

# Guidelines for start-ups at UNIFR

## Preamble

UNIFR builds and supports the companies, people, and technology that will change the way the society works for the better. Our startups are based on original technologies discovered and incubated at UNIFR. Entrepreneurs range from students preparing their start-up project in parallel to their studies, to those working on technologies during their research activities at UNIFR and to professors.

The Knowledge and technology Transfer Service (KTT Service) manages the intellectual property created by UNIFR employees and promotes its transfer to start-ups. The KTT Service is responsible for licensing UNIFR intellectual property and provides guidance and support for setting-up the collaboration agreements with the start-ups.

This document presents to future start-up founders the rules and practices that UNIFR has put in place regarding the creation and development of start-ups at UNIFR. The UNIFR closely follows the practices and procedures applied at other Swiss Universities and tries to closely follow the lead of EPFL. Many documents, like this one, used at UNIFR are an adaptation from EPFL practices and documents.

## What is an UNIFR start-up?

An UNIFR start-up is a company created with the aim to further develop and commercialize a technology originating at UNIFR or benefitting from an essential contribution from UNIFR before commercial exploitation, and founded by UNIFR staff, students or alumni. A company created by UNIFR staff, students or alumni based on their activity or knowledge acquired at UNIFR is also considered as an UNIFR start-up.

## UNIFR support to start-ups

The Knowledge and technology Transfer Service support start-up creation by evaluating and protecting intellectual property, by directing founders to non-dilutive funding and available external support.

Non-dilutive funding for innovative projects is available at Innosuisse ([www.innosuisse.ch](http://www.innosuisse.ch)) and BRIDGE ([www.bridge.ch](http://www.bridge.ch)) prior to company foundation. The start-ups can collaborate with UNIFR through Innosuisse funding and support for company creation is given by FriUP ([ww.friup.ch/en/startup-program](http://ww.friup.ch/en/startup-program)). Financial support for research projects is given also by the Fribourg Development Agency FDA: up to 50% of the company's costs (max CHF 100,000) for R&D projects (<https://www.promfr.ch/en/create/funding/#tab-innosuisse-278>).

## Licensing UNIFR technologies to start-ups

A license is a contract by which UNIFR gives to a company the right to use certain intellectual property (IP). The term "IP" in this document means any intangible asset, including patents and patent applications on inventions, copyrights on software or plans, drawings and the like, trademarks, or know-how. A license may also include the transfer of tangible assets such as demos, prototypes, or biological materials. A license granted by UNIFR is either exclusive (i.e. only the beneficiary of the license will have the right to use the IP) or non-exclusive (i.e. UNIFR may grant licenses to other companies on the same IP). Exclusivity is provided by patents, according to

territorial extension. The license is generally limited to a certain field of application that the company plans to develop.

IP created by UNIFR employees (including professors, doctoral and postdoctoral students) in connection with their activities for UNIFR belongs to UNIFR. This is why a start-up willing to further develop and commercialize a technology based on, or using, such IP, needs to secure a license, even if the start-up creator is the inventor of such IP.

UNIFR only grants licenses to incorporated companies and not to individuals. Individuals wishing to create a start-up may obtain an option for such license, i.e. to reserve the right to negotiate a license on UNIFR IP during a limited period (typically six to twelve months) in order to evaluate the related business opportunity.

A start-up willing to obtain a license on UNIFR IP shall first present its business case to the KTT Service. In general, the business case is described in documents like investor pitches decks or business plans, and it should demonstrate that the start-up has sound development and commercialization plans for the UNIFR IP, including from the financial perspective. Based on such information, the start-up and the KTT Service typically summarize the main agreed terms of the future license in a non-binding term-sheet. This term-sheet informs the drafting of the license agreement, which must be signed by the incorporated start-up and the UNIFR to take effect.

## Licensing conditions

<b>Licensing to UNIFR's start-ups</b>	
The Rectorate agreed on a general strategy for licensing to UNIFR's start-ups in 2021. This strategy will be adapted on a case-by-case basis.	
Significance:	Start-ups founded by UNIFR researchers with ideas and technologies developed at Unifr are supported by UNIFR in various ways. Advantageous IP licenses are among them.
Guidance:	A clear and transparent IP policy facilitates communication between UNIFR and start-up founders.
Starting position:	<p>The starting position, which can be adjusted, of UNIFR regarding IP for startups is:</p> <ul style="list-style-type: none"><li>- License</li><li>- Exclusive</li><li>- No time limit</li><li>- Minimum service (= annual maintenance fee).</li><li>- External costs for maintenance covered by the startup.</li></ul> <p>In addition, UNIFR negotiates the following fees depending on the situation:</p> <ul style="list-style-type: none"><li>- Sublicense, exit fees and/or equity</li><li>- License fees on net sales</li><li>- Milestones</li></ul>

## Diligence

UNIFR's primary objective is that a licensed technology translates into products and services that benefit the public and the economy. It is therefore necessary that the start-up obtaining such a license commit to diligently develop and market the technology.

## Economic considerations

For the license, UNIFR is compensated according to the following principles:

- UNIFR takes an equity position in the start-up and/or an exit fee, usually in the form of an option. No upfront payment is required for the execution of the license.
- UNIFR receives royalties from the sale of products or services covered by the licensed IP. A minimum annual fee is requested after 1-2 years, which is subtracted from the royalties due. The minimum annual fee represents a financial commitment of the start-up towards the

development of the licensed technology, and encourages the start-up to cancel the license in case it doesn't use the technology, so that UNIFR can license it to another company.

- The start-up covers the future costs of the maintenance of any licensed patent, from the date of signature of the license, so that it can manage the cost-benefit analysis of territorial patent coverage. In case UNIFR has covered substantial past patent costs, e.g. for national phases, prior to the license, the start-up will reimburse them within an agreed date or upon a substantial investment round.
- Milestone payments may apply in the pharma and healthcare business.

## **Equity/Exit Fees and Royalties have different rationale and purpose.**

Equity [or Exit Fees] is a consideration for the access to the UNIFR IP as an asset enabling the company to start the business, attract funds, and grow. The equity [or Exit Fees] is a form of compensation for the opportunity cost, which is monetized in the event of a future exit (acquisition, IPO), or distribution of dividends.

Royalties remunerate the rights granted to the start-up to use and sell products and processes under the UNIFR IP. The payments to UNIFR are proportional to the income generated from the exploitation of the UNIFR IP. This ensures a fair return to UNIFR in case the start-up becomes a company with regular revenue.

### **Equity or Exit Fees**

#### **Equity**

The equity is typically under the form of a free of charge call option that can be exercised by UNIFR any time before an exit or IPO. UNIFR is not taking an active role as shareholder and does not request to be represented at the board of directors.

For exclusive licenses, UNIFR obtains either a number of shares equivalent to 10% of the start-up capital stock at incorporation, or a lower share of the capital stock that is undiluted until the start-up has received a certain amount of equity investment, e.g. 5% of capital share undiluted until the total accumulated investment reaches the amount of 5 M CHF, regardless of the value of the company. In general, the agreed anti-dilution provision, if any, should be in correspondence with the first substantial financing round.

In case of non-exclusive licenses, such percentages are adapted according to the licensed UNIFR IP.

OR

#### **Exit Fees**

Upon an exit or IPO situations UNIFR obtains a cash payment typically corresponding to:

- 10 percent of the enterprise value at the time of such event if the enterprise value is below or equal to CHF 3 Mio
- 8 percent of the enterprise value at the time of such event if the enterprise value is above CHF 3 Mio and below CHF 7 Mio
- 6 percent of the enterprise value at the time of such event if the enterprise value is above or equal to CHF 7 Mio.

## Royalties

Royalties are applicable on sales and mainly depend on the industrial sector, product margins, maturity of the technology and expected time-to-market. Typical royalty ranges are shown in the table below, but can vary above those ranges in specific situations:

Industrial sectors	Royalties range (%)
Pharma	2 – 5
Medtech	2 – 4
Sensors, optics and robotics	1.5 – 3
Environmental sciences & energy	1 – 3
Computer and communication	1.5 – 3
Semiconductors	1 – 3
Software	1 – 25

The lowest royalties are applicable to cases where: i) very small product margins are expected, or ii) the technology is in a very early-phase of maturity with an anticipated time-to-market over many years and requiring large expenses with a high risk on the return on investment, or iii) the licensed products depend on third-party IP, already licensed to the start-up with royalties due.

On the contrary, the highest royalties are applicable when products have high margins or the technology is mature and can rapidly be put on the market.

The same economic principles will apply to start-ups active in the software business and accessing UNIFR software through non-exclusive licenses, however in general equity will be less and royalties will be highly dependent on the maturity of the software.

## Sublicensing

UNIFR grants licenses with the expectation that the technology will be directly developed and commercialized by the start-up itself. This means that the start-up will only be authorized to sublicense the UNIFR IP after 1 year, once the start-up has contributed value to the UNIFR technology according to the set diligence milestones agreed to in the license.

On the income received by the start-up from sublicensing the UNIFR IP, UNIFR will negotiate a share starting from 25% and decreasing to 15% after a few years of development (typically 3-6 depending on the industrial sector). Pass-through royalties may apply to sales made by sublicensees.

## Exit

At the time of exit, UNIFR will diligently consider any request of a start-up to transfer the licensed patents to an acquiring company that is committed and that has the capacity to further develop and commercialize the technology. The companies shall furnish the necessary business information to allow UNIFR to understand the needs of such a transfer, and in the case of a royalty buyout to make a valuation of the licensed patents in terms of potential sales.

## Liabilities and warranties

The technology licensed by UNIFR needs to be further developed and tested towards a commercial product. Since UNIFR does not control how this development and the commercialization are made by the start-up, it cannot be held liable for consequences of the commercialization of products or services based on the licensed technology. The start-up will assume this responsibility. Moreover, UNIFR makes no warranty of any kind on the IP.

## Negotiation and signatures

Licenses are established and negotiated by the KTT Service on UNIFR's side; they are signed by the Rectorate and co-signed by the professor heading the laboratory from which the technology originated or eventually by the Vice-Rector for Research and Innovation.

## Conflicts of interests for UNIFR employees creating or participating in start-ups

UNIFR employees creating or participating to a start-up may be faced with situations where their personal interests and UNIFR's interests are in conflict. In such a case, UNIFR employees must do their utmost to avoid any actions that could be detrimental to UNIFR. In case of conflict of interests the license will be cosigned by the Vice-rector for Research and Innovation. UNIFR employees are required to formally announce being a founder or a shareholder of a start-up (according to the UNIFR directives for employees<sup>1</sup>).

## Use of UNIFR name and resources

The use of UNIFR name is regulated by UNIFR UNICOM. Anyone wishing to use UNIFR name should contact [communication@unifr.ch](mailto:communication@unifr.ch).

UNIFR is a public institution that does not host companies in its laboratories. No company should use the UNIFR address for its premises. Entrepreneurs may contact the FriUP ([www.friup.ch](http://www.friup.ch)) to rent office or lab space. Further, companies should not use the UNIFR URLs for their own web site. The use of UNIFR resources, in particular equipment and facilities, is possible but subject to the signing of a contract between the start-up and UNIFR. Entrepreneurs should contact the KTT Service for any such case.

## Collaborations between start-ups and UNIFR

Collaborations for R&D projects between UNIFR laboratories and start-ups are encouraged. They are subject to contractual agreements as for any other established companies. For more information about collaborations contracts, contact the KTT Service or visit its website (<https://www.unifr.ch/researcher/en/innovation/contact.html>).

Professors and employees of a laboratory who have an interest (e.g. shareholding) or a role (board member or employee) in a start-up collaborating with the same laboratory should also inform the Dean of their Faculty and comply with the UNIFR directives for employees<sup>1</sup>.

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<sup>1</sup> Directives du 23 mai 2016 (Etat le 23 octobre 2017) concernant les activités accessoires des professeur-e-s et des collaborateurs et collaboratrices scientifiques (Directives activités accessoires, DAA) ; <https://www3.unifr.ch/apps/legal/fr/document/379201>