

Licensing Principles for ETH Domain Spin-offs

Preamble (general principles)

A spin-off company of an ETH Domain Institution is a company that emerges from research activities of an institution of the ETH Domain and is founded by employees or students from this institution.

The use of intellectual property by spin-off companies should give a fair and reasonable return to the respective ETH Domain institution and the creators of the intellectual property; however, the conditions of such licenses are not primarily driven by profit maximizing considerations.

These 'Licensing Principles for Spin-offs of ETH Domain Institutions' are created by the ETH Domain institutions and are revised on an annual basis. They aim at identifying the common practices and principles with licensing for spin-offs across the ETH Domain Institutions. In order to provide greater transparency, each Institution intends to publish its individual licensing practices. The outlined commonalities across the ETH Domain Institutions do not restrict the Institutions to autonomously take decisions that might deviate from these principles.

Exclusive licensing

Exclusivity is understood to be one important factor for success in the exploitation of a new technology, and effort should be made to provide spin-off companies with conditions allowing them to successfully bring products or services based on this technology to market.

A careful balance of both interests (broad non-exclusive distribution vs. exclusivity) does allow for exclusive licensing, but only in a well-defined field of application.

Exclusive licensing may be subject to additional conditions (e.g. under obligations to reach specific pre-defined milestones agreed with the ETH Domain institution, the licensee bearing all external patent costs, both already incurred as well as future, or predetermined patent coverage of certain countries).

Licensing terms will always have to take into consideration the granting institution's own interests to further use a specific technology, including the use with other third parties.

Royalty terms

Royalties are paid on an annual basis as a percentage of sales.

- Royalty terms should not hinder the exploitation of licensed technology.
- Annual minimum licensing fees may apply.
- Minimum licensing fees may increase over time.
- Depending on the business model and in order to incentivize the use of the technology, royalties may be linear, progressive or decreasing as a function of time or sale volumes.

Exploitation & Termination:

Each institution shall have terms in the license agreement to incentivize the licensee to use commercial best efforts to develop and use the licensed objects. Such terms may include equity in exchange for the license, annual fees, milestone payments, and typically include termination of license clauses (e.g. in case of bankruptcy, liquidation or non-use of licensed technology). The institutions usually require annual development and licensing reports and reserve the right to audit the use of the technology and company books.

Coverage of intellectual property costs

Typically, intellectual property costs are covered by the ETH Domain institutions up to signature of the licensing agreement. They may be subject to repayment by the licensee. The licensee must cover future intellectual property costs.

Sublicensing

The licensee should make direct use of licensed technology. If the successful and broad implementation of technologies requires sublicensing, it should be subject to special conditions.

Shareholding rights (e.g. shares, options, phantom stocks, warrants)

Shareholding is a means to benefit from the added value created by spin-off companies.

- Shareholding by the institution is a common practice within the ETH Domain at conditions that depend on the specific circumstances and may differ by institution.
- The percentage of shareholding may be defined on a case-by-case basis.

Transfer of Ownership

Transfer of ownership of intellectual property may occur under specific conditions. Terms and conditions for the transfer of ownership should be determined at the time of transfer (e.g. at exit).

Retained rights for research

The right to use the licensed technologies for research and for educational research purposes as well as for any other non-commercial services and for co-operations with academic partners is retained by the institutions of the ETH Domain.

Warranties and future rights

There are no warranties on intellectual property by the institutions of the ETH Domain and the spin-off company shall have no automatic rights on future intellectual property of an institution of the ETH Domain. Future collaborations and related intellectual property rights may be agreed separately.

Software licenses

The use of software (incl. Open Source Software) by spin-offs is increasing. For the licensing of software different rules may apply.