

Defying the IP paradox: Perspectives from spin-offs on standardized contracts for the transfer of intellectual property via phantom shares

Prof. Dr. Nils Högsdal
Prof. Dr. Nicolai Schädel
Alexander Stengelin

HdM Stuttgart / Universität Stuttgart

26. G-Forum in Darmstadt

Overview

- An initiative by SPRIND has put the focus on IP-transfer for Spin-offs
- Spin-Offs are an important transfer mechanism out of universities
- Transfer and licensing of IP poses challenges for startups
 - Various kinds of IP
 - Different mechanisms of licensing the IP
- This contribution summarizes the key findings of a survey conducted with 40 individuals involved in spin-offs to understand their perspectives on a standardized contract approach for IP transfer using phantom shares.

Background and starting point

- University spin-offs increasingly important driver of commercialization of research results playing a vital role in innovation ecosystems
- Startups require at least access to, better control over the relevant Intellectual Property (IP)
- Connection between the scope of the IP and later commercial success
- IP is traditionally seen as patents, yet a substantial variety of other types of IP including data (including AI-training data), data bases, software, designs, trademarks and trade secrets is observed



The IP-Pardox

- Owners of IP tend to overestimate the value
- Usually several stakeholders involved creating a complicated IP-situation, e.g. student projects, research funded by third parties, doctoral theses, IP generated using university assets
- IP without execution is worthless
- But: it is close to impossible to receive funding (or commit team members) without either securing IP or at least having full access to it
- **The value of the IP comes from the execution, but without control of the IP there may be not to startup thus no execution.**



Mechanism for the licensing of the IP

- Exclusive license a spin-off required as well as an incentive for others
- Mechanism with cash-payments are
 - Up-front Fees/License Issue Fees,
 - (Fixed) License Fees and
 - Royalties
 - as well as a combination
- License-for-equity appears to be the preferred option for Spin-offs
- Universities tend to be reluctant to take equity due to the commitments
- Virtual or phantom shares as an alternative

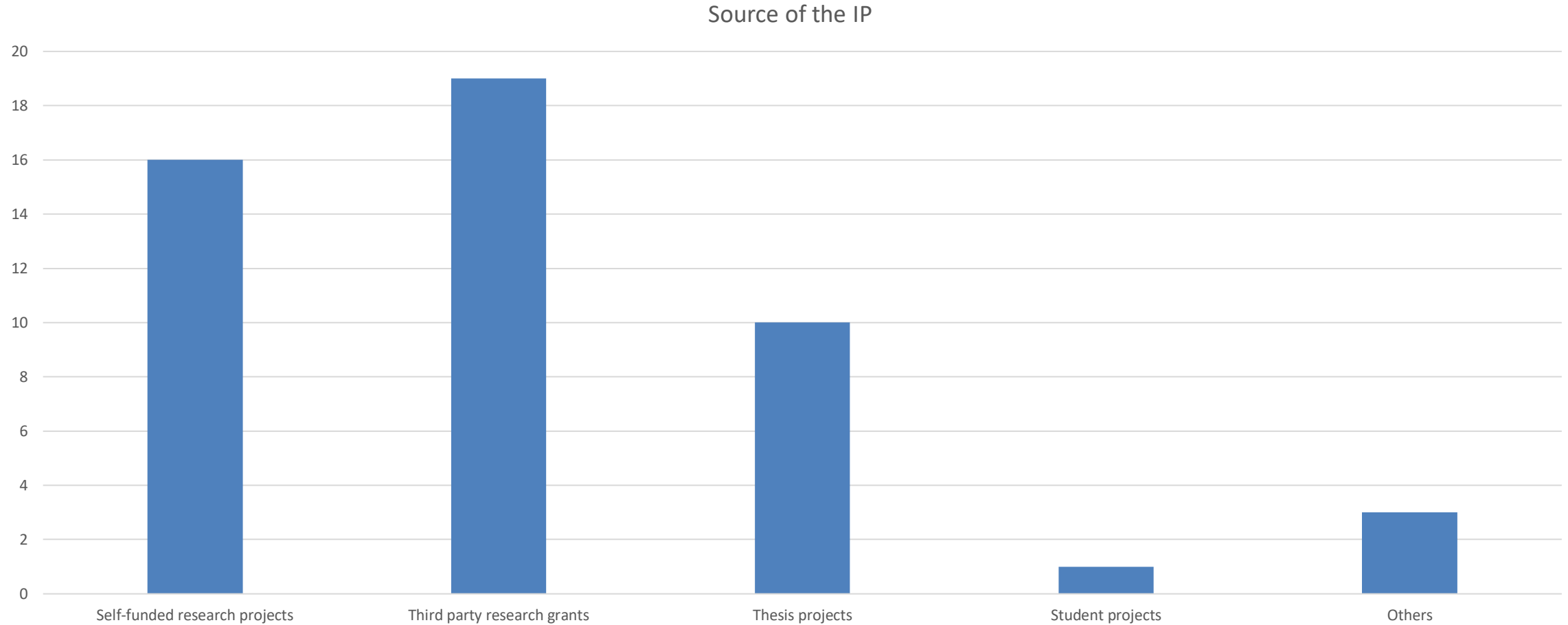


The design of the study

- Interviews took part between September 2022 and February 2023
- Stakeholders actually involved in a spin-off.
- 40 individuals fulfilling the criteria recruited during the Startup BW-summit and the Swiss Innovation Forum.
- University spin-offs targeted, but other research institutions also accepted
- Participants had the option to be interviewed in person, at a later time by phone/webconference or to take it as a comprehensive survey by themselves
- Anonymity was stressed! It was possible to skip questions

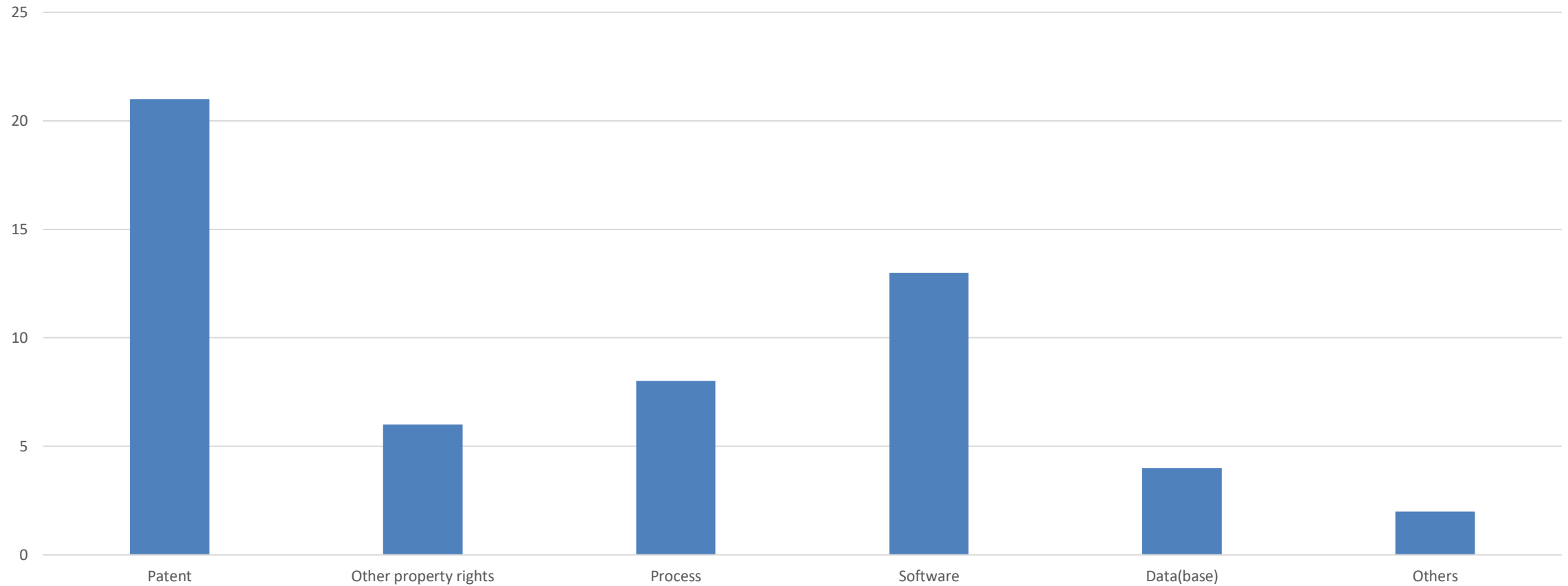


Source of the IP



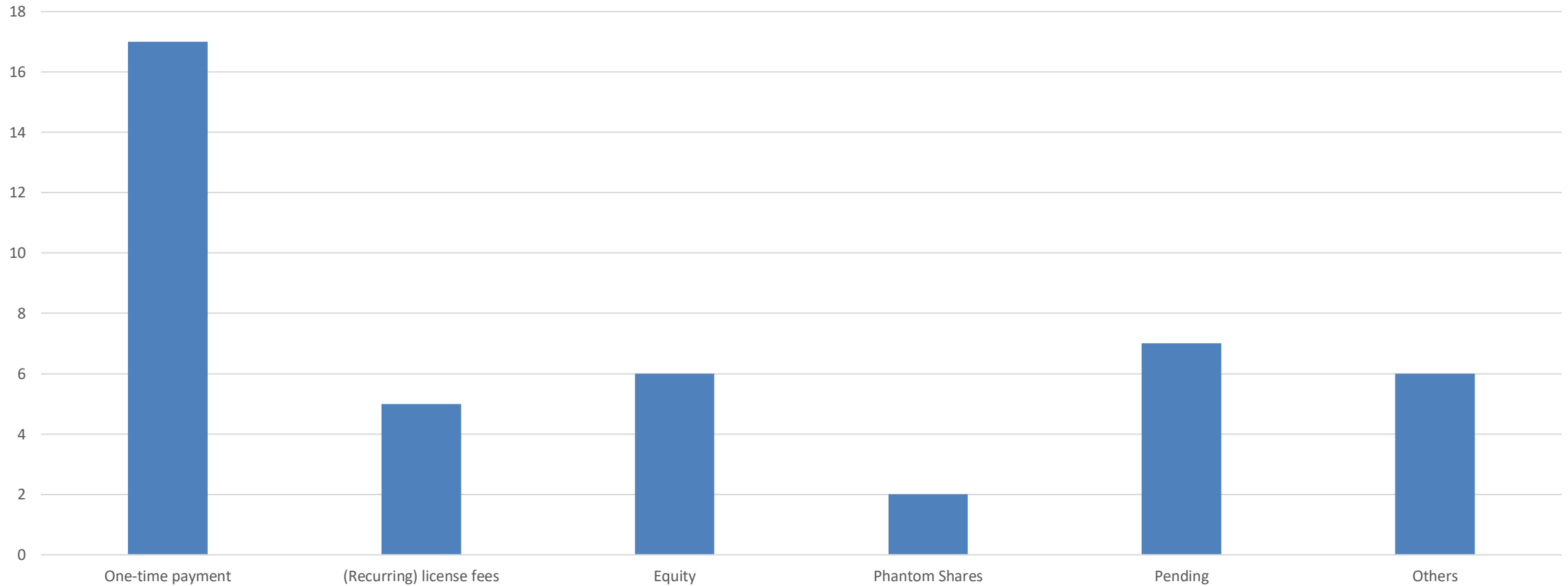
Classification of IP

Classification of IP

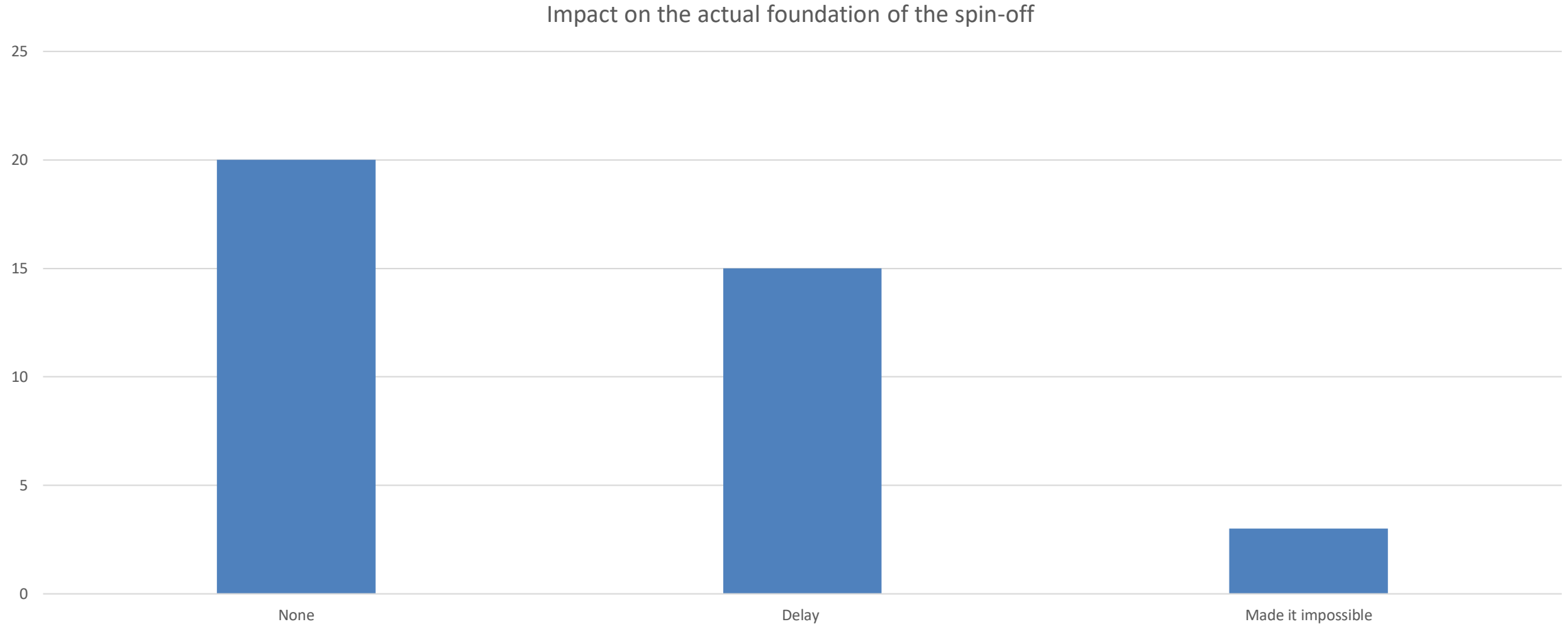


How was the IP secured

How was the IP secured

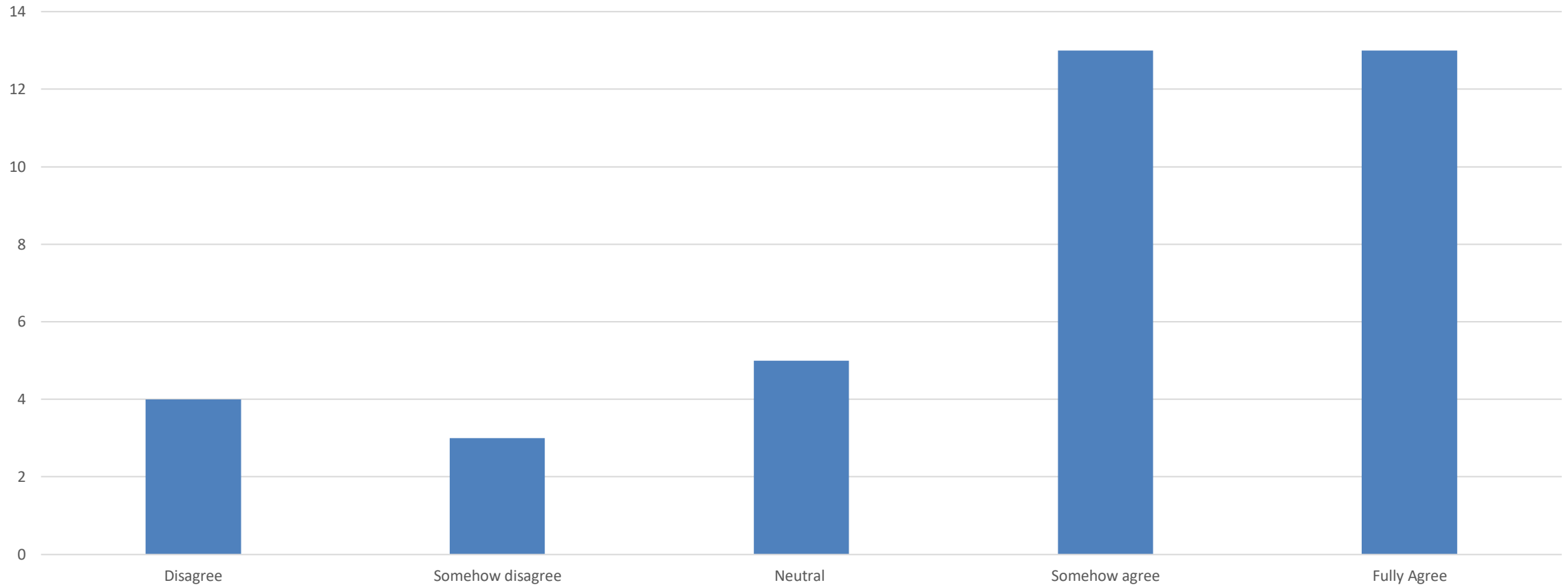


Impact on the actual foundation of the spin-off



Standardized contracts are helpful for the founder and the process

"Are standardized contracts helpful for the founder and the process"



Insights from the open questions and comments

- Well financed spin-offs prefer a onetime upfront payment to avoid future obligations (half of the spin-offs...)
- Standardized contracts are not the end, but seen as a good starting point for negotiations
 - 8 of 25 respondents shared this view.
 - 4 respondents explicitly stated that it takes out the black-box feeling
 - Two founders felt a standardized contract avoids having their own legal counsel.
- Anecdotal evidence of informal transfer mechanisms:
 - “Sometimes it felt just easier to recreate (...) than finding an agreement.”
 - “You don’t want to know how many (...) turn the back on the university.”

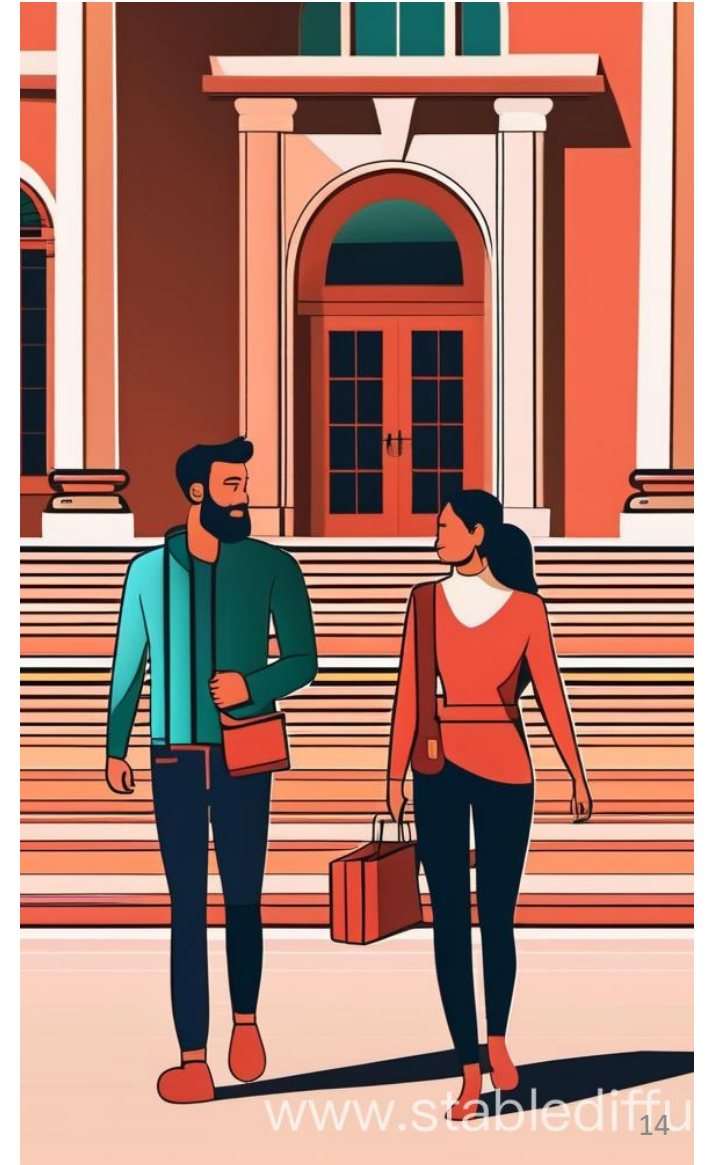


Summary

1. The transfer of IP is not just about hard patents but diverse
2. Startups want to keep the Cap Table small preferring one-time payments
3. All is good in the end? Majority expressed satisfaction with their chosen IP transfer method. But: close to half experienced delays, and in some cases, the foundation of the startup was impeded.
4. Standardized contracts are seen positively, but hardly used in the end
 1. More like a price-list (“no bazar”) and acceleration of the negotiation process removing the guess work and perceived asymmetries
 2. Some concerns about “specialties” and “legal feasibility”
5. Informational transfer mechanisms are an area for further research!

Limitations and Implications

- Limitations
 - Small sample size from 2 regions with different policies
 - Due to anonymity no follow up and control data
 - View of (successful) startups, not the university
- Implications
 - Policies and rules should be implemented along the research value chain
 - Clear rules also for student and thesis projects
 - A look at actual revenue from IP and overall impact might change the approach



Questions and Comments



Nils Hoegsdal
Vice Rector for Innovation at
Stuttgart Media University



Prof. Dr. Nils Högsdal
[hoegsdal@hdm-
stuttgart.de](mailto:hoegsdal@hdm-stuttgart.de)