



HOW TO MAKE A DEAL WITH YOUR TTO

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Introduction

Background and evolution of TTO

- Awareness that IP has value (i.e. future value, not just patent costs)
- Awareness that university can participate in value increase
- Awareness that universities are “shaven” by VC’s

Each TTO is different

Subsidies

Hurdles in relationship between start-up and TTO

- How to overcome?

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Principles

- Founded in 2007 by UMCG, University and some partners
- Strong preference to license out / sell to strong partner
- Spin-out only preferred choice in incidental cases
- TTO must be facilitating but not leading
- TTO is often slower than desirable
- Quality and professionalism of TTO can be increased (is steadily increasing)

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What does it offer

- Assistance with IP.
 - IP scan
- Assistance with search for commercial partner / CEO and Businessplan development
- Cash (through pre-seed loans and equity investment)
 - Pre-seed loans SBGG&Rabobank
 - Equity investment (Triade & RHM)
 - Proof of Concept Fund (convertable loans)
- IP acces
- Incubator facilities

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What does TTO require?

1. **Commitment** / taking yourself serious as entrepreneur:
 1. If CSO at least 50% employed by spin-out
(If 100% employed: never more than 5% of shares)
 2. Co-funding by founders
2. **In-depth knowledge** on relevant science by CSO
3. Co-founder with **commercial experience** and skills
4. Sound **business plan**

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What are general principles for deal?

1. Spin-out should be careful with its shares (not give it away too easily)
2. Shares to be divided among investors including Triade and RHM.
3. IP deal will be at market prevailing terms (no shares but cash):
 1. Upfront of at least patent costs so far
 2. Milestone / royalties in future
 3. Advantage University: no dilution of income when investors come on board
 4. Future IP (employment agreement with founders)
4. IP will be owned by University to protect university against bankruptcy spin-out; can/will later be transferred to spin-out

Experiences from founder

- Experiences with TTO's
 - **Huge gap** between expectations founders and university
 - Lengthy and nasty negotiations (that sometimes even created necessity for founder to circumvent TTO and go directly to board of university)
 - TTO's are often asking **unrealistic high royalties**
 - Patent is only worth something when product/service is commercialized.
 - TTO's have no clue how much work has to be done to bring it to market

Experiences from founder

- Insufficient knowledge on IP and market within TTO's
- TTO's are not enough focusing on what they should do:
 - Scouting
 - facilitating

Critical Issues

- Risk / commitment of founder
 - **Not everyone is an entrepreneur!!!**
- Lack of expertise and knowledge on both sides
- No equal negotiation partners
- Value and consideration of IP

What can you do as founder?

- Key requirements:
 - In-depth knowledge on possibilities and value of **IP**. Is it strong? Does it block competitors? Do you have FTO? What can you do with it?
 - **motivation** (you need to want it badly. Why do you want it?)
 - **Qualifications**
 - Masterclass / Venture challenge
- Acknowledgement of contribution university and willingness to share in upside.
- Form your management team.

IP deals that work

- Exclusive license on core technology. Non-exclusive on enabling technology
- Ownership shifts over time (partnership, exit)
- Prosecution plus costs by spin-out
- Royalties that are bench-marked (taking into account time and costs to commercialize)
- Split between “straight out licensing” and development
- Acknowledgement that things may change and being prepared to adjust the deal
- Foreground spin-out / collaborative foreground. Spin out to pay
- For own risk and account / external capital of spin-out