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Principles for Spin-Off Companies at UZH

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Spin-off companies are a key instrument when it comes to translating university research into business practice. Innovative product ideas and the resulting company foundations are an important factor in Zurich's economic development that strengthen its capacity for innovation. Working at a spin-off or start-up company represents an alternative career path for university graduates. For this reason, UZH supports the establishment of spin-off and start-up companies in every way it can.

The following text defines the principles for the foundation of spin-off companies at the University of Zurich (UZH) and the associated transfer of university research results. The principles must also be followed in cases in which start-up companies interact with the research group of a co-founder at UZH.

1. Definitions

1.1 *Spin-off companies of UZH* are legally independent companies founded with the goal of putting intellectual property of UZH developed through research, teaching or other operations into commercial practice.

1.2 *Start-up companies of UZH* are legally independent companies (co-)founded by UZH members that do not use protected intellectual property of UZH.

2. Licensing Negotiations with Spin-Off Firms

2.1 The requirements for Unitetra's licensing negotiations with the team of founders are:

- A convincing and sustainable implementation plan (pitch deck or business plan); the team of founders has entrepreneurial spirit and the necessary experience (or has enlisted suitable external experts)
- The financing of the spin-off company has been secured or there is a specific plan as to where to acquire the required financial resources

2.2 Unitetra conducts the licensing negotiations with founders, investors or representatives (attorneys, licensing experts) of the spin-off company who are not simultaneously employed at UZH (to avoid conflicts of interests). However, UZH members who will only be employed at UZH for a short period of time and will then switch to the spin-off company after its foundation are also accepted as negotiation partners.



3. Licensing Agreement

3.1 UZH endeavors to license protected intellectual property developed at UZH to existing or newly founded companies for implementation. It is the property of UZH and may only be used by third parties under a licensing agreement. This also applies if the intellectual property was developed by one or more of the spin-off's founding members personally in the course of their employment at UZH.

3.2 Protected intellectual property that can be licensed consists of patent applications, patents, software, material, confidential know-how (business secrets), trademarks and designs. Spin-off companies are not permitted to use such forms of intellectual property without a license from UZH.

3.3 Licenses are granted to spin-off companies at the usual terms for university licenses, taking into account the special situation of spin-offs. The following principles apply, among others:

- To prevent an outflow of funds at an early stage of the spin-off company's existence, part of the license fees may take the form of equity granted to UZH free of charge (instead of a licensing fee and early milestone payments).
- Participation in revenue from the sale of products or services covered by the license (royalties).
- Sub-licensing is possible once the licensee has made a substantial contribution of its own to the commercial development of the subject of the license.
- After the execution of the licensing agreement, the licensee shall bear the costs of the further patent procedure.
- Milestones will be set for the implementation of the subject of the license. If the licensee does not achieve these milestones on time, UZH has the right to terminate the license.

Further details can be found in Annex A.

3.4 As a matter of principle, it is not possible for UZH to assign intellectual property rights to a spin-off company. Exceptions are possible for intellectual property jointly owned by UZH and the spin-off company in which UZH's share is small (20% or less). Assignment of the intellectual property rights may also be requested from the Executive Board of the University if the spin-off company is sold to a larger firm. In such cases, it is essential to ensure that the patent rights will be transferred back to UZH if the implementation does not take place. The Executive Board of the University is not obligated to approve such a request.



4. Conflicts of Interests

4.1 If a person is employed at UZH and simultaneously has personal interests in a spin-off or start-up company, this constitutes a conflict of interests. If a person is employed at UZH and simultaneously interacts with their spin-off or start-up company as part of their employment, this also constitutes a conflict of interests.

4.2 Conflicts of interests must be disclosed to UZH (Office of the Vice President Research) immediately by the person in question so that any measures required to handle the conflict of interests can be taken.

4.3 Members of UZH who are involved in such a conflict of interests must take care not to violate or circumvent any of UZH's intellectual property rights, and they must not use public or third-party funds or university resources and staff without written approval from UZH (Office of the Vice President Research) in any way that benefits the interests of the spin-off or start-up company. They must not act in UZH's name in connection with their own activities for the spin-off or start-up company. In particular, the use of the University's e-mail address and signature is not permitted. In addition, they may only disclose new research results to the spin-off or start-up company under a written, contractual arrangement (e.g. under a confidentiality agreement).

4.4 Members of UZH who intend to take up a position or perform work at a spin-off or start-up company are subject to the relevant University provisions (in particular the provisions on secondary employment and the public disclosure of outside professional activities and interests, as well as the University Act, the University Statutes and the employment ordinance in general).

4.5 In addition to their duty of loyalty vis-à-vis UZH as their employer, UZH professors who have a stake in a spin-off or start-up company must also comply with the following rules:

- They must not participate in the licensing negotiations between UZH and the spin-off company (to avoid conflicts of interests).
- They must disclose their stakes in spin-off companies (including options) to UZH without being prompted to do so. This duty of disclosure also applies to stakes in start-up companies if there is any kind of collaboration with such a company.
- To ensure full transparency, they must disclose any advisory contracts or other contractual agreements with the spin-off or start-up company and other activities for its benefit to UZH, even if these only constitute secondary employment.
- They must not deliberately adapt their research to the needs of the spin-off or start-up company.



5. Use of the UZH Name and Logo

Spin-off and start-up companies may only use the UZH name and logo in accordance with § 8 of the Regulations on the Corporate Design of the University of Zurich (*Reglement über das Corporate Design*) of 3 June 2010. Furthermore, the University of Zurich will grant spin-off and start-up companies the right to use the UZH Startup label once an agreement has been concluded. These usage rights are awarded by the Innovation Office.

6. Use of UZH Premises and Other Infrastructure

6.1 The use of UZH premises by a spin-off or start-up company is possible depending on availability, but must be regulated in a written agreement. The corresponding agreement must contain details of the time limit placed on the use of the premises and the amount of compensation to be paid. Other use of UZH infrastructure (equipment, facilities) and communications and IT services must also be regulated in a written agreement. The Directorate for Real Estate and Facility Management (Asset Management) is responsible for concluding the relevant agreements.

6.2 The use of the UZH address (c/o University of Zurich) requires prior approval by the Executive Board of the University (signing of a domicile acceptance declaration by the Office of the Vice President Research).

7. Research Collaboration

7.1 Any research collaboration between a spin-off or start-up company and the research group of a member of UZH involved in this spin-off or start-up company must be regulated in a written agreement.

7.2 The agreement must be signed by a member of the Executive Board of the University.

7.3 Research collaboration in the context of clinical development should be avoided. If such collaboration cannot be avoided, members of UZH involved in the spin-off or start-up company must not be assigned the role of principal investigator for the relevant studies. Justified exceptions are only possible with the written approval of the responsible member of the Executive Board of the University.



Contact Points

The university-wide **UZH Innovation Hub** (www.innovation.uzh.ch), which is part of the Office of the Vice President Research, offers four different support services for UZH members interested in founding a spin-off or start-up company in order to promote entrepreneurial activity by researchers and students in various phases. The following support programs in particular may be of interest to budding entrepreneurs: the UZH Innovators Camp, the BioEntrepreneurship & Innovation Program (BEI), the Digital Entrepreneurship Program, the Therapy Development Accelerator, UZH Entrepreneur Fellowships, the UZH Life Sciences Fund, and Wyss Zurich. The Innovation Office coordinates the activities and services of the UZH Innovation Hub and awards the UZH Startup label to UZH spin-offs and start-ups.

The technology transfer office **Unitectra** (www.unitectra.ch) advises members of UZH interested in founding a spin-off company, with a focus on validation of the business idea, protection of intellectual property and the transfer process (licensing) to the spin-off.



Annex A: Spin-Off Licensing Conditions

Licensing agreements that UZH concludes with spin-offs regulate the following matters and are based on the basic principles described below:

1) Equity

The amount of the participation is based on the status of the technology when it is licensed out and the amount of the other financial remuneration. It is generally in the range of 5-9% (with antidilution provisions, until the first significant funding round has taken place) or 8-12% without antidilution provisions.

Low percentages (in extreme cases even lower than the above range) are applied if:

- The technology is in a very early phase and little or no proof-of-concept data is available
- Royalties and the share of sub-licensing income are above-average
- Protection of intellectual property is weak and easy to circumvent; dependence on third-party intellectual property rights
- Difficult, small market

High percentages (in extreme cases even higher than the above range) are applied if:

- The technology is at an advanced stage of development (e.g. a functional prototype or comprehensive animal or other data are available)
- Royalties and the share of sub-licensing income are below-average
- Protection of intellectual property is strong and difficult to circumvent
- High market potential

2) Royalties

The royalties must be in the usual range for university licenses. If the initial situation is otherwise normal (e.g. normal profit margin), the following figures shall serve as a guide:

- Technology requiring a high level of investment after licensing (> CHF 100 million, e.g. pharma) – around 2%
- Technology requiring a moderate level of investment after licensing (CHF 10 million to CHF 100 million, e.g. medtech) – around 3%
- Technology requiring a low level of investment after licensing (< CHF 10 million) – around 3% to 5%
- Technology close to market at licensing – > 5%

Royalties relate to sales of the licensed products, regardless of whether the sale is made by the licensee or a sub-licensee (reach-through royalties).

3) Sub-Licensing Fees

The share of sub-licensing fees (upfront payments, milestone payments, etc.) that UZH is entitled to is based on the extent to which the licensee further develops the subject of the license between the



execution of the licensing agreement and the time at which the sub-licensing takes place (little further development = high share, substantial further development = low share). Sub-licensing can only take place when certain implementation obligations have been fulfilled. The share of sub-licensing fees is generally between 5% and 25%.

4) Implementation Obligation

Implementation milestones and deadlines for their achievement are defined in the license. If a milestone is not achieved, UZH may request submission of an updated schedule for the further development. If it is not possible to agree in good faith on an updated schedule for the milestones or the licensee has discontinued the development, UZH may terminate the licensing agreement.

The licensing agreement may provide for the option of deferring deadlines for milestone achievement within a reasonable time frame by paying fees.

5) Liability

UZH accepts no liability in relation to the subject of the license and gives no guarantees that the exercise of the license will not infringe on any rights of third parties. It shall be indemnified and held harmless by the licensee with respect to any losses or damage that the licensee causes through the exercise of its license.