Principles of innovation commercialisation

7 October 2024

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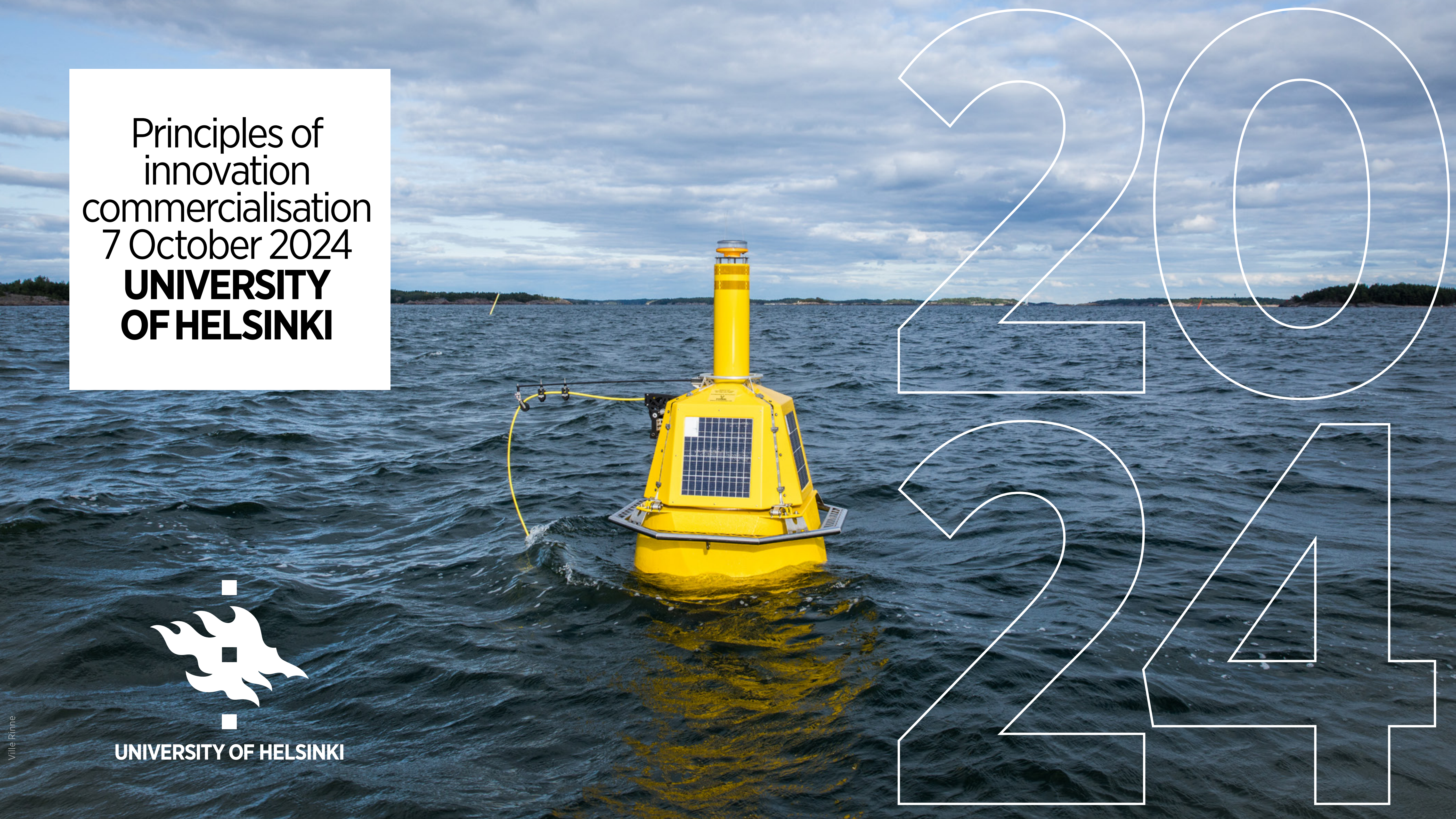

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To the reader,

The principles of innovation commercialisation define the commercialisation of intellectual property and other knowledge capital (hereafter 'innovations') of the University of Helsinki Group (hereafter 'University'). In addition, the University has separate intellectual property guidelines for identifying, protecting and exploiting inventions.

Efforts by the University's researchers at the forefront of various fields generate knowledge and innovations. The monetary value of innovations is often difficult to define, usually becoming clearer during commercialisation.

Innovations can be commercialised, for example, by licensing intellectual property to established third parties, establishing spinouts, launching further development with commercial partners, or taking advantage of what is known as venture builder collaboration. Licensing to established businesses usually entails a lower risk, particularly if the party in question has experience of commercialising similar intellectual property.

Often, research-based innovations are commercialised by establishing dedicated spinouts. However, creating and growing new business operations is a challenging endeavour that, as a rule, requires significant skills and capital without any certainty about the outcome.

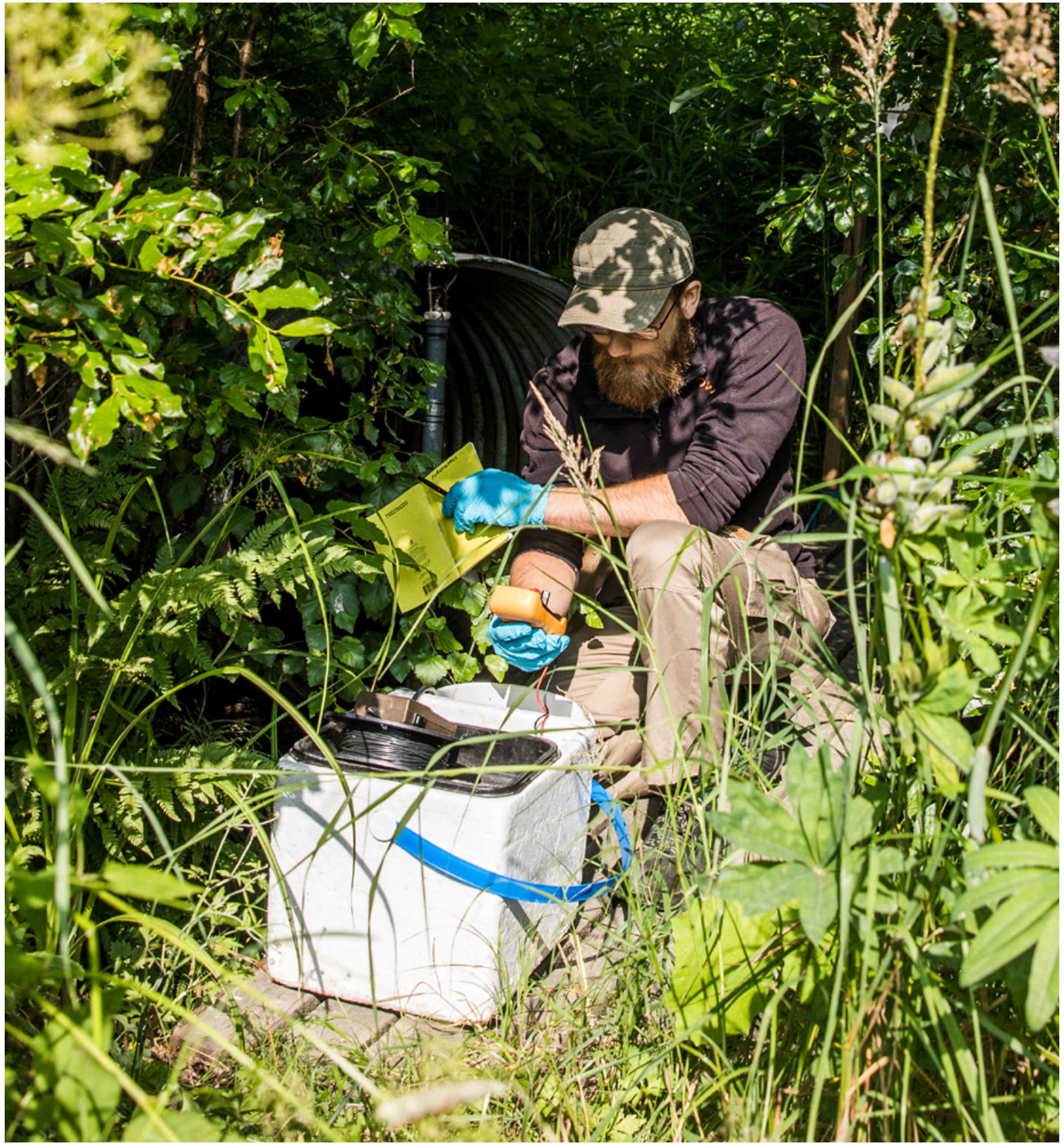
By commercialising innovations, the University strives to increase the overall impact of science and research. In this context, impact refers specifically to the benefits of new products and services for the general public (consumer surplus)[1], as well as other benefits for society generated by business operations. For example, society can benefit from improved competitiveness, employment, tax revenue and the resulting economic growth. The University also strives to generate added value for its researchers and students by offering opportunities to embark on entrepreneurial activities, which in turn can support the University's attractiveness as an employer and a seat of learning.

Income generated by the commercialisation of innovations at the University is used, for example, for University operations in accordance with the principles for the responsible distribution of returns. For example, the University can maintain and develop commercialisation operations so that they meet the University's goals and the demands of the operating environment.

In addition to funding the University's operations, income generated by the commercialisation of innovations is consolidated in funds in accordance with the principles for responsible investment activities.[2] As a solid and responsible investor, the University therefore has the opportunity to fund the commercialisation of research-based innovations in a long-term and sustainable manner.

The current and future challenges facing society are likely to increasingly underline the importance of innovation commercialisation and related investment activities. The University of Helsinki Group aims to be at the forefront of this trend.

1 https://en.wikipedia.org/wiki/Economic_surplus
2 https://www.helsinki.fi/en/about-us/strategy-economy-and-quality/university-finances/securities-investment



1 Mission

The purpose of the principles of commercialisation is to describe the commercialisation options for innovations owned by or transferred to the University. In addition to the alternatives included in the guidelines, innovations can be commercialised also by way of other commercialisation routes.

2 Applicability

These principles of commercialisation are applied to the commercial exploitation of innovations wholly or partly owned by the University.

3 Definitions

1.1 Intellectual property

Intellectual property refers to all intangible assets protected by law, including patents, utility models, design rights, copyright, trademarks, integrated circuits and databases.

1.2 Knowledge capital

University operations may generate knowledge capital that falls outside of intellectual property, including effective operating models, personal networks and other knowhow. Such knowledge capital is difficult to protect in ways other than keeping it confidential and exploiting it more successfully than potential competitors.

1.3 Confidential information

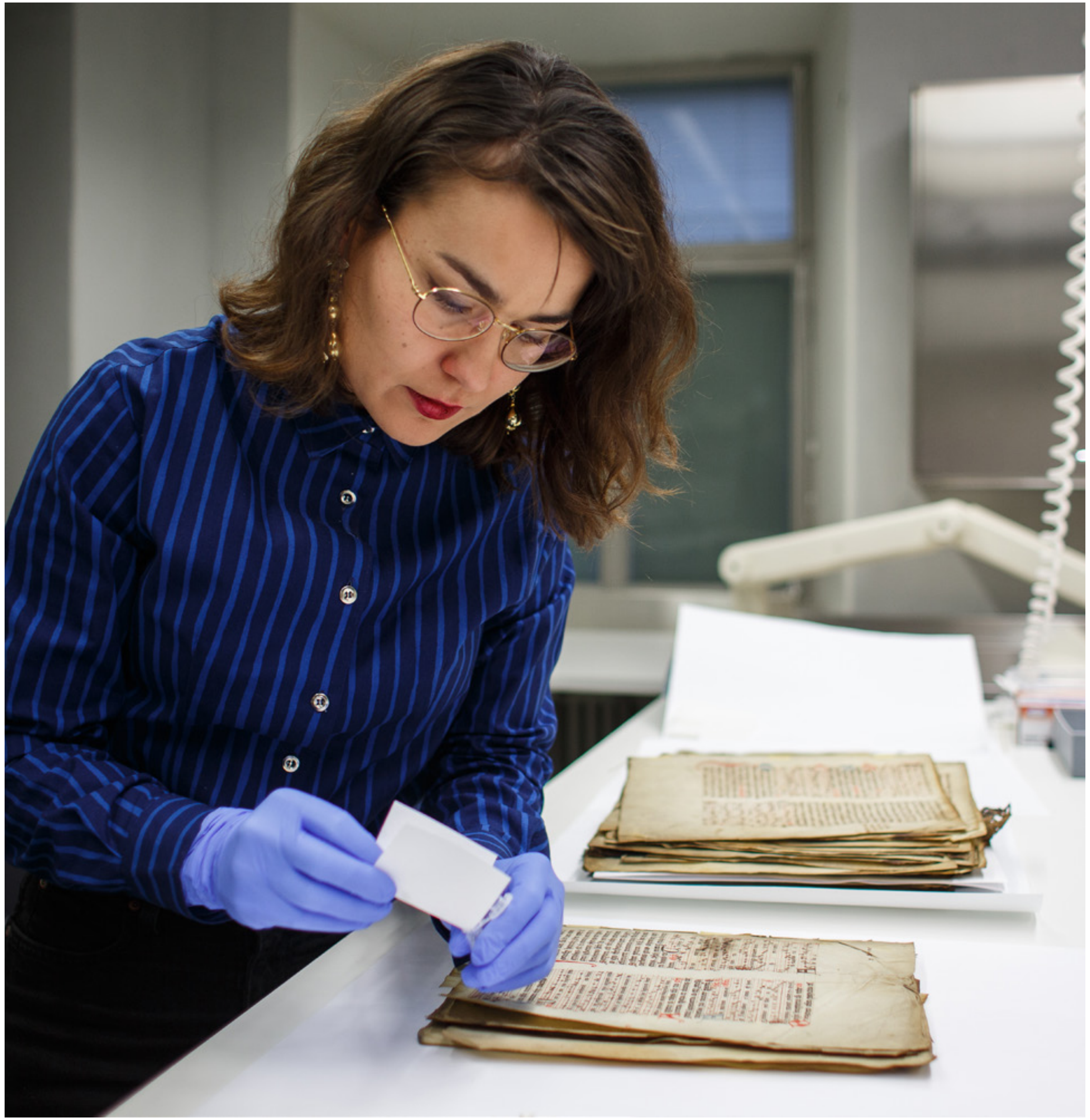
The Trade Secrets Act (595/2018) protects information designated as trade secrets. In the context of commercialisation, such information includes the following:

- Inventions as well as supporting research results and data prior to submission of patent applications
- Content of patent applications that protect inventions before the applications become public
- Knowledge or discoveries whose commercial exploitation depends on their trade secrecy
- Other trade secrets

Employees who recognise that they have made an invention must disclose it to the University in accordance with the process described in the intellectual property guidelines.

1.4 Spinouts

Spinout refers to businesses established for the purpose of commercialising intellectual property wholly or partly owned by the University, in which the University of Helsinki Funds (hereafter 'UHF') is a founding partner either directly or indirectly.



4 Commercialisation

The commercialisation of intellectual property owned by the University is typically carried out by licensing or selling property to third parties. Third parties can be business operators already active in the market or spinouts. Commercialisation preparations always involve certain measures carried out in cooperation with Helsinki Innovation Services Ltd (hereafter 'HIS'). At the University of Helsinki, HIS is responsible for the commercialisation of research and provides researchers with expert advice throughout the commercialisation process, from investigating the business potential of ideas or inventions to trade negotiations. HIS is responsible for, among other things, the following services provided to researchers:

- Protecting inventions
- Conducting technology assessment for the use of inventions
- Conducting market surveys
- Surveying potential licensing and investor partners
- Providing commercialisation training to research teams
- Negotiating, drawing up and monitoring commercial agreements
- Other commercialisation support services

Thanks to HIS and other internal operators, the University offers a wide range of support services for commercialising research, with the aim of boosting innovation activity at the University. In its commercialisation operations (processes, responsibilities, documents) the University strives to operate as transparently as possible and in compliance with ethics principles.

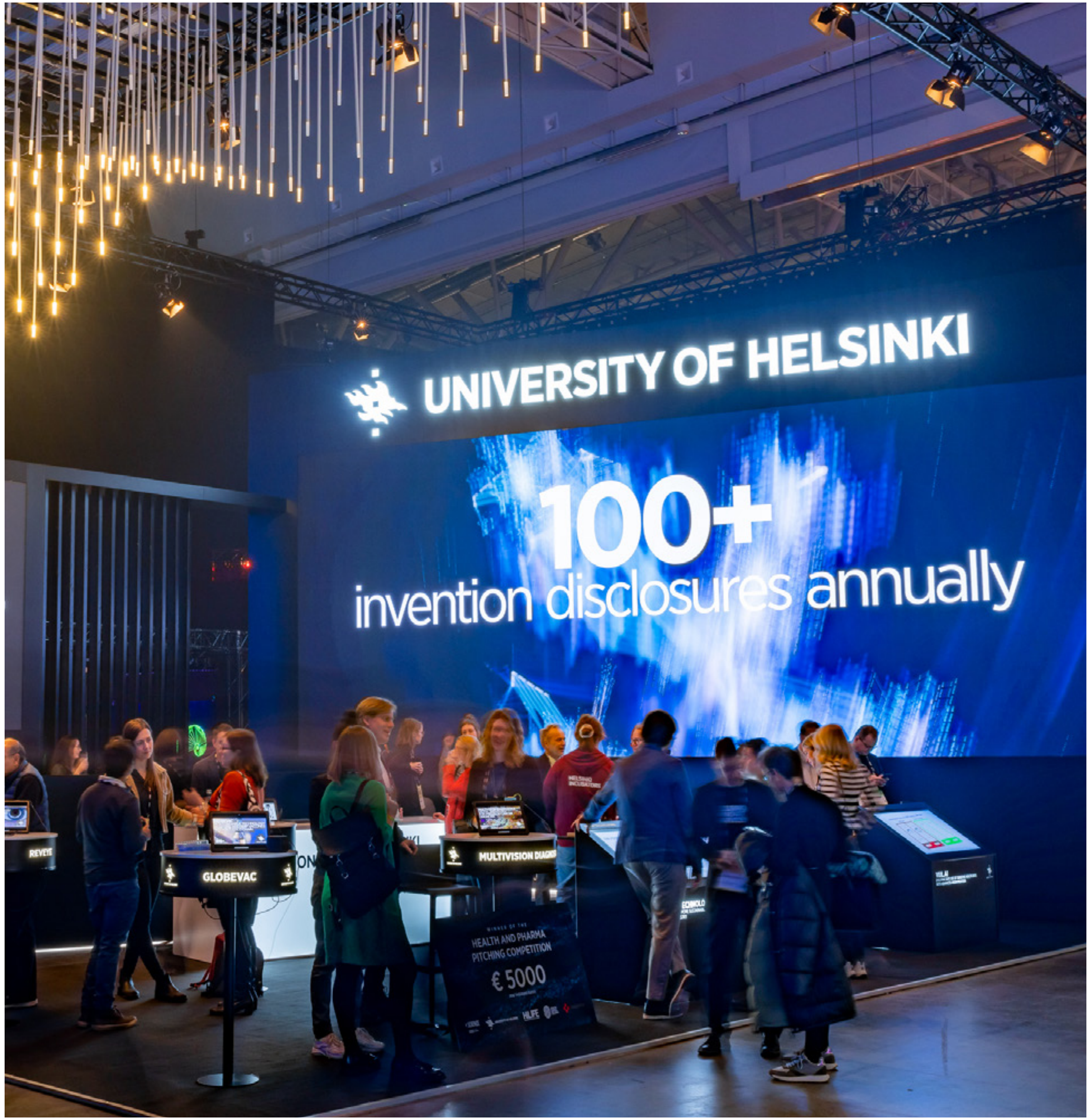
4.1 Licensing or sale of intellectual property

In the licensing or direct sale (hereafter collectively 'licensing') of intellectual property owned by the University, compensation is determined by a separate agreement (hereafter 'IP agreement'). The University's return on the commercialisation of intellectual property is distributed among inventors, profit centres and the University in accordance with the intellectual property guidelines. Licensing usually requires that intellectual property is either protected or the protection process (e.g., patent application) is pending.

The scope and terms of IP agreements vary by case, depending on, among other things, the intellectual property, the market, the degree of completion of the innovation, and the commercial significance of the invention to be licensed to the counterpart. Typically, IP agreements set out either a fixed price or the distribution of income to be gained through the intellectual property, in which case the University is compensated a percentage of the income generated (known as royalty). Licensing intellectual property may also require further research, in which case a research collaboration agreement may be concluded between the licensee and the University.

The scope and terms of IP agreements are determined case-by-case in negotiations between the entrepreneur team or an existing business and HIS. The licenses granted can be, for example, exclusive, or the right of use may be restricted in terms of geography or sector. The same technology can also be licensed to several parties.

HIS is responsible for the licensing and sale of the University's intellectual property as well as related negotiations. The University of Helsinki is party to licensing and sales agreements. Support from inventors and their role as the best experts of the relevant intellectual property are typically necessary for successful licensing and sales.



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4.2 Spinouts as licensors of intellectual property

Intellectual property can also be licensed to or bought by spinouts. As a rule, spinouts can be established when such an arrangement is considered commercially the best option.

At times, it is appropriate to commercialise supplementary inventions or other intellectual property through the same spinout. However, intellectual property or new business ideas do not as such guarantee commercial success. Building commercial operations is a process that requires the expertise and commitment of a range of parties as well as, above all, the right team.

If commercialisation takes place through a spinout, the potential entrepreneur team will prepare its establishment in collaboration with HIS and UHF. The preparations include the following:

- Recruiting the entrepreneur team and board members for the spinout
- Outlining a realistic overview through a business plan, financial forecast, result and balance sheet
- Other measures related to business development
- Negotiating optimal commercial terms

A. Entrepreneur team

Funding will be raised for businesses to be established. Typical sources of funding are investors who set their own requirements for the businesses. A skilled and committed entrepreneur team is often the most important criterion for investors. During the preparation stage, the entrepreneur team takes shape and can be modified as the preparations progress.

B. Business plan

The entrepreneur team is responsible for drawing up a business plan, including a financial forecast. HIS and UHF support and provide sparring for this task.

C. Founding shareholders

As part of business plans, it must be decided which of the spinout's stakes and holdings the shareholders wish to invest in. When establishing spinouts, the shares will be divided between the team and the University of Helsinki. From the University, the founding shareholder is UHF. As a rule, shareholders' holdings in businesses correspond to their future contributions to the businesses (pro rata). The share of UHF is usually 15% but can reach 17.5%, depending on the strength of the intellectual property and the field of the future business. In the case of spinouts that raise significant investments, the above-mentioned shares can be reduced by 2.5 percentage points. UHF negotiates the distribution of shares among the founding shareholders.

D. Constitutional documents and shareholders' agreement

UHF is responsible for drawing up constitutional documents for spinouts together with their entrepreneur teams. As a rule, templates drawn up for this purpose by the University are used.

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E. External funding

As a rule, more capital is needed to launch the business operations than UHF will invest. External funding can be raised from private or public investors.

UHF can, if it and the spinout to be established so wish, invest a small initial capital in the business. In addition, UHF can invest in the business's further financing rounds, but only alongside other investors.

With the help of UHF and HIS, the entrepreneur team is responsible for raising external funding. External funding secured in free market circumstances between independent parties is the most reliable way of valuing businesses.

F. Commercialisation and investment committees

HIS and UHF will present new spinouts and related investments to the University's commercialisation committee, which will make recommendations on them. Decisions to invest are made by the rector or the chief financial officer. The investment committee monitors investments, particularly in relation to the principles for responsible investment activities and the investment plan.

Images of research and innovation at the university used to illustrate the publication.

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