

# **Aalto University**

## **IP Commercialization Policy**

Approved by the Aalto University Board on 17.1.2024, to be valid 18.1.2024 onwards  
Supersedes IP Commercialization Policy approved on 13.12.2022

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## 1 The purpose of the document

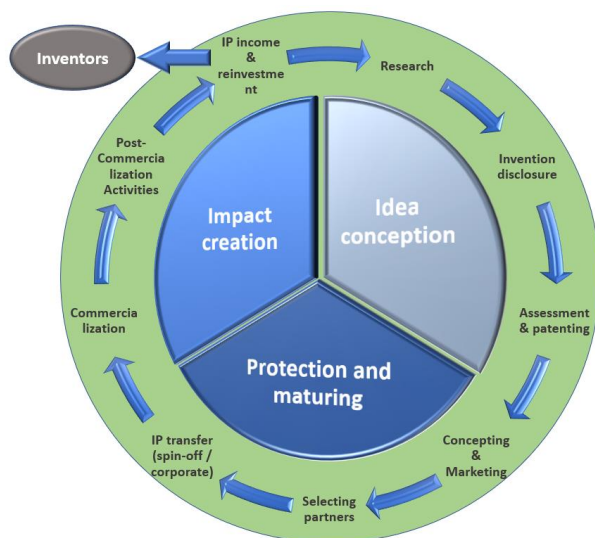
[Aalto University Principles for Commercialization of Intellectual Property](#) (“Principles”) state that the aim in commercialization of intellectual property is to maximize the societal impact through optimal utilization of results produced in association with research, educational or other university activities as well as to bring in funding to the University that it can use to fulfill its missions in research, education and impact.

The purpose of this document (“Policy”) is to set more detailed guidelines for implementation of the Principles in field of commercializing research results.

This latest version of the Policy was approved by the Aalto University Board on 13.12.2023. The Policy becomes effective and is applicable to new IP related commitments made from 18<sup>th</sup> of January 2024 onwards. Vice President of Innovation and Chief Financial Officer are responsible for the implementation of the policy. They may also jointly issue further guidelines under this Policy.

## 2 IP Commercialization process

The IP commercialization process can be conceptualized as a continuous cycle—one where discoveries in the research are developed into products in the marketplace that then help fund the next generation of research and innovation. For the most part, the steps of the cycle are similar whether the company commercializing the technology is a new venture or an established one.



Picture: Aalto University Commercialization Process

### 2.1 Research activities

Experiments and observations during research activities often lead to discoveries and inventions. Often, multiple people – including professors, post-docs, doctoral researchers and other research

and teaching staff – contribute to an invention and may be inventors. An invention becomes intellectual property (IP) once it is protected under the patent, trademark, trade secret, and/or copyright laws.

## 2.2 Invention disclosure

A written invention disclosure to Aalto University Innovation Ecosystem Services is the first step in the formal intellectual property commercialization process. Inventors - on basis of the law - must submit the disclosure without delay after having made an invention ([Submit invention disclosure - Aalto Innovation Services](#)). All employees are encouraged to inform IES also about other types of potentially commercially valuable research results. IES supports the faculty in identifying inventions and other research results that may have commercial value.

The ownership of inventions at Aalto University is regulated by the Act on the Right in Inventions made at Higher Education Institutions (Laki oikeudesta korkeakouluissa tehtäviin keksintöihin) and [Aalto University Code of Practice for Inventors](#). Aalto University has a right to take ownership of inventions created by its employees in externally funded research projects or research projects that are conducted in cooperation with external parties. Aalto University also has a right to take ownership of research results created in open research in case the inventors have not published the invention or expressed their interest to utilize the invention in written form within six months of disclosing the invention. The ownership of research results protected by copyright is regulated by the Copyright Act (Tekijänoikeuslaki). New commercially valuable information or findings (“know-how”) that cannot be protected by a patent may be protected as a trade secret based on the Trade Secret Act (Liikesalaisuuslaki) and confidentiality agreement(s).

## 2.3 Assessment & patent application

University Innovation Ecosystem Services evaluates the invention disclosure and makes decision on acquiring rights to the invention after assessing the background of the invention. The following criteria are applied when making a decision on filing a patent application:

- there are grounds for granting the protection (e.g. for patenting, a new solution to a problem that is industrially feasible and includes an inventive step), and
- there is sufficient commercial significance and market potential, and
- there is benefit for Aalto University’s IP portfolio, more specifically in case it is probable that the IP can later be sold or licensed, or
- there are justified research or teaching needs to protect the results.

Aalto University may, in its sole discretion, decide to discontinue the patent protection in case the efforts to commercialize the IP are unsuccessful and the inventors are not interested or willing to acquire patent application(s)/patent(s) back for market value to exploit the IP in question.

Where applicable, the same criteria - as defined for filing a patent application - are also applied in considering filing application for any other form of IP protection than patents (design rights or trademarks).

## 2.4 Concept Development

Once a decision has been made to file a patent application, a concept development phase will start to find the best possible commercialization path and ensure a sustainable IP commercialization model. The concept development phase often includes a designated project to prepare for IP commercialization, with project funding from public funding agencies such as Business Finland or European Innovation Council.

## 2.5 Selecting the Commercialization Partner

To ensure the potential commercializing partner (in the form of a legal entity) is the best choice and committed to develop the innovation and bring it to the marketplace, Aalto University will perform a due diligence process. Prior commitments (e.g. IP ownership), quality of the business plan (including market situation and financial plan), reputation, alignment with Aalto University values, strategy and risk management (e.g. financial strength) are assessed.

In IP transfers to startups, special care needs to be paid to make sure the new company is in the best position to develop the technology and bring it to the marketplace. For this purpose, the Aalto University pays attention to similar matters in the new startup as any other investor. In the case of the university, the main investment in the start-up is the IP, whereas the other investors (such as different early phase private equity funds) bring in cash and professional experience in managing a successful start-up business.

In IP transfers to startups, the competence and composition of the founding team as well as capitalization table reflecting shareholders that are fully committed to drive value creation of the business in the future are evaluated to ensure the company is able to attract investors for its future funding rounds.

In case of a startup as the commercialization partner, often an important immediate question for the inventors is whether they want to be involved in these tasks directly as part of the company team or to continue in their Aalto University roles. University Innovation Ecosystem Services and HR Services can offer guidance about these decisions and information about options. See also section 3: Managing conflict of interest.

## 2.6 IP transfer

Once the suitable commercializing path and partner is found, typically as a result of joint negotiations, the IP transfer will be negotiated and executed.

In the transfer, Aalto University:

- aims to reach interest alignment with the other parties, i.e. company investors, company management and inventors;
- seeks mutually beneficial agreements that secure the IP use in future academic and educational activities and are in line with our open science policies; and
- follows EU and national legislation in pricing the IP transactions to ensure competitive neutrality.

In case of a transfer to a **startup** established for commercializing the IP, Aalto University typically transfers the IP through:

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- transfer of the title in exchange for **company shares**, becoming a 10-19.9% shareholder, the % depending on the estimated contribution of the IP to the value of the company. Aalto University will receive cash when the shares will be sold, typically at exit or IPO, or
- transfer of the title of the IP using “**pay as you grow**” (PAYG) model for periodical milestone fees, exit fee and/or fees tied to a percentage of annual company turnover over a given period of time. Aalto University may consider offering to **convert the PAYG obligation to company shares** at the later funding rounds. In latter cases, Aalto University will receive cash when the shares will be sold, typically at exit or IPO.

In case of a transfer to an established **corporation**, Aalto University typically transfers the IP to a company for a one-time **lump sum fee** or for a **royalty**.

## 2.7 Post-Transfer Activities

In startup cases, where a minor cash investment is critical to bridge the gap until the seed funding round is in place, Chief Financial Officer of Aalto University may decide to invest in the startup company based on pre-established criteria (up to 50k€) in the form of convertible bond.

As a shareholder in spinoffs, Aalto University’s role is to remain as a transfer-and-hold owner, with intent to exit the investment at the same time as other early phase investors, typically as part of IPO or purchase of majority stake in the company by another company. Aalto University will exercise its shareholder rights through Annual General Meetings and only in very exceptional cases through a seat in Board of Directors. As a shareholder, Aalto University expects the startup company to follow the guidelines described in The Aalto University Code of Conduct.

After the IP transfer, further collaboration needs may arise between the company and Aalto University (e.g. leasing capacity from the university owned research infrastructures). In these cases, separate contracts at fair value are negotiated.

## 2.8 IP income & remuneration

Income received by Aalto University from the sale of IP assets are shared among relevant inventors and departments to foster the creation of the next generation of research and innovation.

For **inventor(s)**, the remuneration models are as follows:

Relevant inventor(s) involved will receive a total of 40% from net income received by Aalto University (deducted by any costs and remunerations already paid) relating to the technology transfer transaction in question. This remuneration model is described in the Aalto University employment contract.

Aalto University may decide to offer and agree with the relevant inventor(s) involved on another remuneration model, where the inventor(s) involved may receive in total an amount of up to 50k€ per technology transfer transaction at the time of the IP transfer to the spinoff. In addition, the inventor(s) will receive an additional total of 5% from net income received by Aalto University (deducted by any costs and remunerations already paid) relating to the technology transfer transaction in question. This remuneration model shall be agreed in writing between Aalto University and the inventor(s) involved. For the avoidance of doubt, all inventor(s) of the technology transfer transaction must agree to choose this model.

For department(s), Aalto University has two alternatives to share the income:

The relevant department(s) will receive funding from Aalto University internal funding model amount of up to 50k€ per technology transfer transaction at the time of the IP transfer to the spinoff. In addition, the department(s) may receive an additional total of 5% from net income received by Aalto University (deducted by any costs and remunerations already paid) relating to the technology transfer transaction in question.

Instead, Aalto University may offer the relevant department(s) to receive a total of 40% from net income received by Aalto University (deducted by any costs and remunerations already paid) relating to the technology transfer transaction in question.

The income net of expenses is calculated by deducting direct costs, such as invention rewards, invention protection costs, legal fees and other direct costs related to the IP portfolio management from the gross income.

### **3 Managing conflict of interest**

In IP transfers, issues regarding conflicts of interest (COI) are often raised. In managing the COI, the aim of Aalto University is to encourage and enable Aalto University employees to participate in entrepreneurial activities, while at the same time be particularly sensitive to the potential risks for the individuals concerned as well as to the public perception when a potential commercialization partner is an Aalto-affiliated start-up.

A COI occurs when there is a divergence between an individual's private interests and their professional obligations to Aalto University such that an independent observer might reasonably question whether the individual's professional actions or decisions are determined by personal financial considerations. A COI depends on the situation and not on the character or actions of the individual.

An employee (an innovator) participating in the IP commercialization process must, together with VP Innovation and the School Dean or their nominees, review any actions that present a potential conflict of interest during the commercialization process, and as well as plan necessary actions that enable avoiding the conflict of interests. This impact assessment and action plan shall be made (to the extent possible) already at the pre-commercialization phase and kept up to date during the process. The commercialization process may proceed only if the conflict is deemed manageable by the Dean and VP Innovation (or their nominees) based on the faculty member's/employee's plan for separating responsibilities.

Impact assessment is focused on whether a researcher/faculty member can separate Aalto University research from company research, provide unbiased and appropriate guidance and support to students, maintain academic integrity in research and education, and adhere to university policies. Aalto University cannot conclude any agreements until the appropriate COI reviews and approvals have been completed.

Aalto University employees are responsible for separating Aalto University duties for research and education from their possible personal financial interests in the company. In addition, Aalto University employees owe their primary professional allegiance to Aalto University. Their primary

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commitment of time and intellectual energies should be to the research and education of the institution. Conflicts may arise in terms of time allocation between Aalto University duties and external duties.

Aalto University employees are expected to know and follow Aalto University policies about COI:

- Communicate early with Aalto University Innovation Ecosystem Services of your possible plans to take any position in the spinoff company - to get proactive support for the decision and its implications for university employment.
- Separate and clearly distinguish on-going Aalto University research from work being conducted at the company.
- Use university resources only based on a written agreement negotiated free from the conflict of interests and on market price basis.
- It is not possible to participate in such projects as Principal Investigator or financial decisionmaker or take active role in preparation of the project. Participate only as a researcher in Aalto University projects in which the employees' startup company is participating as well.
- Limit time spent for ancillary activities to a maximum of 10 hours a week as a total. Ancillary activities should take place outside Aalto work time, as per Aalto University policy.
- When serving at the startup company, do not serve in managerial roles or titles (e.g. CTO). In the initial phase of a spinoff, also member of Board of Directors is considered as a managerial role.
- Consider a temporary leave of absence which is necessary if engaging in a management role in the company in the initial phase.

These policies and procedures can be found at: [Ancillary activities \(Sivutoimet ja sidonnaisuudet\) | Aalto University](#).

#### 4 IP valuation

As Aalto University needs to maintain an arms-length relationship in all its business transactions, negotiations and the final agreement must fall within the normal range of terms and conditions of similar licenses to any third party (taking into consideration the unique circumstances of each technology and transaction).<sup>1</sup>

In startup IP transfers against shares, the valuation is based on estimating the contribution of the IP to the value of the company. In this case Aalto University negotiates an ownership proportion (10-19.9% of the company shares) and the negotiation process will be documented according to guidelines provided by the CFO.

#### 5 Asset Management

The IP and spinoff assets of Aalto University are managed in *Fund for IP & Spinoff Asset Management*. The purpose of the Fund is to manage transactions related to the IP commercialization process:

- Transfers of the IP to the spinoff companies in return for spinoff equity or contractual rights to spinoff revenue (pay-as-you-grow);

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<sup>1</sup> See EU Framework for state aid for research and development and innovation (21.5.2014) 2.2.1



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- Investments of cash to spinoff companies (up to 50.000€) against a convertible bond;
- Selling of the spinoff assets at exit or IPO;
- Remuneration arrangements for the relevant inventors and departments;
- Asset management expenses; and
- Distribution of the future profits of the fund, net of expenses incl. inventor remuneration, back to the University research activities.

The assets are managed to maximize their financial value, however, ensuring interest alignment with the investors and inventor-entrepreneurs. Due to the nature of the investments, their financial value tends to be created over an extended horizon and hence no explicit return and risk expectations are set by Aalto University for the spinoff investments. The return to Aalto University is measured after deducing direct costs incl. inventor remuneration from the total income.

## **6 Roles and responsibilities**

VP Innovation and Chief Financial Officer have jointly the overall responsibility for managing the University IP commercialization process.

The authorities in the key phases in the process are:

- Decision to protect the IP: Head of Innovation Ecosystem Services
- Authorization on the IP transfer: VP Innovation & CFO, at the proposal of the Head of Spinoff Asset Management
- Negotiation of the IP transfer agreement documents: Head of Spinoff Asset Management
- Decision on the possible cash investment: CFO, at the proposal of the Head of Spinoff Asset Management
- Managing the IP & Spinoff Management Fund: CFO

All IP commercialization agreements are approved and signed according to the Aalto University Foundation Limits of Approval Policy.