin-off.

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

More information on the rules governing share ownership can be found in the *Regeling Kennisexploitatie* of your institution, on the [IXA website](#) and on the intranet of your knowledge institution.



Develop your skills:
workshops, training and
incubator facilities



Would you like to develop your entrepreneurial skills? Are you curious to learn about your colleagues' experiences with entrepreneurship of running a company?

Do you need help applying for a grant or funding for your spin-off? If so, both IXA and ACE regularly organize workshops, Inspire sessions and seminars for researchers who wish to market their knowledge and research results.

You can find an overview of all activities, workshops and facilities at www.ixa.nl.



Demonstrator Lab

is a hands-on entrepreneurship laboratory for transforming ideas into innovative products and services for all students and researchers of the Amsterdam knowledge institutions. The lab offers space, but also support to develop technologies and access to knowledge and infrastructure within the university network.



ACE-incubator BV

(emerged from the Amsterdam Center for Entrepreneurship), in which AUAS, UvA, VU and Amsterdam UMC participate, offers entrepreneurship programs and facilities in the start-up and scale-up phase of spin-offs.



Amsterdam Venture Studios

Under the name of Amsterdam Venture Studios, IXA offers incubator facilities at various university campuses in the city. These studios offer starting university entrepreneurs space and facilities to grow their businesses. Amsterdam Venture Studios is located at the VU Campus, in the AHTC opposite the AMC, at the REC-UvA (Law Hub), Amsterdam Science Park (Startup Village), the Binnenstadscampus-UvA (Venture Lab Humanities) and on the Amstel Campus HvA.

» Which parties do I need to consider?

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

IXA will support and advise you during the set-up of your company, the development of your business plan, early financing and, if necessary, the protection of knowledge (intellectual property). In addition, based on the Regeling Kennisexploitatie, it is determined how many shares the researchers involved and the knowledge institution (via the holding company) will acquire in the spin-off.

Holding BVs (AMC Ventures Holding, VUmc Holding or VU Holding) are 100% subsidiaries of the knowledge institutions and were set up to ensure a strict division between public and private funding of activities that originated at the university. They support the creation of spin-offs when they participate and can in some cases also invest in spin-offs.

With your **dean, institute director or department head** you agree upon the number of hours a week you work for the spin-off and on the usage of university facilities (eg. laboratories, etc.). The spin-off pays a market-based fee for the use of these facilities. In some cases, reimbursement can be postponed for some time.

» The use of a patent by the spin-off

If a patent was applied for the invention you want to start a business with, the knowledge institution will usually license the patent to the spin-off. The spin-off receives a right of use to enter the market with the knowledge in exchange for, inter alia, a market-based fee (which may consist of royalties, shares or a combination thereof).

In addition to these financial agreements, other matters are agreed upon in the license agreement between the spin-off and the knowledge institution. This includes agreements concerning the scope of use of the patent, the degree of exclusivity and an anti-shelving stipulation. The latter means that if the spin-off does not develop the knowledge or develops it too slowly, the license can be withdrawn. The knowledge institution always reserves the right to use the patented knowledge for further research and education purposes.

› Frequently Asked Questions

Why do knowledge institutions stimulate entrepreneurship?

Entrepreneurship is not a goal in itself for knowledge institutions. It is a way to apply and further develop knowledge and research results in society. For example, by bringing knowledge and innovations to market via a product or service. Furthermore:

- › knowledge-intensive entrepreneurship contributes to (1) further development of your research results; and (2) a positive image of science and the knowledge institution
- › spin-offs are an alternative career perspective for PhDs and researchers;
- › spin-offs contribute to employment opportunities.

How does the knowledge institution prevent a conflict of interest?

At all times, researchers must be able to act in a critical and independent manner. For this reason, agreements are made at an early stage with the researcher and the faculty or division / department to avoid conflicts of interest. The knowledge institution follows the national guidelines for ancillary activities as formulated in the CAO-NU and CAO-UMC and the applicable regulations in the field of ancillary activities.

How does the knowledge institution spend the income from spin-offs?

The knowledge institution obtains income (whether or not through the Holding BVs) through the sale of shares and from licenses, which are distributed after deduction of certain costs, in accordance with the *Regeling Kennisexploitatie* of your institution (see box on page 9).

» Examples

Division of shares of the spin-off

Associate professor Albert has developed a new type of fertilizer. He shared the invention with IXA and after evaluation it was decided to file a patent application. Albert was keen to further develop the findings via a spin-off, but also wanted to remain a researcher. Albert found an entrepreneur who wanted to manage the spin-off. Albert agreed with his head of department that he will work in the spin-off for one day a week while retaining his salary. After two years, an evaluation and assessment will be made of how Albert will continue his career: depending on both his own development and that of the spin-off, Albert can decide to stop or increase his involvement with the spin-off. In consultation with IXA, it was agreed that Albert will receive 4.9% of the shares for the time being.

The patent, in combination with know-how, is licensed by the knowledge institution to the spin-off for a market-based fee and with clear commercial and technical development objectives.

Researcher becomes shareholder

Caroline, a professor, was approached by an experienced entrepreneur who wanted to start a biotech company using the technology created by her research group. The initial conversations went well. The entrepreneur will set up the business plan, appoint the management team, bring in seed capital and seek investors. The entrepreneur receives 60% of the shares, the holding 35%. Caroline will continue to work full-time for the university and opts for a 4.9% equity interest in the spin-off; the other researchers involved

decided not to take any shares, but choose to share in the proceeds generated by the commercial exploitation of the knowledge.

For the first three years Caroline will serve as Chief Scientific Officer of the spin-off. She is formally retaining her full-time position at the university and is seconded to the spin-off for one day a week. To prevent the apparent or actual conflict of interest, Caroline does not represent either the company or the university during formulation of mutual agreements.

The knowledge institution and the spin-off agree a fee for the exclusive use of the patent. On any new discoveries from Caroline's research group in the same field, the spin-off will receive a first option for negotiating a license for the first two years.



› Curious? Or do you have any further questions?

In addition to questions concerning the practical aspects of starting a spin-off company, you may also wonder 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 through your mind, make an appointment with one of our experts and discuss your questions. We will be happy to help you set up a successful business.



➤ Want to know more about starting a company?

Make an appointment with an IXA colleague:

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IXA office AMC

info@ixa.nl | 020 566 5056

