



A Guide to Creating a U of A Spin-Off for the Commercialization of Patentable IP (PIP)

Introduction

This document is a guide for members of the U of A community interested in creating a “spin-off” company for the commercialization of new, potentially patentable intellectual property (PIP). The creation of a spin-off will follow defined [Principles for University of Alberta Spin-offs](#) to ensure alignment and longevity of the business terms on which the company is created. Though the effort involved in creating a successful company should not be underestimated, a U of A “spin-off” company can potentially help the founders realize commercial success while maintaining a hands-on approach to the commercialization process.

The U of A encourages its researchers and students to consider the possibility of starting a company to commercialize potentially PIP that they may create and to seek assistance through TEC Edmonton (TEC), the organization responsible for the commercialization of U of A intellectual property. Specializing in the creation and growth of technology-based companies, [TEC offers four integrated areas of expertise](#): Business Development, Funding and Finance, Technology Management, and Entrepreneur Development. Members of the U of A community are encouraged to speak with TEC if they are interested in starting a technology-based company or commercialization in general.

What is a U of A Spin-Off Company?

A U of A “spin-off” company is a legal entity, distinct from the U of A, that meets the following criteria: a) derives or will derive a considerable portion of its commercial activities from the application or use of a technology or business model originating from research activities conducted at U of A; b) is not controlled by the U of A, but in which the U of A may have a non-controlling equity and/or a royalty stake; and c) which has signed, in addition to all appropriate commercial documentation, a relationship agreement with the U of A to address conflict of interest arising from the involvement of U of A personnel in the new spin-off.

Apart from the process of registering a new company, which should be done in consultation with a lawyer, accountant and insurance provider, spin-off company founders face a number of needs, such as the protection and management of intellectual property, a shareholders agreement, management of conflicts of interest, market assessment(s), development of the business strategy, prototype/ product development, business planning, and funding. TEC can help. TEC’s role will depend on whether the U of A or the inventors own the intellectual property.

The U of A’s [Patent Policy](#) guidelines should be reviewed when pursuing the commercialization of PIP.

Spin-off procedures when PIP ownership is assigned to the U of A

If PIP ownership is assigned to the U of A as contemplated under the U of A [Patent Policy](#), the following spin-off company creation provisions apply:

Inventor / Spin-off Obligations

- Submit a Report of Invention ROI if an ROI has not already been submitted preferably at least 30 days in advance of a public disclosure to avoid the loss of PIP rights.
- Submit a summary of the intent to create a spin-off and of the possible market opportunity (no more than one page needed). The summary will identify the U of A personnel to be involved in the company and their possible roles.
- When TEC pursues PIP protection, the spin-off will negotiate a term sheet, as well as license, shareholders' and relationship agreements with TEC. Agreements are drafted by TEC.
- Incorporate before signing agreements. The inventors and spin-off should seek legal, accounting and insurance advice before incorporating and before signing contracts.
- Pay PIP expenses after the initial filing of a patent application by TEC.
- Work with TEC to scope and utilize up to \$25,000 of in-kind services provided by TEC (if such services are agreed upon).

TEC Edmonton's Obligations

- Upon receipt of an ROI, assess any encumbrances associated with the new PIP.
- Complete a patentability assessment of the PIP within 30 days of receiving the fully signed ROI.
- Prepare and file an initial patent application if the PIP is likely patentable.*
- Ensure the U of A meets existing obligations to any research sponsor.
- Review the inventors' summary of their intent to form a spin-off company, including the identification of U of A personnel to be involved in the spin-off, to help ensure any U of A contractual encumbrances are manageable. TEC may provide assistance assessing the market opportunity if needed.
- Prepare a term sheet.**
- Upon agreement of the term sheet in principle, draft the license, shareholders' and relationship agreements.**
- Deliver up to \$25,000 of in-kind services if agreed upon with the spin-off.
- Manage PIP deadlines and inform spin-off of PIP deadlines well in advance of due date.
- Share Net Revenue arising from licensing PIP with all inventors.

*TEC does not provide cash financial assistance to spin-offs beyond the initial filing of a patent application.

**Business terms and associated agreements will be drafted by TEC and will follow the defined [Principles for University of Alberta Spin-offs](#) to ensure alignment and longevity of the deal.



Spin-off procedures when PIP ownership is not assigned to the U of A

If PIP ownership is not assigned to the U of A as contemplated under the U of A's [Patent Policy](#), the inventors must submit an ROI and are responsible for all PIP protection costs and for fulfilling obligations to research sponsors. The transfer of PIP from the inventors to the spin-off must be approved by TEC. Royalty, shareholders' and relationship agreements will be negotiated with TEC to account for the sharing of revenue arising from the PIP in accordance with the U of A's [Patent Policy](#). Agreements will be drafted by TEC and will follow the defined [Principles for University of Alberta Spin-offs](#) to ensure alignment and longevity of the deal.

Spin-offs relying on Copyright Protection

U of A researchers routinely pursue the commercialization of algorithms and software, which may be protectable by copyright alone in accordance with section 10 and Appendix B (the "Copyright Regulations") of the academic staff agreements. Contact TEC Edmonton for details about these cases.