



University of Wolverhampton Intellectual Property/Spin- out Policies & Procedures

Approved and adopted by the Board of Governors - December 2005

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1.0 Intellectual Property Policy

Intellectual Property (IP) is the output or result of intellectual activity, endeavour or creativity. Intellectual property rights (IPR) are the rights granted under the law to the owner of IP, although the terms IP and IPR are often used interchangeably. It is University of Wolverhampton's policy to encourage and facilitate the successful exploitation of IP in order to maximise benefit for the institution and its Schools, its staff, its students and society in general. The creativity and innovation of staff and students are crucial to the development of the University's intellectual property portfolio, and the University wishes to encourage such qualities by using appropriate mechanisms that recognise and reward the contribution of individuals and their Schools and Support Services.

The University will include IP and related issues in its staff development activities. It will seek to raise awareness among staff and students of the opportunities presented by the development of IP and provide information and assistance for the purposes of capturing and exploiting those opportunities. The University has developed structures and procedures to evaluate opportunities and exploit them in the most appropriate manner. The increase of knowledge and capability within the institution will be key to the successful implementation of this policy.

University of Wolverhampton is the first owner of IP created by employees in the course of their normal duties or as the result of a task specifically assigned by the University [Patents Act 1977, Copyright Designs and Patents Act 1988] or at any other time when using University facilities. This is set out in more detail in staff terms and conditions of employment that include the obligation to disclose to the University certain types of IP arising from their work. The University has developed appropriate support services and procedures to facilitate the recognition, protection and exploitation of IP. The University expects that any exploitation of such IP will be in collaboration with the employee(s) and that any benefits will be shared in accordance with the University's Scheme in force at the time. It has put in place mechanisms for individual recognition and reward to underpin this policy.

The University recognises that it cannot automatically assume ownership of IP created by students in the course of their studies or research. However, any student may be required to sign an agreement assigning first ownership of such rights to the University as a condition of participation in a specific project. The University as first owner reserves the right to exploit such IP. In such cases the University will normally collaborate with the student originator(s) and share benefits deriving from any exploitation as if the student(s) were employees. Any student asked to assign IPR to the University will be advised that they are responsible for seeking their own independent legal advice, as appropriate, and that they can approach the Student Union student advice centre for information on how to proceed.

Where there has been any input by University staff, or use of University resources, in the creation of IP by students, the University may claim a fair and reasonable interest in the intellectual property and any revenue arising from any exploitation.

IP issues will be considered as an essential part of planning for any externally funded activity. University of Wolverhampton will generally seek to retain rights to IP arising from its research, development and other work. However, it recognises that where a collaborator pays a commercial rate covering at least the full cost of a project this may not be appropriate. The University will seek to derive a benefit from collaborative projects commensurate with its contribution to a project, and will normally recognise contributing members of staff and students in the distribution of any revenue or other benefit.

2.0 Intellectual Property Management Procedures

The University recognises Intellectual Property (IP) exploitation is of benefit to both the University and the Regional Community, and that it's exploitation will also contribute to the outputs of the University-based Corridor and Cluster projects. Intellectual Property capture, assessment, protection and exploitation, including spin-out and start-up companies, was highlighted as a key future focus for the University in the **External Funding/Third Stream Framework Strategy** document.

1) Types of Intellectual Property

Relevant IP generated at the University is defined fully in Appendix 1, and includes copyright material, inventions, novel ideas, innovations, designs and trademarks, all of which may be protected by law. The University and its staff and students may also possess confidential information, trade secrets, know-how and understanding which are equally vital for the success of any commercial exploitation. Throughout this document:-

- **create** means the generation, creation, development, discovery, invention, authorship, derivation, or other production of the IP in question, and
- **originator** means any individual who contributes significantly to the generation, creation, development, discovery, invention, authorship, derivation or other production of the IP in question.

2) IP Exploitation

a) Underlying Principles of Exploitation

The University recognises that staff and students have specialist knowledge, while the University is capable of providing expertise in the legal, commercial and other areas required for the exploitation of intellectual property. The University, its Research Institutes, and its Schools also provides the infrastructure, environment and other support to encourage and enable ideas to be developed to a point where they may be commercially exploited. The University seeks to build on this complementary relationship and to take a collaborative approach to exploitation.

b) Mode of Exploiting IP within the University

A small team, the IP Office, established within the University's Department of Business Development and Enterprise (BDE), will identify, assess, protect and exploit all IP created within the University. This team will be headed by the IP Manager who will coordinate the IP management activities across the whole University, interacting with the relevant School Business Development Managers based in BDE, and other relevant University staff. The IP Office will make a preliminary techno-economic assessment of any IP created within the University. The IP Manager and the market research roles within the IP Office will initially be supported by Mercia Spinner funding (*the timescale of this support will be extended using HEIF2 funding to July 2006*).

The IP Office will identify and maintain two key resources:-

- a. Sources of currently available awards and grants, including Mercia Spinner, other seed corn funds, DTI grants, Business Link grants, business angel groupings, and Venture Capital funds.
- b. A Mentors Group of key personnel from local industries who are prepared to freely give advice based on their experience.

The IP Office will use these resources when it assesses potential commercial opportunities and how best to protect and exploit the IP in terms of licensing, joint

ventures, spin-out and start up companies. An Exploitation Fund will also be established (see section 10, Note 7).

The New Ventures Group, a grouping from Executive, the Board of Governors and other relevant University staff, will have the role of making the final decisions on the commercialisation of University IP (see also section 2 of the **University of Wolverhampton Spin-Out Companies - a Procedural Framework**).

Although the IP Office will be line managed within BDE, it will report into the New Ventures Group/Executive, as the final decisions on IP will have to be taken by the New Ventures Group/Executive.

c) Management of the IP portfolio

The responsibility for recording, monitoring and maintaining the University IP Portfolio will rest with the IP Manager. This will entail renewal of patents, auditing of licensees and, in conjunction with Finance Department, the monitoring of income and income distribution. The IP Manager and Finance Department will also be responsible for monitoring the development of any companies in which the University has equity (*Proposed that the Finance Project Group should be the appropriate body in the Finance Department*).

The New Ventures Group will periodically review the IP capture, assessment and exploitation process to ensure that best practice, appropriate to the University of Wolverhampton, is utilised within the procedures undertaken by the IP Office.

3) Ownership

University of Wolverhampton is the first owner of all Relevant IP (see Appendix 1) created by employees in the course of their normal duties or in the course of duties falling outside the employee's normal duties but specifically assigned to the employee by the University [Patents Act 1977, Copyright Designs and Patents Act 1988] or at any other time when using University facilities. This is set out in more detail in staff terms and conditions of employment. Where an employee's normal duties or specifically assigned task involves work completed under contract with a third party, first ownership of IP arising there from must be the subject of an approved agreement between the parties, prior to such work commencing (Note: The terms of the approved contract agreement may result in a different benefit accruing to the originator(s) than would be the case if the work was created as part of their normal working activities).

IP created from work carried out by an employee under an outside consultancy (for which specific permission has been given by their Dean of School, Head of Department or an Executive member, as appropriate) are subject to the terms of the consultancy agreement, but will be deemed to be included in the definition of Relevant IP where such IP derives in whole or part from work carried out by an employee in the course of their University duties or when using University facilities.

The University reserves the right to exploit the IP it owns, and any benefits of University exploitation will be shared in accordance with the University's agreed framework (see sections 10 and 12 below).

The University recognises that it cannot automatically assume ownership of IP generated by students in the course of their studies. However, as stated in both the undergraduate and postgraduate prospectuses and set out in more detail in the **University of Wolverhampton Intellectual Property Policy & Procedures for Students**, students may be required to sign an agreement assigning first ownership of such rights to the University as a condition of participation on a specific project. This is most likely to

arise where an external funder sponsors the research, or where the project is part of an ongoing research effort where the University considers there is a need to protect the integrity of IP ownership. Any student asked to assign IP and/or Intellectual Property Rights (IPR) to the University will be advised that they are responsible for seeking their own independent legal advice, as appropriate, and that they can approach the Student Union student advice centre for information on how to proceed.

For research students in particular, it is often necessary for the University to ensure that IP and IPR vest with the University before the student embarks on any research.

The University reserves the right to exploit such student IP, and in such cases the University will normally collaborate with the student originator(s) and share benefits deriving from any exploitation as if such student(s) were employees.

Where there has been input by University staff, or use of University resources, to assist the student in the exploitation of IP that they have generated, the University may claim a fair and reasonable interest in both the IP, and in any revenue arising from any exploitation.

In considering routes to exploitation of IP, the University will take into account commitments to assign, share or license IP to third parties outside the organisation. This is particularly relevant when contracts for a research or consultancy project contain considerations of this sort. It is important, therefore, that the IP Manager is consulted at the earliest possible stage of any project regarding the IP implications of any contract. IP issues will be considered as an essential part of planning for any externally funded activity.

4) Confidential Information belonging to Third Parties

Where staff and/or students have access to confidential information belonging to the sponsor of a research project, the head of the project, supervisor or principal investigator shall ensure that all staff or students engaged on the project are provided with an unpriced copy of the contract and will be requested to sign confidentiality agreements where the relevant contract so requires. Staff and students shall familiarise themselves with the terms of such agreements and adhere strictly to them. In particular, the head of the project, supervisor or principal investigator shall be responsible for ensuring that the handling and storing of confidential information is in accordance with the terms of the contract. Staff and students shall not disclose to any third party any confidential information, for example through giving a lecture/seminar/presentation/poster, or publishing a paper/abstract/thesis, or holding discussions with other external parties, or supplying samples/materials, unless authorised in writing.

5) Confidentiality

Confidentiality of information is part of the terms & conditions of employment for staff, and undergraduate and postgraduate students, in particular research students, may be required to complete a confidentiality and IP assignment prior to commencing work on a specific project.

Staff and students are reminded that it may prove impossible to secure full protection for the IP in an innovation if it has been disclosed inappropriately. Therefore it is in all parties' interests that confidentiality is maintained, particularly in terms of disclosures through giving a lecture/seminar/presentation/poster, or publishing a paper/abstract/thesis, or holding discussions with external parties, or supplying samples/materials, unless covered by an appropriate confidentiality agreement. All staff

and students are expected, and required, to maintain confidentiality in respect of any project(s) with which they are associated.

6) **Evaluation and Development of Novel Ideas, Novel Designs or Inventions**

The identification, assessment and commercialisation of University IP will follow the project management stage gate “IP Review & Exploitation” Process shown in Appendix 2. At each stage in the process, the technical and commercial potential of each idea will be evaluated to a greater depth – ideas that pass the current gate criteria will pass onto the next stage of the process. Any ideas that do not pass a particular gate criteria will not be pursued further, but will remain part of the University’s IP Portfolio and may be re-assessed again in the future. Ideas with a fully developed commercial case will be considered in terms of the appropriate exploitation route, i.e. licensing, joint venture, spin-out or start up company. A decision to protect IP will be undertaken at the appropriate time in the development of the idea.

Any member of staff or student is encouraged to share and discuss novel ideas, novel designs or inventions (the IP), and to assess their possible commercialisation with the IP Manager. These discussions will be in confidence and without commitment. Before the University can consider any further significant investment, an **Idea Submission Form** (see Appendix 3) must be completed and submitted to the IP Office, signed by all the originators of the IP. This form must identify all the details of ownership of and contribution, or expected contribution, to the development of the IP, whether from members of staff, students or outside funders of projects. All of the IP submitted in this way will be recorded on a database, and become part of the University’s IP Portfolio. All Idea Submission Forms will be initially considered to decide whether the idea is an opportunity that is worth pursuing at the present time.

The Ideas Review Group (IRG) – see next section, will consider opportunities that are considered to be worth pursuing.

7) **Ideas Review Group (IRG)**

The New Ventures Group has the role of making the final decisions on the commercialisation of University IP (see also section 2b above, and section 2 of the **University of Wolverhampton Spin-Out Companies - a Procedural Framework**). A small sub-group of the New Ventures Group, the Ideas Review Group (IRG), will meet regularly to evaluate opportunities in terms of IP protection and exploitation route, and to decide on an appropriate course of action, with input from the IP Office (see section 2b and Appendix 2). The IRG will normally comprise:

- The IP Manager (Chair)
- Head of BDE Department
- 2 representatives of the Professoriate
- A representative nominated by the Deans of Schools
- A representative nominated by the Directors of the Research Institutes
- A representative nominated by the Senior Managers
- A representative from Finance Department

The secretariat for the IRG will reside with the IP Office, and initial research into the viability of an idea will be conducted by the IP Office in collaboration with the originator(s) of the IP and presented at the meetings of the IRG. The IRG may need to meet at short notice, depending on the opportunities that arise. Once there is a final recommendation from the IRG in terms of exploitation route for an opportunity, this will

be referred for approval to the New Ventures Group. The IP Manager in collaboration with the originator(s) of the IP will implement the decisions of the New Ventures Group. If circumstances are such that a significant deviation from the original plan becomes appropriate, or significant further expenditure is required, the changes shall be referred to the IRG for further evaluation.

Where external funding is available to further assess IP (eg market research, prototyping) and/or protect IP, or where it has been agreed that costs can be met from School, Research Institute or Departmental budgets, the IRG can approve the further assessment and/or protection of the IP. However, when University funds are required to further assess and/or protect the IP, the New Ventures Group must endorse the decision

The originator(s) of the IP cannot be members of the IRG that evaluates their proposal, although they may be in attendance if they wish and/or if the IRG considers that they require further information on which to make a decision.

If the originator(s) believe that there was a procedural error in the IRG reaching its decision, an appeal may be made. Any appeals will be referred to the Pro-Vice Chancellor-Research and External Development for examination. Appeals must be made with reasons set out in writing within 30 days of being informed of the IRG decision.

8) Decision not to exploit

In cases where, after full disclosure of all relevant information, the University decides not to immediately initiate the exploitation of an idea, the University will normally waive any interest in the idea or invention. However, the University reserves the right to take other action or delay exploitation where it is in its interests to do so. Following a decision not to exploit, individuals may then seek consent from the University to exploit the IP themselves, at their own expense, consistent with their terms and conditions of employment. Such consent may not be unreasonably withheld. The same procedure, as outlined in section 7 above, should also be used for an appeal against a decision not to grant such consent.

9) Licensing

In many cases, licensing will be the most appropriate route for exploitation of IPR created within, and owned by, the University. Best value can often be obtained by licensing IP to companies better able to exploit it than the University. As well as generating an income, often over a period of time, the licensing agreements will be linked to further development contracts wherever possible. Where licensing has been recommended by the IRG and approved by the New Ventures Group as the preferred exploitation route, the IP Manager will normally negotiate and draft the agreement, in consultation with the originator(s) of the IP and Finance Department, as appropriate. The agreement will be presented to the University Executive (Office of the Vice-Chancellor) for approval.

10) Revenue sharing from exploitation (other than from spin-out companies or consultancy)

In all cases where a surplus is made (other than from spin-out companies or consultancy), either as a lump sum or as a series of payments, the University will share the benefits with the originator(s) of the IP. This will include, for example, income from licensing agreements, assignment or sale of IPR and royalty streams. The first tranche of any income each year will be used by the University to recover the costs of exploitation (such as patent fees, legal fees, administration costs, development work, audit of licensees) and will be credited to the IP/Exploitation fund.

Any surplus beyond that will normally be shared according to the following formula:

Originator(s)	40%
School(s) or Research Institute(s) or Support Service Department(s) in which the IP was created	20%
University Central Funds and IP-Exploitation fund	40%

Notes

1. Apportionment amongst originators - Where more than one originator of the IP is involved, initial responsibility for agreeing the division amongst the originators lies with those individuals. In the case of income from exploitation of patents, individuals need not be named inventors to receive a share of income.
2. Leaving employment of University - Cessation of employment, under normal circumstances, will not affect an originator's right to receive a share of income.
3. Death - In the case of the death of an originator due a share of income, that share of any income will be payable to the estate of the deceased.
4. Variation - If an originator, School, Research Institute or Department wishes to request an alteration to the normal apportionment, the request is to be put in writing to the Pro-Vice Chancellor-Research and External Development, who will refer it, where appropriate, to the New Ventures Group before making a decision.
5. Rewards for Other Contributors - The University reserves the right, where appropriate, to reward others (members of staff, or students), besides the originator(s), when it is recognised that they have contributed significantly to the development of the exploitation of the opportunity. Such reward shall be taken from the School, Research Institute, Department or University share, as determined by the New Ventures Group.
6. Income Tax & National Insurance - The originator(s) will be responsible for any income tax and national insurance appertaining to their share, to the extent it has not been deducted at source.
7. IP-Exploitation fund – In order to pump prime the IP/Exploitation fund to facilitate the identification, assessment, protection and exploitation/commercialisation of University IP, 75% of any revenue share accruing from the above formula to the “University Central Funds and IP-Exploitation fund” shall be allocated to the IP-Exploitation fund.

11) Company Formation

Exceptionally, IP arising from University activity will be suitable for the creation of a company specifically to exploit that IP. When company formation is recommended by the IRG, and approved by the New Ventures Group, the IP Office will, in consultation with the inventors, draw up a business plan (calling upon expertise both within and outside the University) and seek to arrange finance for the venture. This process may involve further consultation with experts inside and outside the University. The University may then arrange for the incorporation of a company. The University executive, before implementation, must approve the plans. It will usually be appropriate for the originator(s) to be involved in the newly formed company. The process of company formation is set out in two separate University of Wolverhampton documents – **Spin-Out Companies – A Policy Statement**, and **Spin-Out Companies – A Procedural Framework**.

12) Participation in Company

In cases where the New Ventures Group recommends the formation of a company to exploit the IP, the originator(s) of the IP will benefit on terms as defined in the University of Wolverhampton **Spin-Out Companies – A Procedural Framework** document.

Members of staff who are to participate (whether as a director or member) in a company formed for this purpose are responsible for taking all necessary professional advice (whether legal, accounting, insurance or otherwise) as may be appropriate in the circumstances. Initial advice can be sought from the University via the BDE Department and the University Secretary, who will provide contact details for professional advice in legal, accounting, insurance or other areas. The University will be in no way be liable for the actions of the companies once incorporated.

13) Company Formation – Students

On occasion, a company opportunity may arise that differs from the above model, usually because the founders are registered or graduating students. As set out in the **University of Wolverhampton Intellectual Property Policy & Procedures for Students**, if the founders wish to receive any advice, support or investment from the University, then the commercial opportunity must be considered by the IRG in exactly the same way as any other opportunity would be assessed. The level of involvement that the University should have will be recommended by the IRG.

Appendix 1 – Definitions of Relevant & Excluded Intellectual Property

Relevant Intellectual Property is considered to be any work or part of a work generated, created, developed or discovered that substantially includes the generation, creation, development or discovery of any of the IP listed in the following table:-

<u>Relevant Intellectual Property</u>	
Inventions	Design rights
Patents & potentially patentable innovations	Registered & non-registered trademarks
Discoveries	Brands
Formulations & methods of formulation of materials and compounds	Commercial graphics, including logos & fonts
Copyright in software programs	Methods of doing business
Databases	Internet Domain Registrations
Software algorithms	Company names
Electronic publications	Know-how of a commercially valuable nature

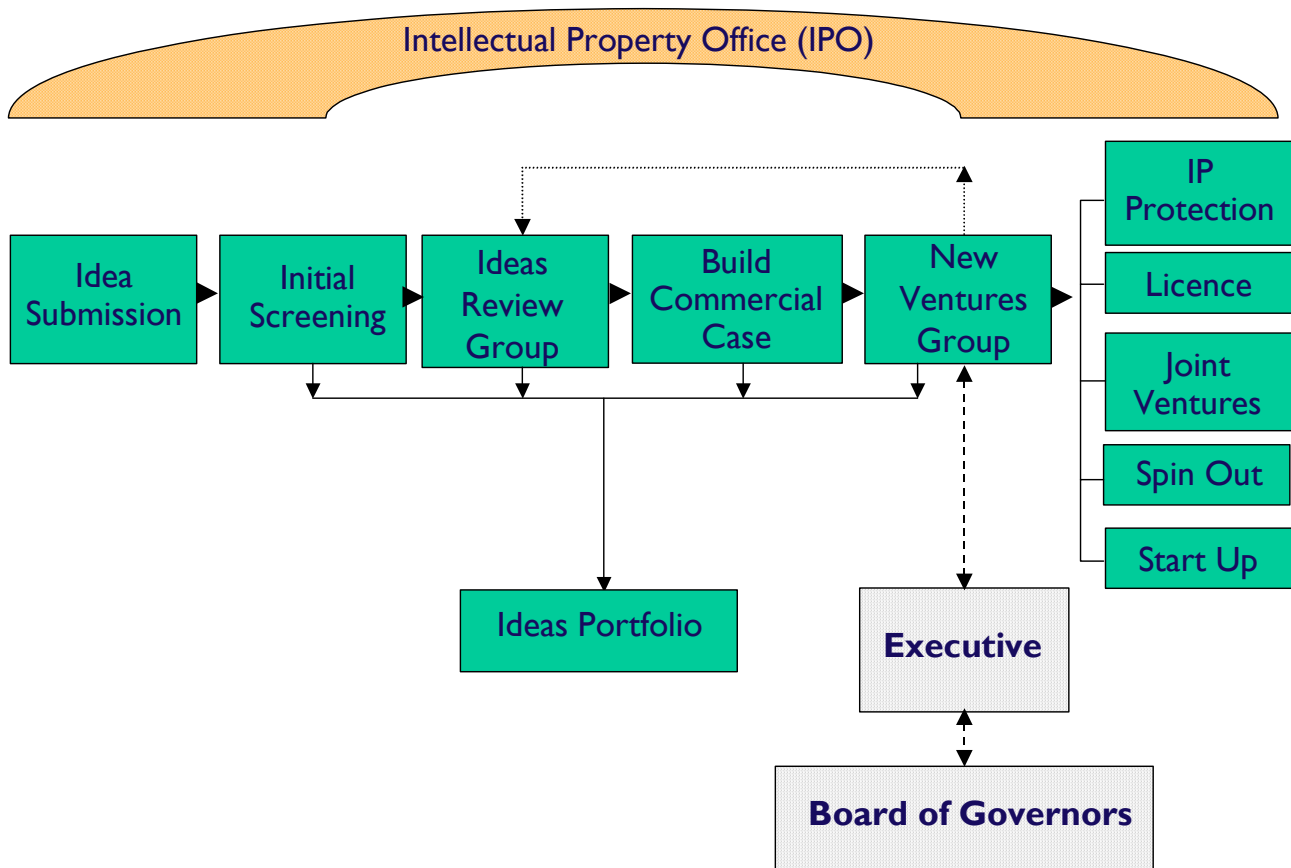
Relevant Intellectual Property is also considered to be any work or part of a work generated, created, developed or discovered that combines other knowledge in a novel and useful way.

Any generation, creation, development or discovery that is not included in the definition of Relevant Intellectual Property is **Excluded Intellectual Property**. A guide to works that would normally be considered Excluded Intellectual Property, unless also included in the definition of Relevant Intellectual Property above, is given in the table below:-

<u>Excluded Intellectual Property</u>	
Paper-based teaching materials	Paintings
Non-electronic publications	Sculptures
Books & Novels	Other works of a primarily artistic nature
Poems	

If there is any doubt as to whether a particular work or part-work is included in either definition, then it shall be considered to be Relevant Intellectual Property.

Appendix 2 - IP Review & Exploitation Process



Appendix 3 – Ideas Submission Form (ISF)

IPO Ref:
(IP Office use only)

DO NOT SUBMIT THIS FORM VIA E-MAIL. The Idea Submission Form should be completed electronically, saved to disc, and posted (please refer to section 10).

The purpose of this form is to notify the University IP (Intellectual Property) Office of your novel idea, novel design or invention (known as the Intellectual Property or 'IP') for a potential product, process, service or business. The form also serves to establish a formal record of the date of the IP and its submission to the IP Office (disclosure), and to notify of any relevant sponsorship and publication history.

Please complete as many details as possible. **Guidance notes are available for sections 2 – 8 (see page 3 of this document).** If you need any additional help in completing this form contact the IP Manager on 01902 82 4004.

Section 1 Personal Details

Name:					
School/Department:					
Contact Address:					
Tel:		Fax:		E-mail:	

Section 2 Title and Description of the Novel Idea, Novel Design or Invention (the 'IP')

Title:				
Description:				

Section 3 Idea Originator(s)

State who else has been involved in devising the IP:

	Name, Department & Contact Details	Employer
University Employees		
University Students		
Non-University		

Section 4 Prior Funding

Was the IP developed using any research grants/contract funds? Yes No

If yes, please provide sponsorship information in the table below:

Contract/ Grant No.	Sponsor(s)	Project Title	Principle Investigator	Date Grant Started

Section 5 Prior Disclosure

Has the IP been previously, or planned to be, disclosed to the public in any way? Yes No

If yes, please complete the following list:

Type of Disclosure	Prior Disclosure		Proposed Disclosure			
	Date Disclosed	Covered by Confidentiality Agreement?		Planned Date	Covered by Confidentiality Agreement?	
		Yes	No		Yes	No
Journal or Conference Paper		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Lecture, Seminar, Presentation		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

The information contained in this document is strictly confidential to the University of Wolverhampton

Thesis		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Sample/Material Supply		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Discussions with others outside of the University		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Other, e.g. abstract, article, poster etc.		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Section 6 Development Status

Concept Proven Concept Working Prototype

Section 7 Commercial Application

List all industries and, if possible, all companies which might be interested in developing or applying the novel idea, novel design or invention. Please indicate which companies have already been approached, if applicable.

Industry Name	Company Name	Name and Address of Company Contact

Section 8 Signatures

We, the undersigned, confirm that the information given in this Idea Submission Form is, to the best of our knowledge, full and accurate.

Signature	Name	Date

Section 9 Next Steps

You will normally be contacted within 14 days following the submission of this form in order to discuss the novel idea, novel design or invention, and, where appropriate, to arrange a meeting to discuss how to develop, protect or exploit the IP. In receiving a submission, and in meeting to discuss the IP, there is no implied understanding that the University will always provide the support and resources to develop, protect or exploit it.

Section 10 Submission

Please enter the date when the form was completed:

In order to protect the information provided, this form should be posted to the address below and NOT sent via e-mail. Please complete the form electronically, save to a disc, and post to the IP Manager. Confidentiality and security of the IP submission is important so as not to affect the possibility of obtaining IP protection, in particular patent rights.

IP Manager
Department of Business Development & Enterprise,
University of Wolverhampton
Wolverhampton Science Park
Glaisher Drive
Wolverhampton
WV10 9RU

Printed hard copies will also be accepted, however soft copies are preferred. If submitting a hard copy, please complete the form electronically **before** printing.

The IP Office will treat the information provided within this form as strictly confidential.

Be careful to avoid any non-confidential disclosure of your novel idea, novel design or invention to other people or organisations. Such disclosures can damage or destroy the possibility of obtaining patent rights. The IP Office can advise on this.

Help Notes

Section 2– Title and Description of the Novel Idea, Novel Design or Invention (the ‘IP’)

Title: Provide a short title for your novel idea, novel design or invention.

Description: Please do not attach any appendices, simply summarise the concept in approximately 100 words or less, it may help to answer the following questions:

- What is the problem that your novel idea, novel design or invention is intended to solve?
- What are the most effective ways in which this problem has been addressed in the past?
- Why are improvements necessary or desirable?
- What is unique about your novel idea, novel design or invention?

Section 3 – Idea Originator(s)

In terms of the IP, it is the actual devisor(s) of the novel idea, novel design or invention who is the originator/inventor(s); any person who merely contributes routine technical advice or other assistance in the making of a novel idea, novel design or invention is not an originator/inventor regardless of how valuable the advice or assistance is.

Unless the University of Wolverhampton is informed otherwise by those involved, it will be assumed that all named originators/inventors will have equal ownership of the novel idea, novel design or invention, and of any benefits ensuing from its commercial exploitation.

Section 4 – Prior Funding

Give the applicable contract or grant number(s), project title(s) and the principal investigator on the project(s) if the novel idea, novel design or invention was made in connection with any sponsored research.

Accurate and complete information is required regarding prior or current funding to ensure that the University fulfils its obligations under research grants and contracts.

Section 5 – Prior Disclosure

Valid patent protection depends upon the IP not having been previously disclosed to the public in any way. It is therefore important that the University is informed of any prior disclosure as this may affect the strength of any patent application. For a registered design, the registration must be made within 12 months of the first public disclosure.

It is essential that if you have produced anything about the novel idea, novel design or invention (including associated research) which has been publicised in any way to a third party you report it here, along with details of any planned disclosures including the expected date of disclosure and whether it has been covered by a Confidentiality Agreement.

Section 6 – Development Status

A **concept** represents the initial stage of the novel idea, novel design or invention, but with no supporting data. A **proven concept** has sufficient experimental data to show that the novel idea, novel design or invention is valid, whilst a **working prototype**, as the name suggests provides a fully functional, practical example of it in terms of the proposed product, process, service or business.

Section 7 – Commercial Application

A list of companies that may be interested in the IP will assist the IP Office in identifying potential licensees or joint venture partners for the novel idea, novel design or invention. If known, please include names and addresses of specific contacts.

Section 8 – Signatures

Having completed the form electronically and submitted it to the IP Manager, a paper copy of the Idea Submission Form will be signed once a version has been finalised, following any necessary discussions.

3.0 Spin-Out Companies – A Policy Statement

Transferring knowledge in the form of new products and services from the University to industry and commerce is an integral part of the University's mission. In this activity it is fully in accordance with Government policies and HEFCE support for, and funding of, third stream activity.

One major knowledge transfer route is via the creation of new companies based on the expertise, intellectual property and know-how within the University and its staff. These new "spin-out" companies are one important route to knowledge transfer. Others such as licensing of intellectual property rights (IPR) to existing companies and student start-up companies are considered elsewhere (**University of Wolverhampton Intellectual Property Management Procedures**, and **University of Wolverhampton Intellectual Property Policy & Procedures for Students**).

The University owns the intellectual property (IP) generated by its employees during the course of their normal duties. This applies to teaching, research, management and administrative staff. The University has set out a policy, and associated procedures, in two separate documents – **University of Wolverhampton Intellectual Property Policy**, and **University of Wolverhampton Intellectual Property Management Procedures** - to encourage its staff to bring forward innovations, assess the commercial opportunities for those innovations and decide the most appropriate methods for taking that commercialisation forward. A major route to commercialisation may be the formation of spin-out companies.

Spin-Out Companies

The University will:

- Encourage staff of the University to bring forward ideas and inventions such that IP and knowledge capable of commercial exploitation within the University can be logged.
- Assess (or cause to be assessed) the commercial opportunities provided by the IP and the appropriate form and level of IPR protection to be sought.
- Use a wholly-owned subsidiary company, University of Wolverhampton Ventures Ltd, to hold the shareholdings in spin-out companies that might derive from these University IP/IPR assets.
- Operate this policy through the New Ventures Group, chaired by a member of University Executive, with representatives of University Staff and of the Board of Governors as members. This Group will implement this policy (and associated IP policies) and oversee the implementation of the procedures (see also **University of Wolverhampton Intellectual Property Management Procedures** and section 2 of the **University of Wolverhampton Spin-Out Companies - A Procedural Framework**). The Group may operate through sub-groups as required. The New Ventures Group will decide:
 - Whether identified IP should be protected
 - How IP should be protected, by which methods and/with any partner organisations if relevant.
 - Whether IP/IPR should be commercialised
 - How that IP/IPR should be commercialised; in the most tax-efficient way
 - How the benefits of commercialisation should be shared; in the most tax-efficient way
 - When and how any assets (e.g. company shareholdings) should be disposed of and at what price.

The New Ventures Group will oversee the operation of the Spin-Out Company Policy, as well as the overall IP Policy. It will review activities, receive plans and reports and will in turn report to Governors and elsewhere within the organisation. The New Ventures Group will ensure: objectivity, transparency and equity in the operation of the University's Spin-out Company Policy

In assigning the benefits of the commercialisation of spin-out companies operations the New Venture Group will recognise the past, current and future contribution of the staff or staff groups who have initiated the IP/IPR, the School, Research Institute or Department that has fostered the IP/IPR and the University itself.

In managing the Spin-Out Company Policy the University's prime concern will be to build an investment fund to support further generations of spin-out company activity. In so doing spin-out companies should form a growing element of the University's third stream activities.

For details of the procedures involved in forming spin-out companies from the University of Wolverhampton see the associated document **University of Wolverhampton – Spin-Out Companies – A Procedural Framework**.

4.0 Spin-Out Companies – A Procedural Framework

1. Introduction

The transfer of technology/knowledge to industry in the form of new products and services, even the creation of new companies and jobs, is implicit in the University's Innovation and Entrepreneurship Mission.

This document sets out the procedures *that have been adopted* by the University in relation to the creation of new companies ("spin-outs" or "spin-out companies") based on University technology, or utilising the expertise and background intellectual property and know-how of the University and its staff.

Students, not being employees, are a special case. Their rights and obligations in relation to the ownership and exploitation of their Intellectual Property (IP)/ knowledge are addressed separately (see **University of Wolverhampton Intellectual Property Policy & Procedures for Students**).

2. Background and environment

By law (e.g. the Patents Act (1977) and the Copyright, Designs and Patents Act 1988) the University owns the IP generated by its employees, provided that these are developed in the course of their normal duties. This applies to teaching, research and administrative staff.

The University *has* developed a policy to reward and encourage inventors to bring forward new inventions and developments for commercialisation via licensing agreements, Intellectual Property Rights (IPR) Ownership and by Commercial Exploitation, and to share with them, and the Schools, Research Institutes and Departments, the proceeds of exploitation.

The commercial development of University inventions can take alternate forms such as licensing to established companies, or the creation of a new company specifically to develop a particular technology. Licensing to an existing company can be a rapid, relatively low risk route, involving low levels of University input and with a relatively low level of financial return. If the technology itself fails, there *is* no return to the University, even if the licensee company is successful in its own right. The creation of a spin-out company dedicated to the development of particular technologies or using University knowledge is an attractive option, and, if the company is successful, the financial rewards from the sale of shares can be correspondingly higher. In addition, if the particular technology on which the company was originally based fails, but other technologies are successful, a significant return from the sale of shares can still be realised. The spin-out route, however, carries a higher risk - new companies are more likely to fail.

The University is an exempt charity and is unable itself to trade, without prejudicing its privileged tax status. In the field of technology transfer in terms of spin-out or joint venture companies, the University's 100% owned vehicle for commercialisation of its inventions and knowledge is *University of Wolverhampton Ventures Ltd*.

The policy adopted by the University *seeks* to encourage staff, whose inventions and know-how may be the basis for or contribute to a new business venture, to work with *the University* to develop successful and valuable spin-out companies, and to share in the value created. Additionally, the policy encourages external individuals and organisations to capitalise on the knowledge based expertise of the University to jointly form new companies.

Because of the University's status as a charity, it is of paramount importance that such ventures are

set up and monitored in a wholly professional and totally transparent fashion to avoid any risk to the University's status and reputation. A “New Ventures Group” of the University consisting of the Pro-Vice Chancellor-Research and External Development, Director of Finance, Dean of Research, representatives from the Department of Business Development and Enterprise (including the IP Manager), University Governors and other external expertise where relevant has been constituted to provide a well-defined focus for the activity. The New Ventures Group’s policy is to balance the opportunities with the obligations to protect the University's position, and to commercialise these opportunities in the most tax efficient way. The IP Manager, the Department of Business Development and Enterprise, will be nominated as the first point of contact for any entrepreneurs contemplating forming a company based on University knowledge. A small sub-group of the New Ventures Group –the Ideas Review Group (IRG) – will meet regularly to evaluate each opportunity that is considered to be worth pursuing and to decide on an appropriate course of action (see also **University of Wolverhampton Intellectual Property Management Procedures**). The IP Manager, as chairman of the IRG, will be responsible for bringing forward IP/IPR identified by the IRG as having commercial potential to the New Ventures Group.

The new company route may be appropriate in the following circumstances:

- No company is ready or able to take on the project on a licensing basis.
- The invention consists of a portfolio of products or is an 'enabling technology' capable of application in a number of fields.
- The inventors, internal or external have a strong preference for forming a company and are prepared to invest their time, effort and perhaps money in the start-up.
- There is strong customer pressure from industry to set up a company to maintain and further develop leading edge products or services. For example, potential customers may wish to see professional and full time maintenance and support for the products or services and would only be satisfied with this if set up in a commercial setting or new company dedicated to produce, sell and support the products or services. This type of driver is often attractive to venture capitalists.
- It is decided to aim for the potentially higher returns from the creation and growth of a new company compared with a licensing strategy.

3. Policy and procedures

3.1 Entrepreneurial Policy

- 3.1.1 The University *is committed* to the generation of new spin-out companies, to generate new jobs and wealth, to develop its technology/knowledge and to share in the wealth created.
- 3.1.2 The University *actively* fosters a spirit of entrepreneurship among its academic staff, and *will* assist, nurture and support new emerging spin-outs during their early, formative stages. The University recognises that a delicate balance needs to be struck between its efforts on the one hand to incubate, support and monitor new ventures, and on the other to protect its position and reputation.

3.2 The First Contact

- 3.2.1 It is anticipated that the majority of new companies will arise from intellectual property including patents, software and also know-how. The identification of such intellectual property *is* termed the Disclosure Stage.

The 100% ownership of University of Wolverhampton Ventures Ltd by the University means that there is no barrier to the transfer of assets from one to the other, and that University of Wolverhampton Ventures Ltd and the University can act in concert in the most

commercially appropriate (and tax efficient) manner to optimise the development of the University's technology/knowledge for wealth creation and public benefit.

- 3.2.2 If any member of academic staff is contemplating participating in the creation of a new spin-out company, involving University based knowledge; he/she should contact the IP Manager, Department of Business Development and Enterprise. The IP Manager will liaise with the appropriate Schools, Departments and staff to understand the grants and contracts environment of the technology or knowledge to be utilised by any proposed new company.
- 3.2.3 The initial evaluation of the technology/ knowledge base of the company, the IPR position, and the feasibility and strength of the business case will be carried out by the IP Office, in conjunction with the Ideas Review Group (IRG), a sub group of the New Ventures Group (see **University of Wolverhampton Intellectual Property Management Procedures**). The New Ventures Group would establish the prime movers involved, the financial and other investment required, make an initial assessment of the business case and be the channel for the formal introduction to the University (Board of University of Wolverhampton Ventures Ltd) of new venture proposals.
- 3.2.4 The University recognises that each new venture will be different, and each will be examined on its merits.
- 3.2.5 The New Ventures Group or the IRG, a sub group of the New Ventures Group, will determine the most appropriate route for the development of a spin-out company whether via Mercia Spinner, Corridor Initiatives or other routes

3.3 Resources

Where appropriate, as determined by the New Ventures Group, the University will make available internal resources to facilitate the development of spin-out companies.

The University will establish additional support/resources from Accountants, Lawyers and sources of Venture Capital especially those involved in seed corn capital. Representatives from organisations that can provide the support will be invited to sit on the New Ventures Group and/or the Board of University of Wolverhampton Ventures Ltd.

Additional Support is available from external organisations, both regional and national.

The Department of Business Development and Enterprise is responsible for monitoring, developing and making available the appropriate support to University spin-out companies.

3.4 Final decisions

The mechanics of setting up new companies *will* be carried out in the University, on behalf of the interested parties. However, any new company *will* only be endowed with University technology/knowledge or University know-how at the University's sole discretion. Because of the risk of commercial failure, and of damage to the University's reputation, the University must have the final say as to whether a venture goes forward under its auspices. Many factors, outlined in this paper, will bear on this decision (see also section 3.7 Resolution of Conflicts).

On the basis of representations by The New Ventures Group, University of Wolverhampton Ventures Ltd and the academic founders/participants, the Board of Governors of the University will take the final decisions regarding spin-outs in the event of a dispute or

disagreement. There are two major reasons for this requirement:

- The University is the first owner of the IP.
- In view of the potential ultimate size of the value created (potentially £ millions for a successful company) such decisions *need to* be subject to the University's financial regulations and taken by the highest authority within the University.

3.5 Shareholders

A number of *partners* are likely to be involved in the new companies:

3.5.1 The founding inventors and managers

Persons involved will be those University academic staff (and on occasion, third parties), without whose intellectual contribution the company could not be created. Their shareholding will be in recognition of their **historic and potential future** contribution to the company.

3.5.2 The University/ University of Wolverhampton Ventures Ltd

Depending on the assessment of current tax legislation (corporation tax, income tax, National Insurance, VAT, and the effect on charitable status of the University), the University may assign its IP/IPR/knowledge to University of Wolverhampton Ventures Ltd, as the University's vehicle for commercialisation of its inventions and knowledge. In any case, University of Wolverhampton Ventures Ltd will hold shares in spin-out companies on behalf of the University, and as such will be the main 'party in interest' when it comes to negotiating with spin-outs (on behalf of itself and the University). The share holding will be in consideration for the input of University funded IP/IPR/knowledge.

The University of Wolverhampton Ventures Ltd would hold shares in the company as consideration for its infrastructure support and funding for the research/knowledge underpinning the company, and for the input of rights to its intellectual property, whether by licence or assignment of ownership.

Where appropriate, consideration will be given to a proportion of the University's shares being vested in the School or Department in which the IP/IPR/knowledge was developed in recognition that Schools and Departments foster the environment in which spin-out companies can germinate.

In some instances the University may also hold shares on behalf of other funding organisations, such as the Wolfson Foundation.

3.5.3 Shareholdings

The University *will* encourage founding staff to hold shares in spin-outs in recognition of their historic contribution to the creation of the new venture and their importance to its future success. The proportion of the initial equity, as well as the type of share (e.g. ordinary, preference), to be held by the founding inventors, internal and external (see 3.54) will be negotiated on a case-by-case basis as follows:

- 1) The IP Manager through the IRG, a sub group of the New Ventures Group, would establish all the facts surrounding the creation of the venture, including an

assessment (see Appendix 1) of the most tax efficient way(s) under the current tax legislation (corporation tax, income tax, National Insurance, VAT, and the effect on charitable status of the University). The New Ventures Group would present to the Vice Chancellor a shareholding proposal. The Vice Chancellor as the formal arbitrator would consult as appropriate to ensure all parties are in agreement (see also section 3.7 Resolution of Conflicts).

- 2) The shareholding agreement will then be recommended by the Vice Chancellor to the Board of Governors for final approval on behalf of the University.

3.5.4 External Investors

The need for external investors will be determined and negotiated by the New Ventures Group. The University recognises that external investors may be appropriate when: -

- i) A spin-out (such as biotech and/or pharmaceutical product companies) requires substantial financial investment, from an early stage, to take a product to market. Under such circumstances, risk capital investors (venture capitalists) will be early stage partners in such ventures. They may wish to buy a significant proportion of the initial equity shares in return for putting their money at risk. They may also require first option to provide further funding at a later stage.
- ii) Very early stage start-ups may require “seed corn capital” from individual or corporate investors
- iii) There may also be external non- academic investors involved in the venture that would require a shareholding.
- iv) In certain circumstances, there may be no academic entrepreneur who wishes to take leave of absence to manage a company, preferring to remain in the academic environment and to be involved with the new company on an advisory level as a consultant. In this case, (“a management buy-in”), an external management team (perhaps assembled by the venture capitalists) would be involved as investors.
- v) *The University recognises* that spin-outs are more likely to be successful if they have experienced commercial input from the outset – for example a chairman, managing director, etc. To attract the right quality person, it may be necessary to offer them shares or options.

3.5.5 Investment by other University employees

The opportunity for University employees not associated with the Company to invest and hold shares in a University Company will be determined on a case-by-case basis by the New Ventures Group.

3.5.6 University Seed Fund

If the University establishes such a fund, it too would merit shares in the company in which it invests.

3.6 Board Representation

Significant holders of equity, including the University, will usually require a seat on the Board of Directors; in particular to contribute their expertise in the best interests of the company. University - nominated Directors will be approved by the Vice Chancellor and Chairman of the Governing Body and would be chosen for their business expertise, contacts and ability to assist the company. They may not necessarily be University employees. Careful consideration will be given to these representatives, on a case-by-case basis, not least to avoid the problems of an over-large board. Directors in law act on behalf of all

shareholders of the company, thus the Universities nominees will be chosen to assist the company rather than strictly to represent the University shareholding. The University recognises that it is more important to obtain sensible business advice for the company than solely to represent shareholding.

The New Ventures Group would in consultation with the Vice Chancellor, nominate, University Directors for formal approval by the Governors. This procedure has been adopted because possible conflicts of interest may arise where nominated Directors are members of the University with responsibility for University/Departmental decisions that might impact upon the company.

Note - No member of staff will be permitted to act as a director of a spin-out company (or any other company) without the express permission of their Dean of School, Head of Department or Executive member.

The University recognises that at least one representative of the inventors would have a seat on the Board. (There may also be a Scientific Advisory Board, but that is a matter for the Company itself and is not considered here).

University of Wolverhampton Ventures Ltd would normally take the role of the nominated University shareholder in the company and therefore would have a representative on the Board.

3.7 Resolution of Conflicts

The formation of any spin-out company will involve a minimum of two parties, the University/ University of Wolverhampton Ventures Ltd and the inventors. The latter are often, but not always, likely to play a role as directors and shareholders in the company.

In considering the issue of partners, it is recognised that, where inventors are members of the University, they will generally have one role on behalf of the infant company and another on behalf of the University as a source of information. Experience suggests that while these two roles might be symbiotic, they can be in conflict. There are thus strong arguments to minimise the number of parties in the negotiation, by delegating the negotiations to representatives of the various groups. It will often be helpful if one inventor can represent the whole group, though it is recognised that this is heavily dependent on the individuals.

If on any issue agreement cannot be negotiated between the New Ventures Group and other parties, the matter will be referred to the Board of Governors or a nominated Governor who will be the final arbitrator.

3.8 Shareholders' Agreement

As part of the documentation involved in the formation of the company, a formal Shareholders' Agreement will be negotiated and executed by all the founding parties. This will record *inter alia* the rights and obligations of the original shareholders (including tax/national insurance obligations and reporting requirements), a list of business decisions and actions the company cannot take without the consent of the shareholders, and restrictions on the issue and transfer of shares.

3.9 Licensing or assignment of IP/IPR/knowledge or Other University assets to the company

A University nominee, normally the University Secretary or Lawyers acting on behalf of the University will negotiate with the founders and any other interested parties e.g. Venture Capitalists, to determine the most appropriate agreement and legal method of endowing the company with its technology or any other assets. The proposed agreement would be ratified by the New Ventures Group, Board of New Ventures Ltd. and the Board of Governors.

3.10 Rights to IP/IPR/knowledge

3.10.1 IP/IPR/knowledge and sponsorship history

Often, there will be a significant history of protection of University IP, through patents and the like, which the company would require rights in order to develop the business. Similarly, there may well be a substantial history of grants and contracts from academic foundations and commercial sponsors of a department or group, or other relations with commercial sponsors of a department or member of staff. This type of sponsorship may have conditions attached to it, which affect how IP/IPR/knowledge can be licensed/assigned.

These background matters potentially have a crucial bearing on the future freedom of the new venture and what obligations it and the University may owe to prior sponsors. It is thus absolutely fundamental to the new venture to take these into account in the construction of the contractual arrangements surrounding the new company's access to historic IP/IPR/knowledge and indeed to future IP/IPR/knowledge, which may be developed by the University. The IP Office will monitor and instigate the appropriate agreements for the input of future IP/IPR from the academic group(s) with the University Secretary/University Lawyers.

The company in many cases will be expected to contribute to the “upkeep” of the patents. The arrangements negotiated with the new company will take account of the University’s need for flexibility in the future in dealing with unrelated sponsors, to ensure that unreasonable restrictions are not placed on the University, in particular its ability to carry out further research.

3.10.2 Right to future developments

Although on occasions it may be appropriate to offer a pipeline agreement to related IP/IPR/knowledge arising from continuing work in the University to the new companies, there are pitfalls. The two most important are:

- i) a danger that, by defining 'related IP/IPR/knowledge' too broadly, work from other Schools, Research Institutes or Departments not (closely) associated with the company will be “captured”. The originators of such IP/IPR/knowledge may not wish to work with the company, and indeed the new company may not be the best development partner. It is therefore essential that the University retains impartial control over the fate of related IP/IPR/knowledge, while being cognisant of the wishes of other academic staff.
- ii) a requirement 'automatically to assign' IP/IPR/knowledge to a failing company.

For these reasons, the University will, through the New Ventures Group, be responsible for determining the exploitation of related and future IP/IPR/knowledge generated in the University.

Note - It is recognised that there are solutions to these pitfalls, which include offering the company the right of first negotiation to access future IP/IPR/knowledge in a defined field only. It should not however overly restrict the operation of the company.

3.11 Research competition

The creation of a spin-out company in an area of research brings about a potential competitor to the work of the University. It can be equally argued that the University has acquired a potential new source of research funding. However, since the staff of the University would benefit personally if the research were done in the company, while the University and the careers of its staff would benefit were the work done in the University, there is a clear potential for conflicts of interest.

As part of its agreement to allow the creation of the new spin-out, the University reserves the right to insist that all research (as distinct from development) in the area of activity of the company should be placed within the University, for some prescribed period of time.

Where the University does insist on the acquisition of all research work, an agreement will be negotiated between the Company and the New Ventures Group for ratification by the Board of University of Wolverhampton Ventures Ltd. and the Board of Governors, to enable judgements to be made in cases where it is not clear whether work is research or development and to monitor and review the agreement.

Note - The University recognises that such agreements should not hinder the development of the company and in some instances, outside investors may not accept such agreements.

3.12 Due Diligence

3.12.1 Ownership

A new company will wish to obtain warranties from the University that it owns all the rights in the IP/IPR/knowledge that the company needs for its business. This is particularly true where there are third party investors. Hence the IP Office and the inventors will jointly perform the "due diligence" process to establish the legal title to the IP/IPR/knowledge (see also 3.17.1).

3.12.2 IP/IPR/knowledge owned by students and third parties

Where (non-employed) students of the University are contributors to spin-out company IP/IPR/knowledge, they will be required to assign ownership of their IP/IPR/knowledge to the University in return for sharing in the benefits of commercialisation, for example in the form of a shareholding and/or position in the Company, etc. (see **University of Wolverhampton Intellectual Property Policy & Procedures for Students**).

Note - where IP/IPR/knowledge held by third parties, for example, an external inventor is essential to the company the New Ventures Group will negotiate an agreement with that third party, for ratification by the Board of University of Wolverhampton Ventures Ltd. and the Board of Governors.

3.12.3 Legal costs

The University reserves the right, but subject to negotiations, to charge all its legal costs associated with due diligence and the establishment of the company to the New Company.

3.13 Equity holdings

3.13.1 Flexibility

Experience has shown that each new company arises from quite different circumstances and that it is difficult, if not impossible, to set guidelines for the proportion of shares to be held by each interested party, i.e. the academic founders, University and third parties. Changes in legislation, in particular the yearly Finance Act, can have a significant impact on the assessment of the most tax efficient way(s) to create a spin-out company. Consequently the following sub-sections set out the general principles related to equity holdings in spin-outs, and Appendix 1 covers the preferred, most tax efficient, way(s) under the current legislation, particularly from a tax standpoint (corporation tax, income tax, National Insurance, VAT, and the effect on charitable status of the University).

3.13.2 Factors affecting the proportions

Many factors will have a bearing on the New Ventures Group proposals with regards to equity holdings, including the following:

- a) For the academics:
 - the extent of their personal contribution to the background IP/IPR/knowledge of the Company - their historic contribution
 - the time commitment (with University approval) they propose to devote to the spin-out - their future contribution
 - the extent of their personal cash investment (if any) in the company
 - the personal tax/National Insurance issues.
- b) For the University
 - the amount and nature of the rights to be granted - its Historic Investment
 - the access (if any) required to University facilities and space - Future Investment
 - the rights required to future technology/knowledge ("Improvements") arising from the University after the formation of the spin-out - Future Investment
 - the extent of cash investment (if any)
 - the tax issues (corporation tax, PAYE, National Insurance, VAT, and the effect on charitable status of the University).

3.13.3 Shares and Options

The New Ventures Group proposals may include a proportion of the equity shares in the company being granted as 'Options' to acquire shares in the future, linked to the achievement of certain defined milestones.

3.13.4 Guideline proportions

There is no predetermined share holding for the various parties, as each case will be different. However, account will need to be taken of the need to provide for all involved parties including the company's future commercial management when deciding the initial allocation of shares, and also the effect of dilution by the entry of third party investors. To accommodate future requirements, shares may be created but not issued. An example of a simple share-holding allocation follows. Typically where only founding staff and the University are to be shareholders an allocation of shares might be: 40% to founding staff, 60% to the University (held via University of Wolverhampton Ventures Ltd, allocated as beneficiaries 20% to the founding staff's School(s) and 40% to the University central funds) Shareholdings will be agreed on an individual basis for each spin-out company and such agreements will need to reflect the unique nature of each company.

For “lifestyle”, service-based and some specialist product companies, it is less likely that these companies will be bought out to realise the universities stake. For these types of company, there may be a preference to have an alternative model to a straight University/School equity holding. For instance, a turnover based revenue sharing model (a “royalty”) with a small University/School equity stake¹ may be more appropriate. This business model can motivate the individual equity holders to drive the business forward. If, in the future, there is a change in the predicted growth in the company, then the royalty deal could be 'traded' for a reasonable equity position, or it provides an exit strategy for the University with the other equity holders buying out the University to remove the ongoing royalty payment.

The IP Manager through the IRG, a sub group of the New Ventures Group, would establish all the facts surrounding the creation of the venture, including an assessment (see Appendix 1) of the most tax efficient way(s) under the current tax legislation (corporation tax, income tax, National Insurance, VAT, and the effect on charitable status of the University). The University recognises the tax and national insurance implications of these exploitation routes, and staff involved in such an exploitation will be advised that they are responsible for seeking their own independent legal and financial advice, as appropriate.

3.13.5 Academic Third party technology contributors

Where IP/IPR/Knowledge arises from collaboration with a third party academic(s) and their institution, the University’s New Ventures Group will negotiate with them an equity share in the spin-out company, based on their contribution. The offering of any inventor/founder shares to third party academic(s) would be subject to the third party institution's own policies.

3.13.6 Final decision by the University

The equity holdings negotiated by the New Ventures Group and recommended to the Board of University of Wolverhampton Ventures Ltd, would be subject to final ratification by the Board of Governors of the University, to ensure transparency in the arrangements.

3.13.7 University Equity Investment

The decision to recommend any cash investment in a new company by the University would be taken by the Board of the University of Wolverhampton Ventures Ltd, and would be subject to final ratification by the Board of Governors of the University.

3.14 Involvement of University staff

It will be expected that their Dean of School or Head of Department will give agreement to the member of staff’s involvement in a potential spin-out activity where possible, up to the limits normally agreed for self-managed research & scholarly activity and time off for personal consultancy/other outside work. Where the extent of the member of staff’s involvement in the company is expected to exceed those limits (significant part-time), then the member of staff will need to apply to the Executive. Appropriate arrangements for recharging of salary costs, and pensions, will need to be agreed at an early stage.

Normally the University will only consider allowing a member of staff to become a full-time, or significant part-time, CEO/executive director of a spin-out company for a fixed term by means of leave of absence or a sabbatical. Any contractual arrangements between the University, staff member and the company will be the subject of formal service

¹ Massachusetts Institute of Technology Model

agreements.

A member of staff wishing to resign his University position, to take up a position within a company will be free to negotiate his terms and conditions with the New Company. Note – it is recognised that Venture Capitalist may insist on an agreement with key academics with regards to their current and future employment by the company.

Consultancies held by University staff with spin-out companies will be subject to normal University procedures.

University services to spin-out company

Professional Services

Consideration will be given as to what professional services e.g. Financial, Company Secretarial etc, the University may wish to offer to the company and at what cost. This will be determined on a case-by-case basis by representatives of the Board of the University of Wolverhampton Ventures Ltd.

Space

It may be in the interests of the company to remain geographically close to the University for access to the inventors that spawned it. The Science Park, E-Innovation Centre or University buildings themselves might be appropriate locations. Where a new company occupies University space, the terms and conditions will be negotiated by representatives of the Board of the University of Wolverhampton Ventures Ltd.

3.16 Business plan

3.16.1 Business plan

In the case of spin-out companies where substantial external finance is required, the Business Plan and the quality of the management team will be the main focus of their assessment of the worth of the investment.

For all companies in which the University is being asked to invest its technology/knowledge, a well thought through initial business case for the Company's strategy, its products or development plan, market positioning and competition will be required by the New Ventures Group and by the Board of the University of Wolverhampton Ventures Ltd, (and would be required by a financial investor) to enable an informed view of the case for the company and its likelihood of success to be made. The Department of Business Development and Enterprise will assist proposed new companies to access funds to develop such plans.

3.16.2 Exit route

In the longer term, the University may wish to sell its investment in the new company, to realise a capital gain. This may be via a stock market flotation or the sale (whole or partial) of the shares in the company to a commercial buyer ("Trade Sale"). Where possible, the business plan (see 3.16.1) should make clear what would be the 'Exit Route' for investors.

The University's decision to sell all or some of its shareholding in a new venture will be taken by the Board of University of Wolverhampton Ventures Ltd on the basis of a case prepared by the management of University of Wolverhampton Ventures Ltd and the

Director of Finance of the University. The Board would be convened by the Chairman and may co-opt persons with financial and investment expertise e.g. stock brokers, city contacts and others. The decision to sell shares would be ratified by the Board of Governors.

3.16.3 Royalty and dividend stream

Some companies such as biotech companies are unlikely to make a profit for many years but may add significant value to the shares, through building up intellectual property. The main gain here will be via a flotation or trade sale. Under these circumstances, the University will capitalise on its investment via floatation or trade sale.

For product and service-based companies like software companies, there may be a profit and dividend stream and/or royalties on the product sales or turnover of the company. New companies will be required to show (in the business plan) and agree with the University, the proportion of those income streams that will accrue to the University.

3.17 Inventors Policy

3.17.1 Academic founders of spin-out companies who receive equity (i.e. do not buy them at a full market price) will not be eligible to benefit personally from income received by the University from spin-outs and will be required to confirm this in writing. They will also be required to confirm ownership of rights in the technology/knowledge by the University to enable the legal transfer to the New Company to occur (see 3.12.1).

3.17.2 Position of non-founding contributors - to IP/IPR/knowledge initially transferred to the spin-out

Where there are other inventors/authors of relevant IP/IPR/knowledge, employed by the University spin-out company, besides those involved as Directors, Shareholders or employees of the company, then these non-shareholder contributors will, at the University's discretion be eligible for payment when cash is realised by the University from the arrangement via dividends or the sale of shares. The University will decide on a case by case basis whether and to what extent these contributors should be rewarded.

4. New Company Formation

Appendix 2 sets out the information that will be required by the New Ventures Group to enable it to determine whether to recommend that the University participates in the proposed new venture. The IP Manager, one of the Department of Business Development and Enterprise representatives of the New Ventures Group, will use this checklist to prepare the business case.

APPENDIX 1

Preferred structuring of University Spin-Out Companies post Finance Act 2003

Objectives

For the University

Maximise incentives to University staff to develop profitable, valuable spin-off companies.

Minimise costs of set-up, valuation of IP, professional advice.

Minimise costs of administering the spin-out operation.

For the member(s) of staff

Minimise the incidence of taxation and National Insurance charges.

Balance risk and reward depending on attitudes to risk.

To be able to control when they incur taxation liabilities.

Proposals

After discussion with KPMG and consideration of the options the following proposed policy for structuring spin-out companies is made:

1. The IP Office in conjunction with the Finance Department will maintain a simple valuation of the IP Portfolio as it develops based on potential licensing value for products and on projected profitability for service-related ideas.
2. For high value IP business opportunities, it will be assumed that, normally, academic staff involved in spin-out company activities will be risk averse in taxation terms and will not have free funds to pay early tax charges.
3. Therefore the University, will, normally, structure spin-out company formation such that academics do not incur tax charges until they have a corresponding flow of funds to pay them.
4. Normally the University will structure spin-out companies under:
 - The UNICO (Universities Companies Association) Memorandum of Understanding (MOU) with the Inland Revenue dated 31st March 2004. This “gives academics shareholder status (convertible preference shares) from the outset, ensures that they do not have to pay significant PAYE and NI until they cash in their shares and produces predictable tax and NI consequences”² albeit significant ones.
 - Alternatively an Unapproved Share Option scheme may be used instead of the UNICO MOU.
5. For low value IP and where circumstances or strong staff preferences suggest this should be the case, the University will, by exception, retain the option to offer an alternative structure. At its sole discretion, the University may agree to formulate the spin-out company in a fashion which generates more risk but potentially a lower tax burden for the academic. In this case the University will:

² “University of Wolverhampton, How to Structure University Spin-out Companies Post Finance Act 2003” – KPMG People Services. June 2004

- Cause a market valuation of the proposed company, and in so doing so any Intellectual Property transferred to the company, to be made and agreed with the Inland Revenue Shares Valuation Department at Nottingham (free service).
 - If the valuation is low utilise a direct subscription for ordinary shares at full value.
 - If the valuation is high utilise a preference share structure for the value of the University's IP transferred into the company, in addition to the ordinary share structure as above.
 - In both low and high valuation instances the aim will be to exit the spin-out company only after a minimum of two years has passed thereby reducing potential Capital Gains Taxation levels to 10%.
6. In all cases the University will transfer the employers NI payable on any value gained by academics in the spin-out company to the academics involved, i.e. if NI is payable on any value transferred to the academic in the spin-out company, then the academic will be responsible for both employees and employers NI payments.

APPENDIX 2**NEW COMPANY CREATION CHECKLIST**

- 1) Who are the academic principals involved?
- 2) What is their School/ Department?
- 3) Who is their employer?
- 4) Brief description of company activity.
- 5) Why is a company an appropriate exploitation vehicle?
- 6) What is the Business case for the Company and its products?
 - market analysis, products and services to be developed, analysis of how they meet the market needs;
 - sales forecast for 3 years (monthly for Year 1);
 - development and business resources required to deliver the technology;
 - profit and loss and cash flow statement for, 3 years;
 - competition, and how and why the New Company will beat it;
 - any regulatory hurdles the products/services must pass (especially important for pharmaceutical products and medical devices)
- 7) What IP/IPR/knowledge is anticipated to be needed?:
 - from the University, and what is the estimated value of this IP/IPR/knowledge
 - from University of Wolverhampton Ventures Ltd, and what is the estimated value of this IP/IPR/knowledge
 - from third parties
- 8) Which staff will be involved in the Company and on what basis?
 - As Consultants
 - As CEO
 - Other
- 9) What professional management is anticipated?
 - Chief Executive Officer

- Sales/ Business Development
- Financial
- Other

10) What funding is required for the first three years and where will it come from?

11) Where will the venture be located?

12) What other parties are involved?

- e.g. venture capitalists, business angels, corporate partners – current
- sponsors of work etc., professional advisers, friends, family etc.

13) What will the other parties contribute?

14) How will investors/shareholders get a return?:

- Royalty or other levy on product, service or total sales
- Equity sell out:
 - trade sale
 - flotation - AIM or Stock Exchange listing

15) What overlap will there be between the Department's University Research and the Company's activities?

16) Is there any University work going on which would:

- be usefully incorporated (bundled) into the Company?
- compete with the Company?

17) Is the group where the work originates supported by commercial sponsors or by academic sponsors who assert any rights over all or some of the results?

18) What are the insurance requirements in terms of:-

- University?
- Company?
- Individual(s)?

19) What are the tax and National Insurance implications of the proposed company structure for:-

- University?
- Company?
- Individual(s)?

5.0 Intellectual Property Policy & Procedures for Students

5.1 Introduction

Intellectual Property (IP) describes the outputs of creative endeavour in literary, artistic, industrial, scientific and engineering fields that can be protected under legislation. Intellectual property rights (IPR) are the rights granted under the law to the owner of IP, although the terms IP and IPR are often used interchangeably. Throughout this document:-

- **create** means the generation, creation, development, discovery, invention, authorship, derivation, or other production of the IP in question, and
- **originator** means any individual who contributes significantly to the generation, creation, development, discovery, invention, authorship, derivation or other production of the IP in question.

It is University of Wolverhampton's policy to encourage and facilitate the successful exploitation of IP in order to maximise benefit for the institution and its Schools, its staff, its students and society in general. The creativity and innovation of staff and students are crucial to the development of the University's intellectual property portfolio, and the University wishes to encourage such qualities by using appropriate mechanisms that recognise and reward the contribution of individuals and their Schools and Support Services. It seeks to raise awareness among staff and students of the opportunities presented by the development of IP and provide information and assistance for the purposes of capturing and exploiting those opportunities. The University has developed structures and procedures to evaluate opportunities and exploit them in the most appropriate manner.

University of Wolverhampton is the first owner of IP created by employees in the course of their normal duties or as the result of a task specifically assigned by the University [Patents Act 1977, Copyright Designs and Patents Act 1988] or at any other time when using University facilities.

During the course of an undergraduate or postgraduate student's University project, particularly research or creative projects, the student may generate some novel work, i.e. create IP. The University recognises that it cannot automatically assume ownership of IP created by students in the course of their studies. However, as stated in both the undergraduate and postgraduate prospectuses ***students may be required to sign an agreement assigning first ownership of such rights to the University as a condition of participation on a specific project.*** This is most likely to arise where:-

- the IP that may be created by the student will be needed to enable use to be made of the whole idea, concept, design or invention (the "technology") – in such cases the University needs to protect the integrity of IP ownership so that there isn't a small gap in its IP portfolio that may preclude it from exploiting the whole technology in terms of licensing, joint-venture or spin-out company
- the IP that the student may create will be based on advice and ideas contributed by many others (staff, students and third party sponsors or collaborative partners) in a University School, Research Institute, Department or Centre, or in a third party organisation. This advice and ideas may be based on confidential, proprietary or otherwise valuable information that already belongs to the University, another university/institute or to a third party organisation
- a third party organisation sponsors, in part or whole, the research or work.

For research students in particular, it is often necessary for the University to ensure that IP and IPR vest with the University before the student embarks on any research.

Generally, where, in the opinion of the student's project supervisor, the student is likely to generate IP that falls in one or more of the above categories, whilst working on the project, the University will require the student, to complete a confidentiality and IP assignment prior to commencing work on the project. By signing the confidentiality and IP assignment document, the student will be required to:-

- keep confidential any information that is disclosed to the student relating to the project
- assign ownership of any IP created during the project to the University if, and when, requested.

In return the University will treat the student as a member of staff for the purpose of revenue sharing benefits deriving from any exploitation of the IP created during the project, as set out in the **University of Wolverhampton Intellectual Property Management Procedures**.

By signing the confidentiality and IP assignment document, the student has not signed away rights to IP created at home for his/her own purposes and created independently of his/her University project, University facilities or intellectual supervision. Any student asked to assign IP and/or Intellectual Property Rights (IPR) to the University will be advised that they are responsible for seeking their own independent legal advice, as appropriate. **If the student declines to sign the confidentiality and IP assignment document, then the student will be offered an alternative project on which to work.**

The University reserves the right to exploit such student IP, and in such cases the University will normally collaborate with the student originator(s) and share benefits deriving from any exploitation as if such student(s) were employees. It will be for the University in its sole discretion to decide whether or not patent, registered design or other similar protection capable of registration shall be applied for and maintained in respect of the IPR. In order to do this, the student will, at the University's request and expense, do anything necessary, including the execution of all deeds and documents, to transfer the ownership absolutely to the University. The New Ventures Group, a grouping from Executive, the Board of Governors and other relevant University staff, will have the role of making the final decisions on the commercialisation of University IP (see also **University of Wolverhampton Intellectual Property Management Procedures** and section 2 of the **University of Wolverhampton Spin-Out Companies - a Procedural Framework**).

Therefore if a student feels that some IP has been created whilst working on the project, the student must speak to his/her project supervisor as soon as possible. The project supervisor will contact the Intellectual Property Office (IPO), and together work within the **University of Wolverhampton Intellectual Property Policy & Procedures for Students** to manage the IP invented as effectively as possible.

Ownership of intellectual property created by students at the University of Wolverhampton

Both undergraduate and postgraduate students may create novel ideas, novel designs, inventions and other IP while carrying out research or similar projects at the University. For these purposes, "Intellectual Property (IP)" includes:

- the ownership of and exclusive right to exploit any patentable discovery or invention made, including any resulting patents and patent applications;
- all rights (including design rights and rights which are capable of registration under the Registered Designs Act 1949, as amended by the Copyright, Designs and Patents Act of 1988, and as amended further on 9 December 2001 to incorporate the European Designs Directive.) to any design produced;
- copyright and database rights in (i) any computer program; (ii) design capable of commercial exploitation; and (iii) any reports to sponsors and other materials produced in the course of performing the project;
- copyright in any documentation and other materials relating to the above;
- all rights (including rights which are capable of registration under the Registered Trademarks Act 1994 or revision thereof) to any mark produced.

5.2 Undergraduate and Taught Course (non-research) Postgraduate students

5.2.1 In the event that an undergraduate student or a postgraduate student on a taught course creates IP in the course of a University project, either solely or in collaboration (where the collaborators may be fellow students, members of University of Wolverhampton staff, employees of a sponsoring organisation or collaborative partner or a combination thereof), he or she will be asked to assign to the University any IP that he or she may create. Assignment will only take place in the event that IP is created. A student shall then give to the University all reasonable assistance to enable the University to obtain patents or other forms of legal protection for the IP.

5.2.2 If the University seeks to exploit commercially any IP created by an undergraduate or taught postgraduate student, it shall ensure that the student is treated in the same way as an employee in accordance with the University's Revenue Sharing Scheme in force at the time, as set out in the **University of Wolverhampton Intellectual Property Management Procedures**.

5.2.3 Where the sponsor of the project has not negotiated a separate agreement with the University and/or the student, and the University decides it does not wish to participate in the development or exploitation of the work, the University shall notify the student in writing, and the University will agree to re-assign ownership of any potential IPR to the student so that the benefit of the work shall belong exclusively to the student.

5.2.4 In the event that an undergraduate or taught postgraduate student creates IP independently of their University project, University facilities or intellectual supervision then that IP shall remain the property of the student. However, subject to the results of due diligence examination, the University may be willing to manage the commercialisation of the IP/IPR on behalf of the student. This would require the student to assign their IP/IPR to the University in return for being treated in the same way as an employee in accordance with the University's Revenue Sharing Scheme in force at the time, as set out in the **University of Wolverhampton Intellectual Property Management Procedures**.

5.2.5 Information disclosed to a student during the course of a student's University project activities and any results generated during that period (whether or not technical or commercial in nature) may constitute valuable IP and require protection prior to any form of non-confidential disclosure. The project supervisor will advise the student as to which results and/or information are to be kept confidential. If in any doubt, advice should be sought from the Intellectual Property Office.

5.3 Postgraduate students (research based)

5.3.1 Postgraduate students will be required to execute agreements and assignments of IP as a condition of participation in University research projects. The agreements will be included as a constituent part of any official offer of a studentship placement from the relevant University of Wolverhampton School Office. Where an external party, such as a company, provides funding for a research project, the funding party may require additional terms.

5.3.2 If the University seeks to exploit commercially any IP created by a postgraduate student, it shall ensure that the student is treated in the same way as an employee in accordance with the University's Revenue Sharing Scheme in force at the time, as set out in the **University of Wolverhampton Intellectual Property Management Procedures**.

5.3.3 Where the sponsor of the project has not negotiated a separate agreement with the University and/or the student, and the University decides it does not wish to participate in the development or exploitation of the work, the University shall notify the student in writing, and the University will agree to re-assign ownership of any potential IPR to the student so that the benefit of the work shall belong exclusively to the student.

5.3.4 In the event that a postgraduate student creates IP independently of their research project, University facilities or intellectual supervision then that IP shall remain the property of the student. However, subject to the results of due diligence examination, the University may be willing to manage the commercialisation of the IP on behalf of the student. This would require the student to assign their IPR to the University in return for being treated in the same way as an employee in accordance with the University's Revenue Sharing Scheme in force at the time, as set out in the **University of Wolverhampton Intellectual Property Management Procedures**.

5.3.5 Information disclosed to a postgraduate student during the course of a student's research activities and any results generated during that period (whether or not technical or commercial in nature) may constitute valuable IP and require protection prior to any form of non-confidential disclosure. The research project supervisor will advise the student as to which results and/or information are to be kept confidential. If in any doubt, advice should be sought from the Intellectual Property Office.

6.0 Revenue Sharing Scheme

As set out in the University of Wolverhampton Intellectual Property Management Procedures

In all cases where a surplus is made (other than from spin-out companies), either as a lump sum or as a series of payments, the University will share the benefits with the originator(s) of the IP. This will include, for example, income from licensing agreements, assignment or sale of IPR and royalty streams. The first tranche of any income each year will be used by the University to recover the costs of exploitation (such as patent fees, legal fees, minor development work, audit of licensees) and will be credited to the IP/exploitation fund. Any surplus beyond that will normally be shared according to the following formula:

Originator(s)	40%
School(s) or Research Institute(s) or Support Service	20%
Department(s) in which the IP was developed	
University Central Funds and IP-exploitation fund	40%

Notes

- 1. Apportionment amongst individuals** - Where more than one individual is involved, initial responsibility for agreeing the division amongst individuals lies with those individuals. In the case of income from exploitation of patents, individuals need not be named inventors to receive a share of income.
- 2. Leaving the University** - Cessation of employment or leaving on completion/termination of an undergraduate or postgraduate course/qualification, under normal circumstances, will not affect an individual's right to receive a share of income.
- 3. Death** - In the case of the death of an individual due a share of income, that share of any income will be payable to the estate of the deceased.
- 4. Variation** - If an originator, School, Research Institute or Department wishes to request an alteration to the normal apportionment, the request is to be put in writing to the Pro-Vice Chancellor-Research and External Development, who will refer it, where appropriate, to the New Ventures Group before making a decision.
- 5. Rewards for Other Contributors** - The University reserves the right, where appropriate, to reward others (members of staff, or students), besides the originator(s), when it is recognised that they have contributed significantly to the development of the exploitation of the opportunity. Such reward shall be taken from the School, Research Institute, Department or University share, as determined by the New Ventures Group.
- 6. Income Tax & National Insurance** - The originator(s) will be responsible for any income tax and national insurance appertaining to their share, to the extent it has not been deducted at source.
- 7. IP-Exploitation fund** – In order to pump prime the IP-Exploitation fund to facilitate the identification, assessment, protection and exploitation/commercialisation of University IP, 75% of any revenue share accruing from the above formula to the “University Central Funds and IP-Exploitation fund” shall be allocated to the IP-Exploitation fund.