

An introduction to creating a University of Alberta spin-off company

Introduction

This document is for members of the University of Alberta (UAlberta) 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. A UAlberta spin-off company can potentially help the founders realize commercial success while maintaining a hands-on approach to the commercialization process.

UAlberta encourages its researchers and students to consider starting a company to commercialize potential PIP through TEC Edmonton. TEC Edmonton specializes in the creation and growth of technology-based companies.

What is a UAlberta Spin-Off Company?

A UAlberta spin-off company is a legal entity, distinct from UAlberta, which 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 UAlberta
- b) is not controlled by UAlberta, but in which the UAlberta 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 UAlberta to address conflict of interest arising from the involvement of UAlberta personnel in the new spinoff.

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 Edmonton does not provide cash financial assistance to spinoffs.

TEC Edmonton has a variety of business services available to assist spin-off companies.

TEC Edmonton's responsibilities will depend on whether the UAlberta or the inventors own the intellectual property.

The UAlberta's Patent Policy should be reviewed when pursuing the commercialization of PIP.

Spinoff procedures when PIP ownership is assigned to UAlberta

Inventors'/Spinoff's Responsibilities

- Submit a Report of Invention (ROI) describing the technology on which the spinoff will be based. Please submit the ROI at least 30 days in advance of any public disclosure to avoid the loss of PIP rights.
- Submit a business model summary for the spinoff including:
 - A description of the technology and possible products
 - Possible market sectors and opportunities
 - UAlberta founder(s)
- Incorporate your company. The inventors and spinoff should seek legal, accounting and insurance advice before incorporating and before signing contracts.
- Execute relationship and financial agreements with UAlberta. These will be drafted and negotiated by TEC Edmonton.
- Cover PIP expenses after legal agreements are completed.
- Fulfill commercialization and financial reporting requirements to UAlberta through TEC Edmonton.

TEC's Obligations

- Upon receipt of an ROI, assess any encumbrances associated with the new PIP

- Complete a patentability assessment of the PIP.
- Prepare and file an initial patent application subject to a positive assessment.
- Ensure the UAlberta meets existing obligations to any research sponsor.
- Review the spinoff business model summary.
- Prepare a term sheet, license, shareholders' and relationship agreements
- Manage PIP deadlines and inform spinoff of PIP deadlines.
- Share Net Revenue arising from spinoff with inventors (subject to license structure)

Spinoff procedures when PIP ownership is not assigned to UAlberta (independent commercialization)

Inventors'/ Spinoff's Responsibilities

- Submit a Report of Invention (ROI) covering the technology on which the spinoff will be based.
- Comply with any pre-existing obligations to a research sponsor of the technology
- Submit a business model summary for the spinoff including:
 - A description of the technology and potential products
 - Possible market sectors and opportunities
 - UAlberta founder(s)
- Incorporate your company. The inventors and spinoff should seek legal, accounting and insurance advice before incorporating and before signing contracts.
- Execute relationship and financial agreements with UAlberta through TEC Edmonton. The relationship agreement will be provided by TEC Edmonton. Financial agreements may be initially provided by either TEC Edmonton or the company, depending on the deal structure.
- Cover all PIP expenses.
- Fulfill commercialization and financial reporting requirements to UAlberta through TEC Edmonton

TEC's Obligations

- Upon receipt of an ROI, assess any encumbrances associated with the new PIP.
- Review the proposed company business model.
- Prepare a relationship agreement. TEC Edmonton may provide initial drafts of financial agreements or may negotiate with the company based on company-provided draft agreements.

Spinoffs relying on Copyright Protection

UAlberta 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.