

OSU Start-up Guidelines

Introduction. The University recognizes that early stage technologies may best be commercialized by a start-up company affiliated with an OSU inventor. In addition to being a good avenue for commercialization, there are economic benefits that can flow from a local start-up in the form of funding opportunities, new job creation for students, local investment, and diversifying of the local business community. OSU welcomes the opportunity to provide many services and mentoring expertise through the Office of Commercialization and Corporate Development and the Advantage Accelerator to the faculty entrepreneurs. Working closely together, we can assist the successful transformation from technology concept toward a valuable corporate enterprise.

The University has made considerable investments in research faculty, staff, lab facilities, equipment, and scientific instruments necessary for the development of an invention. The accompanying relationship affords the spinout more favorable financial considerations over the standard license than to industry. Our standard license fees to industry would normally include up-front fees, immediate royalties and other expenses when out-licensing an invention to an already successful company. OCCD will fairly negotiate an exclusive license with the spinout that is commensurate with the projected market size and potential market capture by the start-up. Spinouts from OSU receive beneficial and favorable terms that may include deferred payment of fees, lower royalty rates and attractive equity considerations. Our intent is to encourage the impact and use of OSU technology for commercial purposes and to be flexible in license terms to spinouts for a lower financial burden that assists toward the growth of a sustainable and profitable venture.

□ **Step 1. Technology Disclosure**

The first step to an invention commercialization is for faculty inventors to provide a written invention description to the University in a through a technically detailed overview. The disclosure is part of your contractual arrangements with OSU. Submission of an invention disclosure is easily completed online and conveniently available on the [Advantage Impact website](#). If an inventor is interested in starting a company to develop the invention, it's best to inform OCCD of that desire from the beginning. It is very important that OSU faculty inventors do **not** disclose details of their inventions to outside parties, even potential business parties, until proper confidentiality agreements are in place. A License Manager can explain more about this important point in person. In addition, inventors should keep OCCD apprised of any improvements to the inventions throughout the research and commercialization process. Figure 1. and Table 1. provide inventors an approximate roadmap of assessment and timelines for the steps in the commercialization process.

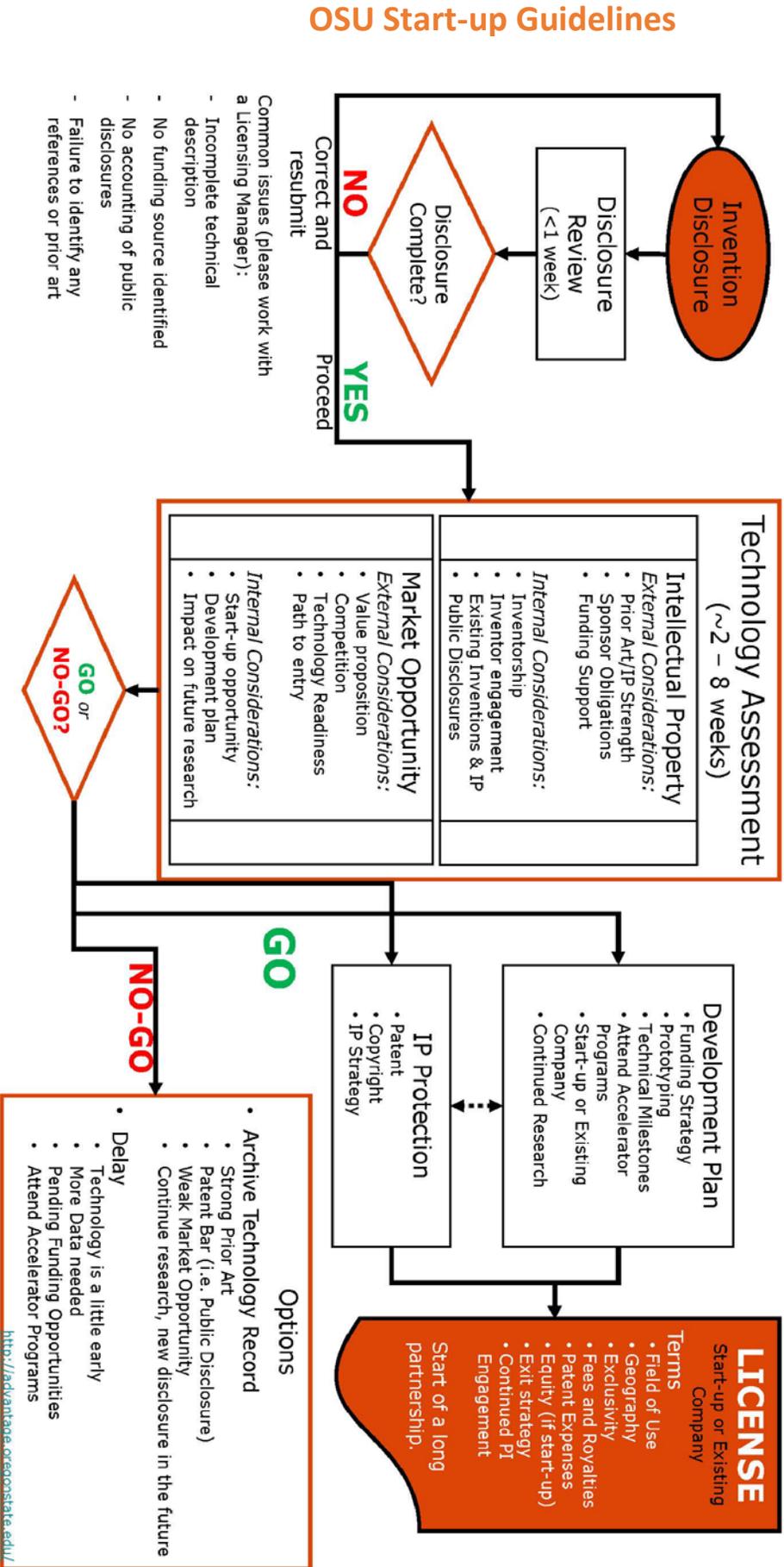
OCCD License Manager's welcome the opportunity to provide guidance and perform valuable free services on behalf of the faculty entrepreneur. When contemplating a startup, the inventor needs to consider "what not to do" (e.g. sell, publicize, etc.) and "how to do it right the first time", before and after disclosing the invention to OCCD. The License Manager will provide faculty with a wealth of experience, services and resources to fairly evaluate the technology on the basis of intellectual property protection and market potential of the invention. Trained interns may be available to research various potential markets.

In addition, the [Advantage Accelerator](#) has numerous programs and services to help early stage spinouts. It is highly recommended that you reach out to the Directors for guidance when considering a spinout company.

Figure 1. Roadmap



TECHNOLOGY TRANSFER ROADMAP



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□ **Step 2. Intellectual Property Protection**

As a researcher, you should always be mindful that your work may have commercial potential. Patenting an invention derived from OSU research is an important step in maximizing value to the inventor, OSU and society. Patenting incentivizes the investment necessary for commercial development and protects the interests of its creators and investors. Inventors must work closely with the OCCD Licensing Manager and patent attorneys to timely file provisional and/or patent application(s). As mentioned above, be mindful that certain public disclosures describing your invention can lead to loss of patent rights and commercial opportunity.

The License Manager receiving the faculty's invention disclosure will oversee the invention evaluation process to determine patentability and marketability with the inventor's assistance. Internal services are provided during the evaluation process includes professional and student labor and various intellectual property and market software resources. Upon deciding that patent protection is warranted, OCCD will hire external patent attorneys and manage the patent filing process. Patent(s) are inherently strategic and must be filed to protect your future commercial ability. Therefore, Patent filing times (U.S. and International) are critical to orchestrate, prior to any publicizing of the invention. The how, what and when of any public disclosure should be discussed with your License Manager. There may be times when a patent is not warranted but the invention may still have merit as a startup. The Accelerator Directors can be helpful in these cases.

□ **Step 3. Conflict of interest (COI) and conflict of commitment (COC)**

OSU employees that have a financial interest in a start-up company should contact the COI office, as a COI, and/or COC management plan must be in place in order to proceed with a license to the invention. It is important that the company activities are clearly separated from the University employment obligations (i.e. wearing two hats). Start-ups need to be aware of the policies regarding private activity and restrictions on University buildings encumbered by tax-exempt bonds. OSU employees who intend to dedicate significant time to the company should contact the COC committee with their plans.

OCCD does not require management plans above or beyond what is normally required for COI or COC. It is the responsibility of the OSU faculty affiliated with the start-up to comply with all university policies.

□ **Step 4. Incorporate the company**

The [Advantage Accelerator](#) has numerous programs and services to help early stage spinouts. It is highly recommended that you reach out to the Directors for guidance when considering a spinout company. In order to start discussion of the licensing agreement the inventor will be required to form a company. There are only two types of organization that OSU allows, either a "C" corporation or a "Manager managed Limited Liability Company. It is customary for the Company to provide a capitalization table and subscription agreement, spelling out the details of the investor transactions, including the price and agreed upon amount of the shares. Samples of these documents are readily available.

In addition, a commercialization plan/Business Model Canvas is necessary for consideration by OCCD's License Manager in drafting reasonable license terms. It is strongly suggested that each inventor or member of his or her spinout team attend an Advantage Accelerator program.

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Prior to entering into license negotiations, the company shall appoint a non-OSU employee to negotiate the license agreement in order to avoid conflicts of interest (i.e. financial) and emotional distress by the OSU employee. Examples of appropriate appointees include the company CEO or business associate or trusted advisor.

OCCD must sign an agreement with a legal entity (not the individual inventors) and will negotiate the license in good faith with the start-up company representative in accordance with these startup guidelines.

□ **Step 5. Begin negotiations for a license to the technology**

After completing all Steps 1 through 4, the company's authorized representative should approach OCCD's Licensing Manager to negotiate terms to license the technology. Many startups have founders who less experienced at licensing technology from a University. Technology licenses include numerous terms (see Fig. 2) that can sometimes be complex and cause confusion. Understanding the various terms used in a license and why these are employed always expedites the negotiation.

To address these challenges, startups should first question the Licensing Manager for the explanation of the license terms. OCCD will use a fair and equitable template license having been scrutinized by experienced attorneys and having acceptable legal terms common to most template startup licenses. Using a fair and equitable template license allows most startups to avoid the involvement and additional expenses of hiring an attorney.

Startups may hire attorneys experienced with university technology-based start-ups to provide legal advice, but fees can be very significant at a time when the startup has little-to-no funding, causing significant and unnecessary expenses for both parties. Please keep in mind that attorneys advise and recommend to their clients and should not be relied upon to make business decisions for the start-up founders. There are a number of attorney's very experienced in the startup world and their knowledge and advice can sometimes be of value and assistance to the startups understanding the agreement.

Please do not enter the license and negotiation process as adversarial. It is in the interest of OSU and of the inventor to come to mutual agreement and help the startup be a great success.

There are several key areas of a License Agreement that are common to most OSU Start-ups. OCCD has developed a fair and equitable Start-up license template that has been accepted and vetted by respected attorneys representing similar technology start-up companies that is 1) Fair and balanced for both OSU and for any startup company – a template that any business attorney versed in startups could advise their clients to sign without significant reservation or negotiation beyond business terms, and 2) Fundable – a template that will pass due diligence with the majority of investors without significant reservation or a requirement to re-negotiate the non-business terms. License Managers often employ a useful tool in working toward an agreement is a shared Financial Term Sheet (see Fig. 2.).

□ **Step 6. Managing the intellectual property portfolio**

The company and OCCD will work together to stage-manage commercial plans and identify countries and regions (e.g. EU, Japan) where additional patent applications will need to be filed. The company will be required to reimburse OCCD for all costs related to patent filings in accordance with agreements made in the license.

Patent rights can be easily lost if applications are not filed or issued patents are not maintained on time, especially in foreign countries. OCCD maintains the technology patent carriage and has ultimate authority regarding patent application filings, but relies heavily on company advice and interests in establishing a global patent strategy.

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□ Step 7. Managing the license

The company must meet required license payments and commercialization milestones. If problems arise, then the company should proactively communicate with OCCD on specific issue and seek mutual resolutions.

The successful launch of the startup and continued public/private investment in research is a central goal of the University. OCCD will monitor the licensee performance to ensure compliance with license terms on behalf of the public's benefit. The license agreement will identify due-diligence terms that support the timely development, marketing and selling. This is to assure the partners move aggressively from innovative idea to marketable products.

Table 1. Timeline for commercialization

Approximate Timeline for OSU Start-Up Formation

TASK	Starting Point	Early Months	Year 1	Year 2	Year 3	Future
1. Invention Disclosure*						
2. IP Protection	Provisional filed		Non-Provisional patent filed		First patent(s) issues	
3. Non-Confidential Description to Public						
4. COI/COC Check						
5. Incorporation	After COI Management Plan in place					
6. Preliminary License Discussion/Option		During and following incorporation				
7. Finalize & Execute License		Negotiation period is typically < 3months				
8. Ongoing Management of IP		Collaborative management of Patent Prosecution can play out for many years.				
9. Manage the License**		Begins immediately upon execution.				

* An invention disclosure is absolutely critical to beginning the process of intellectual property protection and commercialization. Please talk with IP & Licensing Managers in OCCD if you have any questions about the invention disclosure process.

** The term of a license is typically linked to the term of the last-to-issue patent in the license, or approximately 20 years, so this is the beginning of a long collaboration to making the company successful.

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□Step 8. Publishing the Technology

The how, what and when of any public disclosure should be discussed with your License Manager. Descriptive materials are essential to providing the public a general understanding of the value and benefits of the invention. OSU inventors should proactively develop a simple one page summary describing in laymen's terms the invention features and benefits, without giving away the "secret sauce." In addition, it is desirable to include the researcher's biography and the depth of expertise in the area for the purpose of attracting public interest. The University may use the summary information in various websites, newsletters and articles about OSU technology.

As a taxpayer supported educational institution, OSU employees are stewards of the public's intellectual property and are expected to broadly market technologies for the greatest benefit. OCCD recognizes that given an inventor's intimate knowledge of his or her own invention and the passion that often accompanies the insight and unique abilities of faculty inventors. OCCD is committed to providing start-up guidance, resources and assistance through the OSU Advantage Accelerator and the License Manager to review technology pitches, news stories and promotional tools in view of protecting patentability and commercialization.

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Fig. 2.	
Considerations	Terms Sheet
<u>Licensee</u>	Company Name____, Type of Corporation____, organized under the laws of the State of _____, located at Address____, Corvallis, OR 97330
<u>Intellectual Property Description</u>	Oregon State University invention Docket Number ?? and ??, now U.S. patents with a serial number _____ entitled “ <i>Title of Patent</i> ” filed on date _____ issued on date_____, and all pending patent applications. (i.e. incl. Patents and/or Know-how, Copyright and/or Trademark). <u>OSU:</u> <ul style="list-style-type: none"> • retains ownership of existing IP. • maintains patent carriage and has ultimate authority on infringement proceedings. • retains technology improvements created at OSU, and licensee has the option to negotiate a license to such improvements.
<u>Scope of Grant</u>	To Be Determined – Field of Use (i.e. based on Start-up’s commercialization plans), Right to Sublicense, Territory____, etc.
<u>Financial Terms</u>	<ol style="list-style-type: none"> 1. Low upfront license fee 2. Repayment of past patent expenses over an extended period (i.e. access to OSU vetted attorney’s & discounted legal fees). 3. Future patent expenses and patent maintenance, as invoiced. 4. ____% non-dilutable equity until Company’s closing of a round of private equity investment of approximately \$ <u>xxxx</u> or valuation of \$ <u>yyyy</u> . 5. Annual royalty report due on first sale of a Licensed Product and/or Licensed Services, and thereafter. <ol style="list-style-type: none"> a. <u>XX</u> % royalty on invention revenues and <u>XX</u> % of sublicense revenue, based on merits of the commercialization plan. 6. Minimum performance – An ascending set minimum license maintenance fee affordable to the company. 7. Sublicenses Granted - <u>XX</u> % of any lump sum fees made by the Sub to the Licensee. 8. The Licensee is to assume responsibility and liability for what it does under the License.
<u>Length of License Term</u>	Limited term - TBD (i.e. based on Start-up’s commercialization plan and performance)
<u>Financial Contact Information</u>	Company Name & Address, Representative w/ Authorized Authority - all contact information
<u>Other</u>	1) commercialization plan, 2) capitalization table, 3) subscription agreement, 4) All financial debits (ex. repayment of UVDF funds)

This “Terms Sheet” is intended for summarizing various non-binding agreements between the parties and is dated _____ (effective date). This non-binding agreement shall exist until a final written Agreement is memorialized in further documentation, to be prepared and executed by the Oregon State University (OSU) Office for Commercialization and Development (OCCD) and an authorized representative of the Licensee. The offer of terms in this agreement shall expire on _____, unless an extension is requested and agreed to in writing.

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REFERENCES

Office for Commercialization and Corporate Development: Oregonstate.edu/research/occd

Advantage contact information: <http://advantage.oregonstate.edu/>

Impact -: <http://advantage.oregonstate.edu/advantage-impact>

Accelerator: <http://advantage.oregonstate.edu/advantage-accelerator>

Partnership: <http://advantage.oregonstate.edu/advantage-partnerships>

Frequently asked Questions: <http://advantage.oregonstate.edu/faculty/inventors/faq>

Conflict of Interest: <http://research.oregonstate.edu/coi>

Copyright Policy: http://advantage.oregonstate.edu/sites/advantage.oregonstate.edu/files/osu_copyright_principles.pdf

Faculty Handbook: Conflict of Commitment Policy: <http://oregonstate.edu/admin/aa/faculty-handbook-consulting-overload-and-outside-employment-compensation>

Example - Stanford University – Best Practices for Faculty Start-ups:

http://otl.stanford.edu/documents/bp_faculty_sus.pdf