

IP Commercialisation Policy

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1. Executive Summary

This document seeks to refresh and clarify the University's policy in regard to protecting and commercialising intellectual property (IP) arising from the University's research and teaching. The policy is a core element of a wider approach to develop a supportive environment for academics to commercialise and exploit their ideas, the overall aim of which is to maximise the impact of our research in the outside world.

The policy spells out the key considerations for the University and for the inventors of the IP, the associated assessment and approval processes, the various potential forms of IP Rights (IPR) and the University's position on important terms and conditions.

2. Alignment of IP Commercialisation with Loughborough University Strategy

The University's [Strategy](#), states that we have the ambition to develop 'Outstanding partnerships to deliver social, economic and cultural prosperity' by 2020. It goes on to say:

"We will realise the commercial potential of our research and forge productive, collaborative links with partners across all sectors. This will ensure that we meet their requirements and that the impact of our activities helps to support economic development and drive innovation and performance on local, national and international levels."

Clearly the ability to support academics in their ambitions to realise the commercial potential of their ideas and hence to demonstrate the real-world impact of their research is core to the strategy of the University and is hence a fundamental part of the remit of the Research and Enterprise Office. In practice, commercialisation should be supported if it can be seen to lead to one or more of impact, influence and income for the University.

Achieving these aims typically means following one of two commercialisation routes:

- 1) Licensing (or sale) of IP: Where a partnership is developed with an existing company which has the capacity and willingness to develop, manufacture and sell product based on our ideas.
- 2) SpinOut Company Formation: Where a new company is formed to act as the vehicle to develop, manufacture and sell such products.

The level of commercialisation activity to be expected should be aligned with the volume of research at Loughborough in relation to its peer Universities. In this respect, our activity is monitored through the annual Higher Education Business and Community Interaction (HEBCI) survey (soon to be replaced by the Knowledge Exchange Framework or KEF). To date Loughborough has done well in terms of deal flow and value achieved per unit of research income. Our ambition should be to maintain that level, or to increase where possible. More importantly, however, the focus should be on ensuring that those individual ideas with the greatest potential to generate significant impact for the University are brought to market in a way that maximises their chances of success in realising that impact. In this way IP commercialisation very actively supports the University's aims to improve its performance in the Research Excellence Framework (REF), where Impact Case Studies are an increasingly important component.

In bringing the IP to market, the best commercial deal should be done such that a reasonable return on the University's investment in the research is obtained and is available to the University to re-invest in the ongoing charitable aims of the University to support research and teaching.

The University needs to have sufficient in-house capacity within the Research and Enterprise Office (REO) to support that level and quality of activity, but the REO will also tie into other sources of support (e.g. external advisers, the MICRA project through the Midlands Innovation consortium) and other entrepreneurial networks such as the Loughborough Enterprise Network (for students and graduates) to ensure that our commercial opportunities have access to both adequate specialised support and a strong entrepreneurial ecosystem.

3. Objectives of the Policy

- The University wishes to develop a culture that ensures that the commercialisation of IP through licensing or SpinOut is seen as a legitimate and beneficial part of the Enterprise strategy.
- The University wishes to create an environment to enable academics to maximise the potential of their ideas for impact.
- The University wishes to promote the formation of good quality licensing partnerships or SpinOuts which have the highest chance to generate impact and/or commercial return.
- The University wishes to create transparent policies and **procedures** which are consistently adopted across campus.
- The University wishes to manage the interests of both Inventors and the University through:
 - protecting IP where it has the potential for real world value,
 - negotiating robust legal contracts that protect those interests when the IP is commercialised, and
 - ensuring an adequate commercial return when successful.

4. Definitions and Scope

Inventor = University staff who made an inventive contribution to the IP which is the basis of the Licence or SpinOut and who therefore are entitled to a share of revenue from the commercialisation of that IP.

Intellectual Property (IP) = Any novel or valuable idea, know how or expertise that forms a key part of commercialisation opportunity. This IP can be protectable – in the form of patents, design rights, copyrights etc – or non-protectable – in the form of know-how, expertise etc.

University IP = IP owned or controlled by the University because it arises from the Inventor's work at the University. This applies where the research is funded by the University or is funded by external sources, the terms of which stipulate that the IP is owned by or controlled by the University.

SpinOut = Company formed on the basis of University IP

SCOPE

This policy and associated support mechanisms are designed to cover the protection and commercialisation of **University IP**, as defined above. This activity is led by the Commercialisation Team within the Research and Enterprise Office (REO). However:

- Where the IP has been developed under a contract with an external organisation (e.g. an industrial collaborator, another academic institution) and the terms of that contract stipulate that the external organisation owns or controls that IP because of their financial or intellectual contribution, then typically that external organisation will manage the protection and commercialisation of that IP. Negotiation of terms and conditions regarding IP in such third-party contracts – which must be completed before the project starts – is typically dealt with by the Research Support Team or the Partnership Development teams of REO in conjunction with the Legal services Team. The Commercialisation Team may occasionally advise on such terms on request.
- Clearly there are sometimes grey areas regarding opportunities for Loughborough University to exploit IP arising from such contracts (for example the external organisation does not have exclusive rights or has decided to waive its rights to IP, or there is a lack of clarity in the contract). If there is potential for commercialisation, the Commercialisation Team will carry out a detailed assessment with the relevant PI and colleagues in REO and Legal Services and, if there is scope for LU and the Inventors to take a lead, then it will negotiate or clarify these rights.
- Where the Intellectual Property has been wholly generated by Undergraduates or Graduates and it is agreed that the IP is not owned by the University, then support for the commercialisation of the IP will come from the Loughborough Enterprise Network (LEN) Team and will be governed by University policies relating to Students. The Commercialisation Team, working with LEN, will assess each case and come to a conclusion regarding the ownership of the IP.
- Where the Intellectual Property has been wholly generated by University staff but, after review by the REO and School management, it has been decided that the Intellectual Property has not arisen from their work at the University, then this IP does not come within the scope of this policy and is not covered by the

associated support mechanisms. The staff member may exploit such IP in their own right and at their own risk and should take their own legal, financial or other advice in regard to its commercialisation.

Further information on the practicalities of commercialising IP, external resources and the key issues that any inventor needs to consider will be covered in guidance material to be developed by the Commercialisation Team.

5. Ownership of IP

NOTE: The statements below on ownership of IP assume that no external bodies have rights to the IP. Typically, if the work has been funded either by the University or one of the UK Research Councils then the IP belongs to the University and the statements below apply. The Commercialisation Team will, when reviewing an idea with inventors, carry out detailed due diligence to establish whether the work that gave rise to the invention was funded by an external organisation (usually a company) and whether that organisation has rights to that IP under a contract.

- **Staff Members:**

On signing a contract for employment at the University, all staff members (Grades 1-5, 6 and above; academic and support staff) are confirming that they will abide by certain terms and conditions. One of these states that IP arising out of their work for the University belongs to the University. This applies to IP arising out of their 'normal course of duties' which could be research, teaching or even administration. Employees should also note, however, that work outside the 'normal course of duties' but which uses University facilities (e.g. IT hardware or software, experimental equipment) will in principle result in the University owning the IP arising out of that work.

If the development of the IP arises outside the above, then it may be that the IP is owned by the staff member, but it should be noted that determination of this can only be done by the Commercialisation Team. Staff Members should not assume ownership of IP.

Exception: Except where necessary or subject to separate contracts, Loughborough University shall not assert any claim to the ownership of **copyright** in methods of academic communication including, but not limited to, journal articles, conference papers, seminar or conference presentations, novels, theatrical works (including plays), musical works (including lyrics and scores), or other artistic works.

Where the University does not assert any claim to ownership of copyright the Member shall own this copyright, subject to their granting to the University a licence to use such materials in any University electronic repository.

Staff member(s) seeking to publish work in forms including a textbook or e-book that reproduces copyright materials owned by the University should seek permission to proceed from their Dean of School. Copyright of those materials will remain with the University and this should be acknowledged in the publication. Any royalties received will normally be entirely for the staff member(s) or in appropriate circumstances will be subject to the distribution outlined in this IP policy.

For more details, see Appendix 1 or [Conditions of Service](#).

- **Postgraduate Research Students:**

On signing an agreement to undertake a research-based programme of study (e.g. PhD, MPhil), students are treated for the purposes of IP as members of staff and ownership of all IP arising from their research is treated as if they were members of staff (as above). For more details see: [Ordinance XXXIX](#).

- **Taught Students (Undergraduate and Postgraduate):**

The underlying premise of taught students' engagement at the University is that all IP generated during their projects is owned by that student. There may be variations on this if, for example, the project is funded by an external organisation or if it is closely related to the research programme of an academic supervisor, but in all cases variations to student IP ownership must be agreed before starting the project through an appropriate agreement and the student should be given the option not to take on the project under those terms.

The University has a duty of care to ensure that the interests of students are upheld. Supervisors should, in no circumstances, assume that IP generated by taught students is owned by – or will be assigned to – the University nor abuse their position of authority to convince students to do so.

The Commercialisation Team will, working with LEN, seek to establish whether IP is owned by the student, by staff of the University, or both.

- Where the student owns the IP and there are no claims on that IP from either the University or an external partner, the student has a choice whether to commercialise that IP in their own right, or – if the University (acting through the Commercialisation Team) deems it to be viable for commercialisation – to assign to the University and allow the University to take the lead on commercialisation. Any such assignment would be purely at the discretion of the University (acting through the Commercialisation Team).
- Where IP is owned jointly by the student and the University and/or an external partner, then the Commercialisation Team will, if it deems the IP to be of value, seek to negotiate an agreement for commercialisation with the relevant parties.

For more details and guidance, see: [Ordinance XXXIX](#) and the Student IP Toolkit from [Legal Services](#). Students may seek support from LEN in regard to commercialising their IP.

- **Visiting Academics:**

Staff working with visiting academics should be aware that visitors do not count as staff of the University. Hence any IP developed by such visitors will, unless a specific agreement is put in place, be owned by that person – or more likely by their employer. Future visiting academics will be asked to abide by conditions of confidentiality when discussing University IP, but this does not apply to existing or historical visiting academic agreements.

For the purposes of patent prosecution in some countries, the University is required to get confirmation in writing that the inventors have assigned the IP to the University. It should be noted that this is merely a document to confirm the assignment – and does not affect the rights or obligations of the staff member under their terms and conditions of employment.

6. Revenue Sharing

Although the University owns all IP generated by its employees and research students, it operates an incentivisation scheme to ensure that staff are rewarded for the development of impactful and commercially viable IP and are encouraged to actively support the commercialisation process.

The revenue sharing policy applies to staff in the RTE (Research, Teaching and Enterprise), SSA (Specialist and Supporting Academic) and TE (Technical Services) job families. In exceptional circumstances it may be applied to staff in the MA (Management and Specialist), AD (Administrative Services) or OP (Operational Services) job families, with the prior agreement of the Chief Operating Officer.

In the past the University has deducted the full Costs of Commercialisation (see Appendix 2) before distributing any remaining profits to the inventors or to the School. This has sometimes had the effect of disincentivising inventors and the School to actively support commercialisation. To address this issue, the new policy ensures that inventors and the School now share in revenues from the first receipt of any income, while still recognising that Costs of Commercialisation need to be recovered.

When any such IP (whether it be patents, designs, knowhow or any other form of IP) is commercialised, revenues (or other value) can be derived. Naturally, if the end result of commercialisation is a social innovation or other impact, then there are no such revenues to be shared. Any revenues arising are shared with the named inventors of the IP and the relevant School(s) according to the following scheme.

- 1) Until the Costs of Commercialisation are recovered by the University (Central Funds), the income shall be shared:
 - 25% to the Inventors, 25% to the School, 50% to Central Funds.
- 2) Once the Costs of Commercialisation have been recovered, the remaining income shall be shared:
 - 50% to the Inventors, 25% to the School, 25% to Central Funds.

The only caveat to this approach is that even after historical Costs of Commercialisation have been recovered, the REO will ensure that it has sufficient revenue to cover IP Protection costs in the relevant period before distributing the remainder of revenue.

Costs of Commercialisation

See Appendix 2 for clarification of what will and will not be included in the Costs of Commercialisation.

Licensing and related IP Deals

This revenue sharing model applies most often to the situation where University IP is licensed or sold to an external organisation – typically a company who will pursue commercialisation of the IP and make payments to the University for the rights to do so. A typical license deal will include one or more fixed payments (an up-front payment and/or milestone payments) plus a royalty for every product or service sold (either a percentage of the selling price or a specific cash amount). In some cases, only a one-off fee is paid. Very occasionally the University may agree to assign or sell the IP to the third-party – typically for a one-off fee.

SpinOuts

The revenue sharing agreement also applies in the case where a SpinOut company is formed to commercialise the IP. In this case the inventors who become active Founders of the SpinOut company are given 50% equity in the company (prior to any external investment). The University retains the remaining 50%. The IP is licensed to the SpinOut Company in the same way that it would be licensed to any external party – in return for royalties or fees. All of the inventors (Founders and non-founding inventors) are entitled to a 50% share of the revenue from this licence deal. For more details of the University's strategy and policy regarding SpinOuts see the [SpinOut Policy](#).

Sharing of Revenue Between Inventors

The inventor share of the revenue from commercialisation is often shared between two or more inventors. The Commercialisation Manager will at an early stage of the commercialisation process ask the inventors to confirm in writing who contributed to the invention and how they wish to share this revenue. There are no fixed guidelines on such sharing, save that the key principle in deciding the share should be the respective contribution (purely inventive and/or effort based) rather than relative seniority of the inventors. In the absence of any other agreement on revenue sharing it will be assumed that the revenue will be shared equally between the inventors.

It should be noted in this context that patent law dictates that ALL inventors should be named on a patent and hence inventors cannot be omitted from a patent filing for personal or even professional reasons. This does not mean that all inventors have to receive a share of income, but it does mean that every inventor should be named on the relevant disclosure forms and revenue sharing forms even if their share is zero.

Where one or more of the inventors is external to the University – or indeed is a taught student of the University – then the rights of those inventors to a share will either be defined by a pre-existing contract, or an appropriate agreement will be put in place.

Sharing of Revenue with the School

As above, a proportion of the revenues will be shared with the School(s) that host(s) the inventors. The amount of that income will have an impact on the way it is distributed, however. It is undesirable when amounts are small to have an overcomplicated arrangement that minimises the incentive to the School. At the same time, it is desirable when amounts are larger to ensure that funds are invested wisely and in the best interests of the University as a whole. To address these points, the following approach is used:

- When the revenues allocated to a single School total less than £50k in a single year (in aggregate), the School receives all of their allocated income.
- When this income exceeds £50k in any one year, the School's allocations above £50k are made available for the School to bid against at a future point. Proposals need to be made through the Operations Committee's normal procedures, following agreement of a proposal between the Dean and the Director of Finance.

Further details and examples of income distribution can be seen in Appendix 3.

7. Routes to Commercialisation

The Commercialisation Team will work with the Inventors to review the commercial potential behind a new idea and then develop a plan to realise this commercial potential. A key part of this plan is the route to market. In the majority of cases the route to market is either through licensing or the formation of a SpinOut, but other routes are also possible. The decision about which route to take is complex, and often the Commercialisation Team will delay this decision until more clarity is realised about the nature and size of the market and the place of our IP in that market.

More details are given below:

- **Licensing:**

The IP is licensed (or sometimes assigned) to an existing company, in return for financial compensation to the University. The return is typically in the form of a royalty on every product or service sold by the company, but often includes fixed fees such as up-front and milestone payments.

Licences can be exclusive (one company retains all rights to commercialise) or non-exclusive (the University can give similar rights to multiple companies), but the University will always retain the rights for its academics to continue with non-commercial research and teaching based on the IP.

Typically the licensing route is chosen if there is an established company either already active in the market sector or with clear ambitions to enter that sector, which has the technical capability and the funding to be able to take the IP from idea to product and market it effectively to its customers. The breadth of applications of the IP is also taken into consideration – if there is only one major application it is more likely that the IP will be licensed, whereas if there are multiple applications (a 'Platform Technology') then the possibility of a SpinOut will also be considered.

Licensing is the most common commercialisation route and it is typically seen as the low-risk route compared to SpinOuts as the chances of successful commercialisation (and hence income) are much higher for a well-established and well-funded company than they are for a spinout. It is also less time intensive (for the Inventors and for the Commercialisation Team) to complete and support a licensing deal. Licensing also has the potential to realise income (fees or contract research) in a shorter time period than the SpinOut route.

Very often the Licensee company will require on-going support from the Inventors – either in the immediate technology transfer process or for on-going development activities - and this can lead to significant opportunities for a long-term relationship with the company and further research income and publications.

- **SpinOut:**

The IP is licensed to a new company formed by the University and some or all of the Inventors (who become Founders of the company). In this case the University and the Founders take an equity stake in the SpinOut, but there is also the potential for income through royalties associated with the license.

More details of the SpinOut route and the aspects to consider are given in the [SpinOut Policy](#), but this route is typically chosen if either or both of the following criteria apply:

1. The IP has multiple applications across more than one market sector (Platform Technology) and requires both technical development and market development to address each of these applications.
2. The 'market' is not ready to take on the technology – there are no existing companies who are willing or able to invest in commercialisation – but the private investment community (e.g. Venture Capital) is willing to invest because they see the longer term potential.

SpinOuts can be a very viable route to market – one which the University actively supports – but it must be remembered that it is very much the high risk route and involves a significant commitment of time and effort from many people at the University, not the least being the Founders.

- **Other Routes:**

Where the Commercialisation Team come to the conclusion that neither of the main 'commercial outcome routes' (Licensing nor Spinout routes) are viable, we may explore and support other routes to achieving Impact. These include:

- **Development of a Standard:**

In some cases, the best route to achieve widespread impact is to develop a standard or regulatory framework and support the relevant regulatory authorities in aiming to achieve widespread adoption within the market. Examples could include a testing methodology, or a particular design or algorithm.

Licensing may be involved to control access to the IP, but usually this is to ensure recognition of the University as source of the IP rather than to realise income.

- **Other Enterprise routes (Collaboration, Contract Research or Consultancy):**

Where the intellectual content involved is more in the form of expertise – i.e. the staff member has a certain body of experience, but has yet to develop any tangible 'Background IP' (either protectable IP such as patents, or unprotectable such as Know How) – then a viable form of engagement with external partners could be through consulting or collaborative/contract research.

In this scenario, the staff member would agree to work with an external partner to use their expertise to either advise on that partner's problems or to develop new IP. The costs of this support would be borne by the external partner or by other external funds. In these cases, support to engage with such partners would come from the Partnership Development Team in REO.

- **Social Impact:**

Where the desired outcome of developing IP is not commercial gain, but some other social impact – such as environmental benefit, humanitarian support, educational benefit – then the same mechanisms to achieve utilisation of our IP (licensing or SpinOut) can be utilised and the Commercialisation Team will use its expertise to help achieve these goals.

An example might be where there is a requirement to form a company to take forward the ideas, but the focus of the company (a 'Social Enterprise') is to reinvest profits to support their impact aims, rather than to realise commercial gains.

Another example might be where the Inventors have developed IP which has social benefit and the optimum means of controlling use is to ensure that all users take a licence to the IP. Again, the aim would be to cover costs, but not to realise a commercial gain.

8. Key Positions on IP Commercialisation

- The University's key aim in commercialising its IP is to realise real world impact or influence from its research. It also has an obligation, however, to achieve reasonable commercial value (i.e. income) for its IP:
 - a) to ensure that its charitable status is not challenged because a commercial party is deemed to have received a subsidy by receiving IP at less than market value*, and
 - b) to ensure that the University receives a reasonable return on its prior investments in research to re-invest in the University's strategic priorities.

* Note that if an external partner receives IP from the University (a publicly funded body) at a value less than market value, then the external party also runs the risk of this transaction being deemed to be State Aid – which would have tax implications for that party.
- The University aims to ensure that in all agreements with external parties, whether in funded research or consultancy or in commercialisation agreements, it retains the right for University staff to continue academic research and teaching, to publish (where that does conflict with commercial interests) and to maintain their academic freedom.
- University staff should ensure that their involvement in a commercial partnership does not result in a conflict of interest with their role and duties at the University. For example, academic staff should not be in a position to influence a particular project or anyone for whom they have line manager or supervisor responsibility because of the potential for them to receive personal remuneration. Staff involved in such projects should at all times abide by the [University's Conflicts of Interest Policy](#).
- The University will avoid entering into contract(s) obliging the University to seek patent protection unless such costs are covered by an external party. The University must always be able to decide unilaterally on filing strategy.
- The University aims to complete agreements giving commercialisation rights to external parties before patent costs become too extensive, ideally before the PCT stage, but definitely before the International Stage (Section 10: IP Protection and Appendix 5).
- The University may give exclusive rights to commercialise University IP, but will only do so if a) the income received from the deal is adequate compensation for the opportunity cost from not giving non-exclusive licences to multiple parties and b) if the agreement includes commercialisation milestones, where failure to meet these milestones results in a claw-back of rights to the University.
- The University will only protect IP through mechanisms such as patenting if there is a clear rationale which illustrates the potential for a commercial return or other impact return and a clear plan to realise that return. It will not support IP protection merely to support further research or publications.
- The University will ensure that any deal for its IP with an external party does not unduly restrict academic freedom for the academics or researchers involved, or indeed other academics at the University. For example, such deals should not (as far as is commercially possible) prevent publication of research outcomes or restrict the rights of academics to work with competitors of the external party.

9. Implementation of the IP Commercialisation Policy

For this policy to be successful, the following key elements need to be adopted and implemented:

- The policy and associated procedures need to be clearly signaled and be accessible to all staff.
- The Research and Enterprise Office must ensure that it has a team with the skills and capacity to support the protection and commercialisation of IP; a clear view on legal agreements; and access to experienced advisors internally and externally (business, legal, IP, finance).
- The overall approach to commercialisation, as well as the rationale for specific commercialisation projects, should ideally be in alignment with the relevant Schools' Enterprise and Impact Strategies. Individual

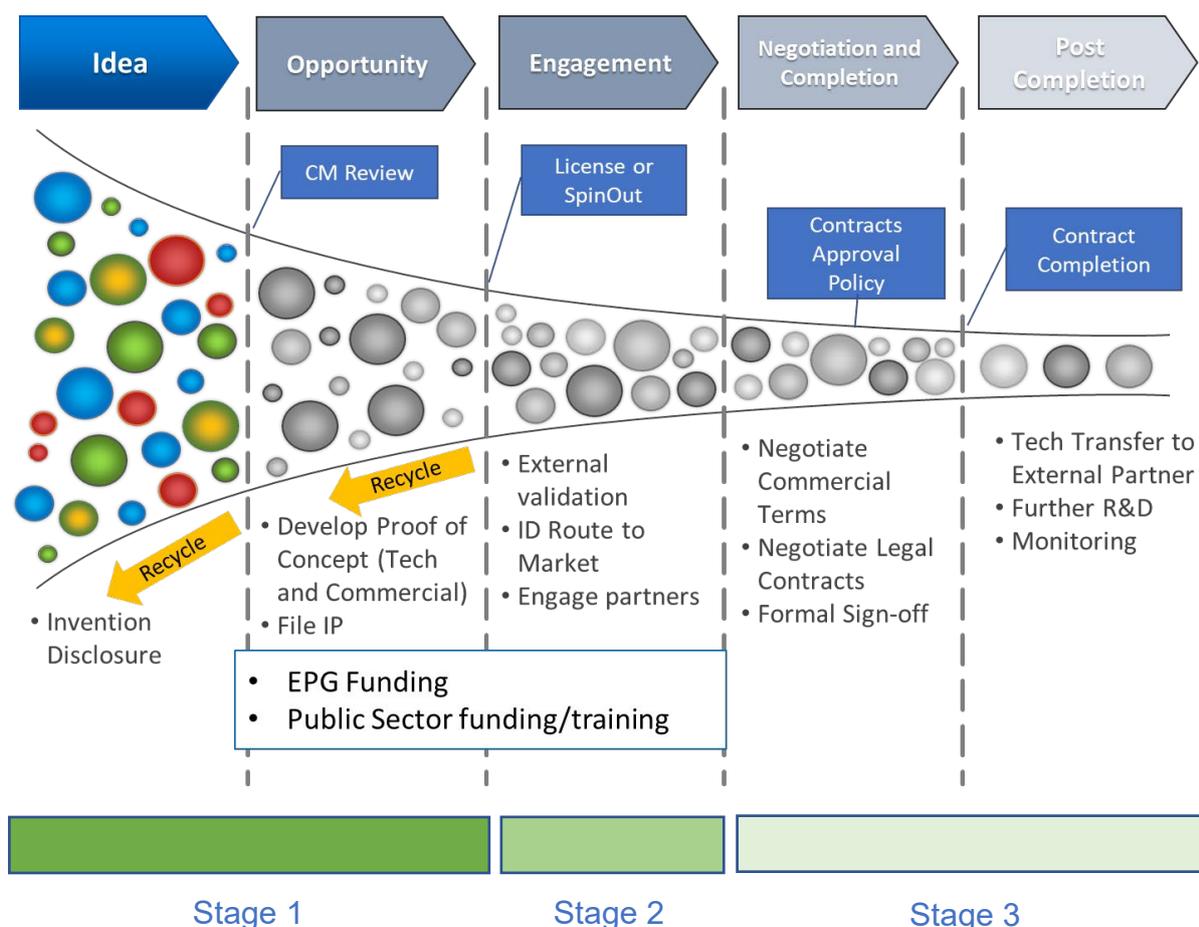
projects may be supported, however, even if not in alignment with School strategy, if there is a clear path to a commercial return and the impact on staff time is agreed with School management.

- The specific arrangements for any commercialisation deal in regard to the involvement of staff and students and the use of lab space and equipment must be agreed with School Management.
 - The University must ensure that it provides access to suitable support mechanisms and an entrepreneurial environment. Elements of this can be in-house, but others can be accessed externally (through other networks for instance). Important aspects of this include:
 - Entrepreneurial training schemes
 - A network of external advisers/business mentors
 - Funding for commercialisation (proof of concept funds, venture capital etc.)
 - Incubator space to allow SpinOut staff to focus on the business and to network with and learn from like-minded entrepreneurs
 - Alignment with Loughborough Enterprise Network (LEN) activities and support mechanisms for students and graduates.
 - The University aims to have in place adequate processes and tools in order to identify, record, manage, turn down or take on IP commercialisation projects in order to rapidly advise and support staff in progressing commercialisation.
 - Inventors involved in a Commercialisation Plan should commit sufficient effort to support the efforts to reach the agreed milestones.
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10. The Assessment and Commercialisation Process

Members of University staff should note that the Research and Enterprise Office is the sole department in the University with the authority to commercially exploit the University's IP. This activity is managed through the Commercialisation Team and contracts dealing with this commercialisation are drafted and negotiated in conjunction with the Legal Services Team and (where appropriate) external counsel. Such contracts are signed by an appropriate authority in the Research and Enterprise Office or in the senior management team of the University as stipulated in the Contracts Approval Policy. Staff should in no circumstances look to negotiate or sign any agreement relating to University IP.

The assessment approach outlined below is initially common to all commercialisable ideas arising from the University. Once a decision is made to form a SpinOut (at the end of the Opportunity Assessment phase), the process will follow a slightly different process as outlined in the [SpinOut Policy](#).



Stage 1: Opportunity Assessment and Development:

a) Idea Assessment

For any exploitable invention or idea arising out of their work, the Inventors should engage early with the Commercialisation Team to carry out an initial review of the potential value of the opportunity. The Commercialisation Team have a detailed due diligence process which they apply on first review but will then also revisit as the project progresses and more information is found. The Commercialisation Manager (CM) assigned will work with the inventors to review the ideas broadly based on the following criteria:

- **The commercial potential** for the idea: Is there a clear value proposition that demonstrates that the idea can provide a solution to a known need in the market; Can we provide evidence of this need; What is the potential addressable market?; How easy/difficult is it to enter that market?

- **Inventorship and Third-Party Rights:** Who contributed to the invention (e.g. academics, students, inventors from outside the University)? How was the work funded and does any external party/student have rights to the idea?
- **The potential for IP protection:** Has the idea been disclosed? * Has anyone else published or patented a similar idea? What type of IPR is applicable (patents, copyright, design right etc.)? How broad is the scope of what we could protect?
- **The likely route to market:** Licensing, SpinOut or other (See Section 5)
- **The stage of development of the technology/idea:** Has proof of concept been achieved? What data do we have to prove it works? What more needs to be done to develop the technology/idea/value proposition before another party is willing to invest?

***NOTE:** Disclosure of your ideas in any form (e.g. a paper, a presentation, an informal meeting without a confidentiality agreement) can severely impact our ability to protect the IP in the form of a patent. Staff should always discuss their ideas with the Commercialisation Team well in advance of any possible disclosure to assess the best means to protect the IP.

If after the initial review, the CM is satisfied that there is sufficient basis for commercialisation then the opportunity will be included in the Commercialisation Team's portfolio of projects to be further supported. If it is felt that there is currently insufficient basis for commercialisation, then feedback will be given to the Inventors and they can choose either to develop the idea further in the research domain, to pursue more promising ideas instead or to take personal assignment of the IP (see Personal Assignment Option).

The Commercialisation Team will aim to carry out the initial assessment and feedback to the Inventors on the outcome as quickly as possible. Normally this process should take no longer than 6 months, and may be much quicker, but it should be recognised that i) the Team have a large portfolio of projects and may have to give priority to other projects at times if the potential for commercialisation is greater ii) completion of the assessment is dependent on feedback being received from others outside the team (including the Inventors, patent agents and potential commercial partners) and the timing of this feedback is often outside the Team's control.

b) Opportunity Development

For each Opportunity which passes this initial stage gate, a **Commercialisation Plan** will be developed by the CM/Inventor team to make progress towards the expected commercialisation goal.

Once this plan is agreed, there will be actions for both the Commercialisation Team and the Inventors to carry out to progress towards commercialisation. Inventors will be expected to commit to the plan, as their involvement is often crucial – for instance in describing the invention to patent agents or to potential partners. Progress cannot be guaranteed if support from the Inventor team is not forthcoming and in its absence the Commercialisation Team reserves the right to terminate the project.

Key elements of the Commercialisation Plan are likely to include:

- IP protection strategy (engagement of external patent attorneys, costs of filing etc).
- Market analysis and Value Proposition Development (meetings with external parties, engagement of consultants).
- Technical proof of concept testing, demonstrator manufacture etc.
- Training of inventors in commercial matters.
- Route to market assessment.

This plan may require further funding to add further value to the proposition and get the Opportunity to the stage where external private partners (licensees or investors) would be willing to invest. This funding could come from internal or public-sector sources. The CM will help the team to identify and secure suitable sources of funding. Examples of such funding include:

- [Enterprise Projects Group \(EPG\) funding](#). Internal funds allocated to the University by EPSRC and HEIF.
- Entrepreneurial training schemes – such as [iCURE](#) and [Medici](#).
- Other funding sources are also listed on the [EPG web-page](#).

IP Protection:

A key element of the Opportunity development stage is the protection of the IP. More details of the available forms of IP are given in Appendix 4. Particularly where that protection is through patenting, there is a well-established timetable that any applicant must follow. More details of this patenting timetable including the key milestones, are given in Appendix 5.

The costs of filing and prosecuting patents are quite considerable. The University does not have a substantial patent budget to rely on and instead largely relies on EPG funding to cover the costs. For this reason, the Inventors (with CM support) will need to apply to EPG for funds to cover a) the initial costs of filing (£5-6k) and b) any follow on prosecution costs that are not covered by an external party.

Inventors should primarily be aware of the following decision points in the patenting process – including timings and costs:

Milestone	Cost (£)	Timing (months)	Decision Point
Initial Filing (usually UK)	5-6,000	0	<ul style="list-style-type: none"> Initial decision that the idea is patentable AND has commercial/impact potential. Include sufficient information in the filing to justify patenting. EPG application for funds.
PCT Filing	5-7,000	12	<ul style="list-style-type: none"> By this point, the team must have: <ol style="list-style-type: none"> gathered enough test data to show that the invention works and assessed enough variations to be able to broaden the scope of the claims. PCT filing is the last chance to add such material. made sufficient progress to establish clear commercial interest. If no progress, patent may be dropped. If progress, then new EPG application for funds OR (preferable) partner pays.
Publication	-	18	<ul style="list-style-type: none"> The initial patent filing (as amended at the PCT stage) will be published. At this point, the team may be more flexible in how they disclose the ideas to third parties.
International Phase	5-10,000 per country (Hence US, EU, China, JP, India may be up to £50,000)	30	<ul style="list-style-type: none"> By this point, the team must have: <ol style="list-style-type: none"> successfully identified a strategy to demonstrate to examiners that the idea is patentable. successfully engaged a commercial partner to cover patent costs going forward. made significantly more technical progress (preferably with a commercial partner). <p>If no progress on the above, then the Project will be ended.</p>

Decision Making and Success Rates:

Usually the team will keep an open mind throughout this process on the eventual commercialisation route until there is greater clarity on the potential, where it fits in the market and what is still left to be done to enter the market.

Inventors should also note that having embarked on a path to commercialisation in no way guarantees success. Despite the best efforts of both Inventors and Commercialisation Team, there is always a heavy attrition rate. The Commercialisation Team will regularly review progress towards commercialisation and if there is no realistic chance of success at any point, the CM will give clear feedback to the Inventors and will recommend to the Head of Commercialisation that the project should end. The reasons for failure of a commercialisation project will include:

- Insufficient buy-in from commercial partners to the proposed value proposition.
- The market is not ready for the innovation.
- Technical proof of concept fails – for example performance of a prototype in the field or at scale does not match that in the lab.
- IP protection is not possible – for example due to prior disclosure, or examination indicates that patent protection is not possible – and without this, partners will not invest.
- Inventors fail to commit to support the project or do not cooperate on the agreed approach.

Where a SpinOut is being actively considered, the procedure for further assessment and completion now follows that outlined in the [SpinOut Policy](#). The procedure below is followed for all other commercialisation projects.

Stage 2: External Party Engagement:

Based on the agreed Commercialisation Plan, the CM and the Inventors will identify who they need to approach in which companies and agree who will approach these people. Some of those people will be approached to gain an independent industry view on whether the value proposition being put forward actually matches with the need for a solution in that industry. Others will be approached directly as potential licensees of the technology.

In some cases, the Inventors may be best placed to make initial contact – as they tend to know the industry sector well. In other cases, the Commercialisation Team will use its own contacts and networks to find suitable contacts and make the initial approach. Depending on the technical knowledge of the CM involved, they may need the inventors to be involved in discussions – particularly to answer detailed technical questions.

Inventors must always remember, however, that it is the Commercialisation Team who has the mandate on behalf of the University to discuss and negotiate commercial terms for access to IP and they should not engage in these types of discussions with external partners.

Typically, discussions will be held under a Non-Disclosure Agreement (NDA), which will be arranged by the CM. Once any patent applications have become public, the Team may then disclose the content of the patent to external parties. In no circumstances should the Inventors disclose any information (Know How, data etc) that has not been included in the patent filing without first agreeing this with the CM. Such know-how can be of crucial value in making the invention work in practice and usually is withheld until a company has signed a deal to license the IP package.

The team may choose to develop marketing materials – including leaflets, PowerPoint presentations and videos – to support this engagement, but the most effective approach to convincing companies to take on IP is through direct discussions and the building of the basis of a relationship of trust.

The engagement process can be very lengthy – many parties will need to be contacted and any one party may require several face-to-face meetings over many months before being convinced to take a licence – and is likely to be full of dead ends. The decision-making processes of companies can be very complex, and the team may have to engage with several people in the management structure before being able to convince a decision maker. It is part of the Commercialisation Team's skill base to be able to navigate the engagement and decision-making process, but at least one of the Inventor group should allocate sufficient time to support this engagement.

Stage 3: Contract Negotiations and Completion:**a) Contract Negotiations**

Typically for a licence or similar agreement, the parties (the University and the company) will first negotiate around a term sheet which outlines the headline terms that are important to the parties. Once the term sheet has been agreed the key terms are translated into a full legal agreement.

The CM will first, before opening discussions, agree a mandate for the negotiations with the Head of Commercialisation (and other senior University management if required), then carry out the negotiations and do initial drafting of the legal agreement based on our template agreements. If amendments are required by the licensee that do not fit within the scope of the University's Contracts Approvals Policy (CAP), then approval for such specific changes will be sought from the appropriate senior manager before proceeding.

The CM will keep the Inventors informed of the nature of the deal, and its implications for them as well as the progress of the negotiations, but they will not be actively involved in the negotiation. The exceptions will be:

- where there is an expectation from the licensee for a degree of support from the Inventor group. Typically, this is restricted to a limited number of days unpaid, thereafter paid for by the licensee on standard consultancy rates. Alternatively, the University can agree to contract research paid for by the licensee. The Inventors will be consulted on whether they can meet this commitment and the Dean of the School will need to approve the time allocation.
- The inventors will be consulted on all technical descriptions included within the agreement (the description of the inventions for instance).

Once negotiations have been completed, the final agreement will be signed by the appropriate senior manager of the University.

The Inventors should note that they are not entitled to sign any agreement on behalf of the University and if they attempted to do so they could be subject to extensive personal liability.

Similarly, School management are not entitled to sign any agreements relating to IP or commercial terms as they do not have the authority to sign and neither the School nor any other department or group in the School is a legal entity.

b) Post Completion:

After completion of the deal, the Inventors can expect to be asked to provide information about the details of the ideas being transferred to the external partner. This could include designs, data, internal reports and a description of other know how that is not included in any published documents (e.g. patents or papers).

Typically, the external partner will have questions about to replicate or develop the idea further and the Inventors should be prepared to give time to answering these questions, subject to a reasonable limit which will be set in the agreement.

Ideally the completion of the deal will be first step in a long-term relationship with the external partner which could result in further research income and publications as well as subsequent IP deals. Importantly, an external partner signing a licence deal and then putting products or services into the market can be compelling evidence for a REF Case Study.

The Commercialisation Team will also maintain a relationship with the external partner and in particular will monitor their performance in a) progressing towards product development and market launch, b) sales of product and revenue due to the University (and subsequently to the Inventors and the School).

Personal Assignment Option

If, at any stage of the assessment or Commercialisation process, the Commercialisation Team decide that there is insufficient basis to expend effort or investment in a Project (as described above) but the academic decides that they wish to pursue commercialisation, rather than dropping the project or refocusing on research, then they may request an assignment of the IP to them personally.

The University has a standard precedent for this assignment, which gives ownership and all rights to commercialise to the Inventors but retains the right of the University to continue non-commercial research and teaching and a nominal royalty back to the University if the inventors are successful in commercialisation.

If the Inventors take Personal Assignment, then they are personally responsible for all effort, costs and investments required for IP protection and commercialisation from that point. In no circumstances should they use University funds or externally funded budget codes to cover such costs, nor should they use the name or brand of the University, nor should they use University facilities, equipment or office or lab space without a detailed arms-length agreement with the University, which would include payment at full commercial rates for such use.

From the point of assignment, the Inventors are personally liable for their actions regarding the IP prosecution and commercialisation and any legal proceedings. They undertake commercialisation purely at their own risk and should take their own legal, financial or other advice.

Time spent by the Inventors on commercialising IP in this scenario would come under the [External Work Procedures](#) and permission should be sought from the Dean of School (or relevant line manager if not an academic).

Appendix 1: Intellectual Property clauses from conditions of service:

26. Intellectual Property (IP)

26.1. Intellectual property (“IP”) is any form of original creation that can be bought or sold. The University generates IP through its teaching, research, enterprise and associated administrative activities and is committed not only to revenue generation but also to creating wider social, cultural and economic benefit from its IP.

26.2. Except where subject to separate contracts and in accordance with the Copyright, Designs and Patents Act 1988, the University claims ownership of all IP (including know-how) which is generated by its employees in the course of their employment.

26.3 Each Member shall give the University full written details of all works embodying IP rights made wholly or partially by them at any time during the course of their appointment under this agreement which relate to, or are reasonably capable of being used by the University. The Member acknowledges that all IP rights subsisting (or which may in the future subsist) in all such works shall automatically, on creation, vest in the University absolutely. To the extent that they do not vest automatically, the Member holds them on trust for the University. The Member agrees promptly to execute all documents and do all acts as may, in the opinion of the University, be necessary to give effect to this clause 26.3.

27. IP Copyright and database right

27.1. Copyright protects original literary, dramatic, musical, and artistic works as well as films, sound recordings, broadcasts and typographical arrangements. Database right protects against the unauthorised removal and re-use of database contents. In the UK, copyright and database right are automatic and do not need to be registered.

27.2. Examples of copyright protected materials include, but are not limited to, lecture notes and course materials, exam papers, books, textbooks and academic papers, technical drawings, research data, presentations, posters, web pages, software and databases. Except where necessary or subject to separate contracts, Loughborough University shall not assert any claim to the ownership of copyright in varying methods of academic communication including, but not limited to, journal articles, conference papers, seminar or conference presentations, novels, theatrical works (including plays), musical works (including lyrics and scores), or other artistic works.

27.3. Where the University does not assert any claim to ownership of copyright (as detailed above) the Member shall own such copyright, subject to their granting to the University an irrevocable royalty-free non-exclusive perpetual worldwide licence to use such materials in any University electronic repository, including the right (without seeking consent) to make necessary changes in accordance with technical requirements of such repository subject to agreement with the publisher.

27.4. Member(s) seeking to publish work in forms including, but not limited to, a textbook or e-book that reproduces copyright materials owned by the University should seek permission to proceed from their Dean of School. Such permission will not be unreasonably withheld. Copyright will remain with the University and this should be acknowledged in the publication. Any royalties received will normally be enjoyed entirely by the Member(s) or in appropriate circumstances will be subject to the distribution outlined in section 28.

27.5. Where the University is free and reasonably able to, Members shall be granted an irrevocable royalty-free perpetual worldwide licence to use any personal teaching and/or research materials in order to maintain a personal academic corpus of work and practice should they leave the University.

27.6. The University seeks to maximise the worth and use of the information resources that it provides for the benefit of members in their duties and expects that reproduction of copyright material will be a normal part of a member's activities. To this end, members are required to reproduce material in a proper manner, whether by means of legislative permissions, by licence or by direct permission from rights holders.

28. IP Commercialisation: Inventions and Creations

28.1. It is envisaged that Members in the RTE, SSA and TE job families may either alone or jointly with other person(s) make inventions or creations which might reasonably be considered suitable for commercial exploitation and which rely on IP over which the university asserts its claim to ownership. This may occur in the course of carrying out duties expressly assigned by the University or relating to any articles matters or processes

which are or have been the subject of investigation examination research or design by the University. In exceptional circumstances, the arrangements below may be applied to a Members of the MA, AD and OP job families with the prior agreement of the Chief Operating Officer.

28.2. Members shall make themselves aware of the current University IP policy and follow the guidelines therein. This may involve the faithful disclosure to the University of full information and particulars. The Member should not disclose the same to other third parties without appropriate confidentiality agreements or permissions.

28.3. The Member, at the request and cost of the University during disclosure, development or exploitation of the invention or creation, shall:

- (i) Join with and assist the University (or its nominee as the University shall direct) in assessing the invention or creation and obtaining patents or other protective rights in relation thereto in any parts of the world;
- (ii) Assist in the development and commercialisation of the invention or creation, and its promotion to third parties, including but not limited to documentation, communications and other activities;
- (iii) Ensure that their contact details are kept fully up to date with the University, even if they should leave the University.

28.4. Where the University receives an income through commercialisation of IP and in recognition of the contribution of the Member(s) to the creation of such IP, the University will share the income with the Member(s) according to the IP Policy.

28.5. If there is more than one Member, as outlined above, a fair distribution of accrued income, shall either be agreed upon unanimously by all Members or where there is no consensus agreed before the invention or creation is commercialised, such proportions between them shall be unilaterally directed by the University.

28.6. For the avoidance of doubt the provision for the division of income does not and is not intended to supersede the Member's rights under the Copyright, Designs and Patents Act 1988 or any amendment thereto.

28.7. Where the University is free and reasonably able to and where, after any such invention has been communicated to the University, the University does not desire to acquire the exclusive benefit thereof then on receipt of written notice to that effect from the University the Member(s) concerned shall be free to protect the same at their own cost and retain for themselves the exclusive rights thereto. Such notice by the University shall be given within a reasonable period but in no case shall it exceed a period of six months from the date of communication, provided that the Member(s) has complied with Clause 28.3.

Appendix 2: Costs of Commercialisation

1. Costs and Payments to be deducted:

- a. Externally incurred costs of IP protection and prosecution (e.g. patenting)
- b. EPG* (or similar) awards for proof of concept work, market research etc.
- c. Externally incurred Legal costs (for example engagement of external counsel to draft and negotiate legal agreements for a licence or SpinOut)
- d. Costs of University property, equipment and research personnel that a School has committed, or that the staff member has used without School approval, to further commercialisation that are not covered by another grant or award.

***Note: It is a condition of the award of all EPG funds that the funding will be repaid as and when the project realises a commercial profit.**

2. Costs and Payments not to be deducted:

- a. The costs of time spent on commercialisation by Professional Services staff within REO where no exceptional support has been provided above and beyond the normal service provided by the Office.
- b. Overheads on internal University costs, unless where included in 1 d. above.
- c. Salaries of academic staff.
- d. Research council funding supporting the underpinning research.
- e. Other funding unless this is an explicit expectation of the funding body.

Appendix 3: Distribution of Commercialisation Income - Examples

1. Licensing Income

Example 1: Royalties from a licence generates £25k in a year.

Outstanding **Costs of Commercialisation (CoC) = £40k** (EPG costs, patenting costs).

Before CoC recovered, income is shared 25% to Inventors, 25% to School, 50% to central funds.

In this case CoC are not fully recovered and so the higher rate for inventors does not apply. If a similar income was received in the following year and there were no more CoC, then the higher rate would start to apply.

Hence: **Inventor:** £6.25k
School: £6.25k
Central Funds: £12.5k

Example 2: Fees from a licence generates £500k in a year.

Outstanding **Costs of Commercialisation = £50k** (EPG costs, patenting costs).

Before CoC recovered, income is shared 25% to Inventors, 25% to School, 50% to central funds.

Hence, initial payments:

	Inventor: £25k
	School: £25k
	Central Funds: £50k

In this case CoC are fully recovered and so the higher rate for inventors starts to apply to the remainder of the income (£400k). (50% to Inventors, 25% to School, 25% to Central Funds)

Hence, subsequent payments:

	Inventor: £200k
	School: £100k
	Central Funds: £100k

Total payments:

	Inventor: £225k
	School: £125k
	Central Funds: £150k

2. Sale of equity in a SpinOut

Example: Income from sale of University's equity generates £500k.

Outstanding **Costs of Commercialisation = £10k** (legal costs).

This would be split as follows:

a) Inventors: £0k

In this case, the inventors will have already received equity in the SpinOut as their 'share' of the value. If they decide to sell their own equity at this point, then their return will be from sale of those shares.

If the inventors had not received shares (i.e. they had not become founders of the company) then their return would be solely from the accompanying licence of IP to the SpinOut.

b) School/University:

As the inventor's share is zero, the income is shared between the School and Central Funds in proportion to their specified ratio of income, i.e.:

- Until costs are covered, 25/50 (i.e. 1:2).
- After costs are covered, remainder is shared 25:25 (i.e. 1:1).

Hence:

• £10k costs to Central, £5k to School.	School: Total - £247.5k
• Remainder is £485k.	Central Funds: Total - £252.5k
• £242.5k to Central, £242.5k to School.	

Appendix 4: Forms of Intellectual Property

See also: [WIPO](#)

Patents

A patent is an exclusive right granted for an invention. Generally speaking, a patent provides the patent owner with the right to decide how - or whether - the invention can be used by others. In exchange for this right, the patent owner makes technical information about the invention publicly available in the published patent document.

Copyright

Copyright is a legal term used to describe the rights that creators have over their literary and artistic works. Works covered by copyright range from books, music, paintings, sculpture and films, to computer programs, databases, advertisements, maps and technical drawings.

Trademarks

A trademark is a sign capable of distinguishing the goods or services of one enterprise from those of other enterprises. Trademarks date back to ancient times when artisans used to put their signature or "mark" on their products.

Industrial designs

An industrial design constitutes the ornamental or aesthetic aspect of an article. A design may consist of three-dimensional features, such as the shape or surface of an article, or of two-dimensional features, such as patterns, lines or colour.

Trade secrets (or Know How)

Trade secrets are IP rights on confidential information which may be sold or licensed. The unauthorised acquisition use or disclosure of such secret information in a manner contrary to honest commercial practices by others is regarded as an unfair practice and a violation of the trade secret protection.

Appendix 5: Patenting Timeline

