



# Intellectual Property Commercialisation Policy

**University of Essex**

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|-------------------|------------------------------|
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# 1. Overview & Purpose

The purpose of this policy is to promote an environment that encourages and recognises staff and students for their endeavours in creating and exploiting intellectual property arising from their ideas and research to help address challenges faced by society today and in the future. This policy and guidance should be read in conjunction with the [University of Essex Intellectual Property Policy](#) which covers ownership of IP Rights (IPR) for employees, students and associates.

This policy supersedes the previous version of the Intellectual Property Commercialisation Policy and is effective from April 2025. This policy incorporates the principles of best practice for investment and licensing terms for spin-company formation set out in the University Spin-out Investment Terms Guide (“USIT Guide”) and the USIT Software Guide,<sup>1</sup> which was created as an outcome of the Government’s Independent Review of University Spin-out Companies.<sup>2</sup>

## 1.1 Intellectual Property

The University of Essex Intellectual Property Policy summarises the position in terms of IP ownership and reflects UK and EU legislation in this area. It sets out a revenue distribution model that rewards staff (and where applicable, students and associates) for their contribution to any University-owned IP that is successfully commercialised.

Intellectual property (IP) refers to creations of the mind and includes inventions, images, designs, and literary and artistic works. Formal protection, such as patents, is available for certain types of IP in addition to unregistered ‘automatic’ rights, such as copyright. Intellectual Property Rights (IPR) include patents, copyright, database rights, design rights and trademarks.

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<sup>1</sup> TenU (2023) University Spin-Out Investment Terms (USIT) Guide and USIT Software Guide. Available at: <https://ten-u.org/news/essential-resources-for-innovation-download-the-usit-and-usit-for-software-guides>

<sup>2</sup> Department for Science, Innovation and Technology (2023) Independent Review of University Spin-out Companies. Available at: [https://assets.publishing.service.gov.uk/media/6549fcb23ff5770013a88131/independent\\_review\\_of\\_university\\_spin-out\\_companies.pdf](https://assets.publishing.service.gov.uk/media/6549fcb23ff5770013a88131/independent_review_of_university_spin-out_companies.pdf)

IPR can enable commercial exploitation of innovations from research output. Not all IP can be formally protected, and know-how and specialist knowledge are important considerations. IPR can allow a commercially attractive proposition to be developed that can be licenced to another party or be used to raise investment. IPR can provide a competitive commercial position that can increase the prospects of an innovation achieving impact. Companies may need these monopoly rights to offset up-front costs for development, production infrastructure and marketing of an innovation required to take a product or service to market. In this context, IPR can increase the chance of an innovation making it to market and achieving impact.

## **2. Responsibilities**

### **2.1 Research and Enterprise Office**

The Research and Enterprise Office (REO) is responsible for the University's Intellectual Property Policy and the Intellectual Property Commercialisation Policy. REO colleagues are responsible for working with staff (and where applicable, students and associates) in advising, guiding and supporting the development, protection and exploitation of IP. REO staff includes the Technology Transfer Officer/Manager, Knowledge Exchange Managers, Head of Knowledge Exchange, Deputy Director – Enterprise, and Director of the REO, who have valuable and relevant experience and can offer advice at all stages in the IP commercialisation process.

This policy outlines how the REO supports the University and its staff to commercialise IP to achieve impact and attract external income. This support allows the inventor to concentrate on the innovation, allowing the REO to lead on the approval process, agreements, and support for developing the required information. The University's Commercialisation Group oversee and make recommendations to [University Steering Group \(USG\)](#) in relation to protection and exploitation of IP.

### **2.2 Commercialisation Group**

The role of the Commercialisation Group is to monitor and advise USG on matters relating to the University's spin-out investments and commercialisation activities, including appropriateness of policies and commercialisation strategies.

The Membership of the Commercialisation Group is:

- PVC Research
- Finance Director
- Director of Research and Enterprise Office
- Deputy Director – Enterprise
- At least one “external” member: a person(s) with relevant business, IP commercialisation and start-up experience
- Technology Transfer Officer/Manager

Terms of Reference for Commercialisation Group are:

- To recommend to USG an Intellectual Property strategy for the management both of intellectual property ownership and of the benefits and risks arising from the development, use and commercialisation of the University's IP, and to report on the ongoing review of the strategy on an annual basis
- To recommend to USG such policies as may be required on intellectual property and commercialisation, as they apply to all members of the University
- To receive and review businesses cases for commercialisation of University IP, advise on business models and make recommendations to USG on investment proposals
- To monitor performance of University spin-outs and related investments
- To work with REO colleagues to champion the development and commercialisation of IP across the University.

## **2.3 Staff**

All staff are responsible for the following:

- Disclosing new IP that is potentially commercially exploitable to the REO at the earliest opportunity
- Committing to working collaboratively with the University and colleagues in the REO to:
  - identify and protect IP
  - prepare necessary documentation for the approval process, i.e. business plan, term-sheet
  - provide adequate time to pursuing activities that will achieve successful commercial exploitation or knowledge exchange outcomes.

## 2.4 Students

When an individual enrolled on a course of study or research at the University generates IPR pursuant to their studies or research, the student will usually own such IPR. However, as outlined in the University's Intellectual Property Policy, there are scenarios where this is not the case and the University owns the IPR. In these instances, the student is responsible for:

- Disclosing new IP that is potentially commercially exploitable to the REO at the earliest opportunity
- Committing to working collaboratively with the University and colleagues in the REO to:
  - identify and protect IP
  - prepare necessary documentation for the approval process, i.e. business plan, term-sheet
  - provide adequate time to pursuing activities that will achieve successful commercial exploitation or knowledge exchange outcomes.

## 2.5 Associates

As per the University's Intellectual Property Policy, subject to any written agreement to the contrary, associates will be required to assign to the University any IPR they generate in the course of any activities carried out at the University. Associates are responsible for:

- Disclosing new IP that is potentially commercially exploitable to the REO at the earliest opportunity
- Committing to working collaboratively with the University and colleagues in the REO to:
  - identify and protect IP
  - prepare necessary documentation for the approval process, i.e. business plan, term-sheet
  - provide adequate time to pursuing activities that will achieve successful commercial exploitation or knowledge exchange outcomes.

# 3. Opportunity Disclosure & Assessment

New commercialisation opportunities are captured using the Invention Disclosure Form appended to this document. The term 'invention' is used in a broad context to encompass all commercial opportunities based on University knowledge, including those that are not based on patentable IPR e.g. apps, toolkits etc. REO staff will be able to assist and advise in relation to this process.

Invention disclosure forms capture the key details that allow an initial assessment to be conducted and to determine IPR ownership (e.g. the research funder might have rights in the invention). Some information may not be fully developed but this should not delay the completion and submission of the forms.

Once the Invention Disclosure Form is completed it should be discussed with the relevant Head of Department (or Executive Dean if the submission is made by a Head of Department) who is asked to sign the form to confirm there is no objection at this stage to progressing this opportunity. The Invention Disclosure Form should then be sent to the REO and a meeting with the inventor(s) will be arranged to discuss the disclosure further.

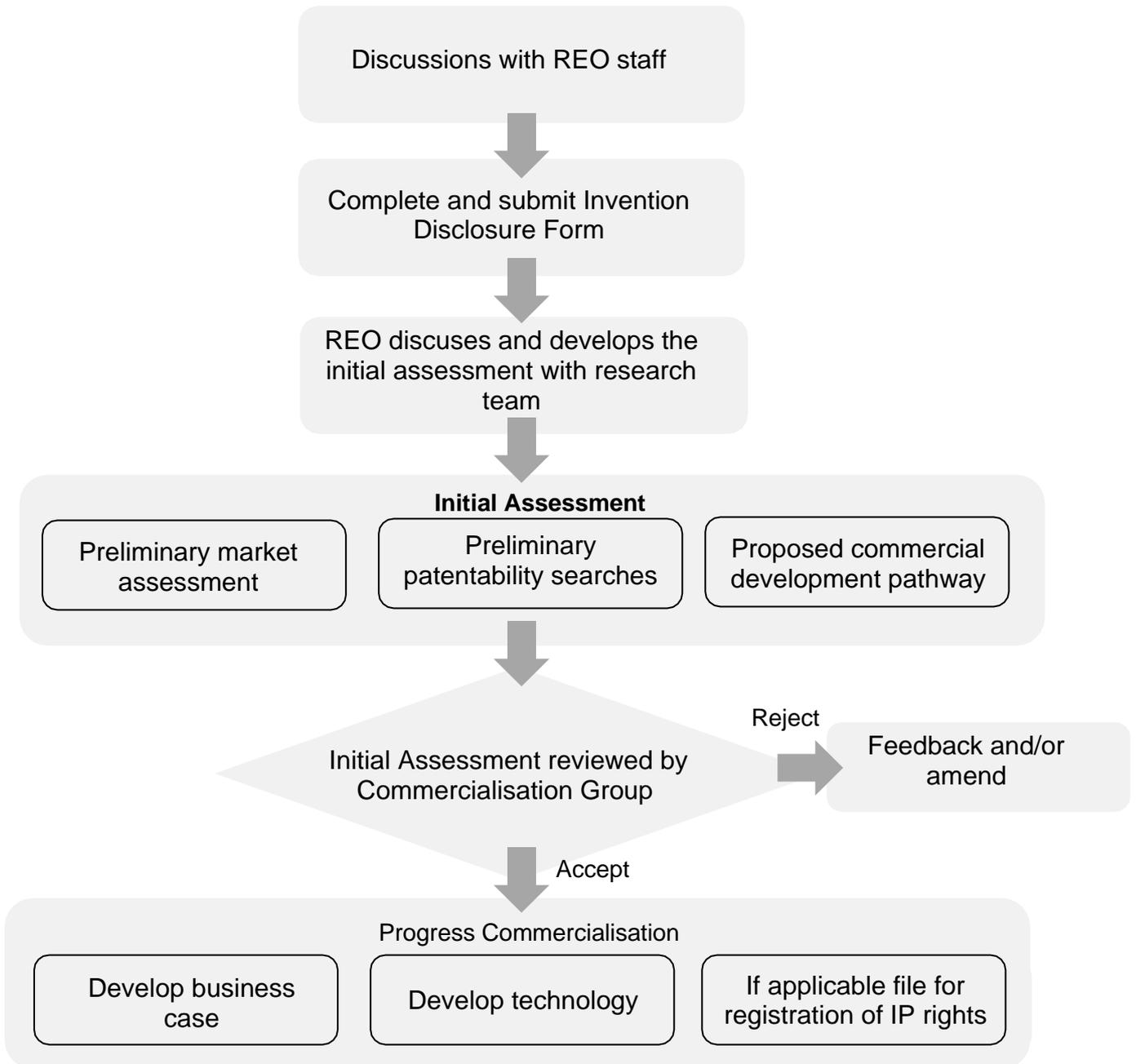
At any stage, REO can advise staff about safeguarding future opportunities to develop IPR, such as implementing confidentiality arrangements for discussions with external organisations and IPR terms in collaboration agreements.

The process of applying for registrable IP protection is expensive, and so before an application is made, searches are conducted to determine whether the invention is likely to be patentable and whether there is a market for the invention. Before funds are committed, there also needs to be a provisional plan for development of the commercial opportunity (e.g. applying for grant funding or via partnership). The REO will liaise with the researchers to compile this information as part of the Initial Assessment that is reviewed by the Commercialisation Group. This information takes time to gather and should be factored into plans for publishing or presenting the work.

## **3.1 IPR and Publication**

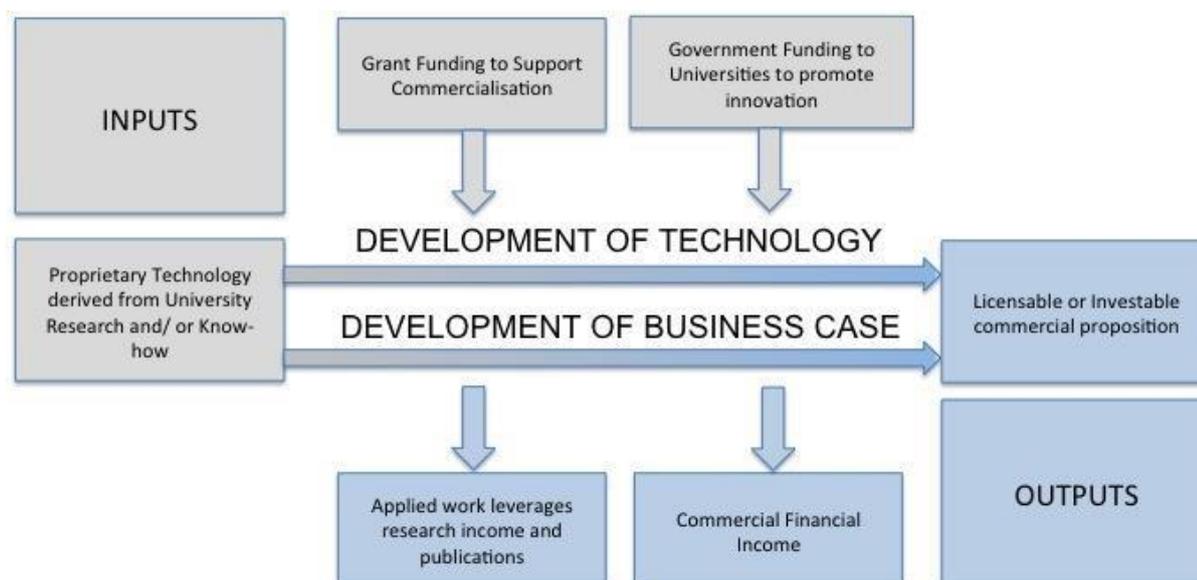
Protection of IP is not a barrier to publication of research and it is recognised that dissemination is a key objective. However, to obtain registered IP protection, no disclosure (of any kind) can be made before the application filing date. Therefore, timing is key and the REO can advise as to how to coordinate this. As a rule, papers that describe potential inventions should not be submitted prior to an assessment being made and, if appropriate, protection being sought. Patent filings themselves are publications and can be returned as part of Research Excellence Framework submissions.

## 3.2 Opportunity Disclosure and Assessment Flowchart



# 4. Commercialisation Process

The commercial exploitation of innovation can take many routes but, for universities, licensing and spin-outs are generally the intended outcomes. Whilst these are the objectives, it should be recognised the process of commercialisation itself provides opportunities for diversifying research income and forming partnerships that can facilitate pathways to impact.



Licensing allows a pre-existing organisation to develop and exploit the IP in exchange for revenue. A spin-out company is a new company, independent of the University, established to develop and exploit an innovation and provides a vehicle into which investment can be made in return for shares in the company. The REO will guide as to which commercialisation route is appropriate and this will depend on a number of factors including: stage of development of the innovation, the market opportunity, resources available, nature of the sector and any immediate opportunities (e.g. licensing interest).

Attracting funding (grant or private sector) to support these activities is often critical to progressing commercialisation which can be an iterative process rather than the common depiction of a linear process with decision points for commercial route.

All commercial pursuits will need to be approved by the Commercialisation Group. Therefore, a business plan is required within the process outlining in sufficient detail the business model, market, company activities and financial forecasts. The REO will manage this process and provide support to develop the information required.

## 4.1 Licensing

Licensing is generally perceived to be a lower risk option compared to spin-out company formation as the licensees usually take responsibility for further development whilst a spin-out would need to fund this activity itself. Spin-outs and licensing are not mutually exclusive, and many spin-outs are vehicles for progressing development of technologies to a stage where they are sufficiently mature to attract licence income.

Potential licensees could be commercial collaborators on a project or companies that offer complimentary products or services that address similar markets to the new innovation.

Licensee's seeking University owned IP should note the following terms, which include, but are not limited to:

- Commitment to exploit the licenced IP for commercial and/or impact
- Adherence to performance milestones if the IP requires further development
- Reimbursement of incurred costs made by the University towards protection of the IP as well as any ongoing costs
- Covering incurred costs made by the University for the development of the IP as well as agreeing to a royalty rate which can be determined upon negotiating the licence
- Freedom of use of the IP for academic purposes, such as teaching, research or publications, provided that this will not negatively impact commercial pursuits of the licensee.

There are no set licence fees, therefore the figure will be achieved using technology valuation appraisal methodologies alongside clear benchmarking and comparators, derived from internal and external sources, considering breadth and strength of IP, as well as negotiations between the University and the licensee.

When income is generated from University IPR, net revenues will typically be apportioned in line with the distribution in the table below:

|                           | <b>Inventor/Author</b> | <b>Host Department</b> | <b>University</b> |
|---------------------------|------------------------|------------------------|-------------------|
| Up to £10k                | 100%                   | 0%                     | 0%                |
| Over £10k and up to £100k | 50%                    | 25%                    | 25%               |
| Greater than £100k        | 33%                    | 33%                    | 33%               |

## 4.2 Spin-outs

Spin-out companies are new start-up ventures formed by the University to commercialise its IPR. Whilst these can involve students, this guidance does not cover student or graduate businesses not involving University IPR.

### 4.2.1 Formation of a Spin-Out Company

Where appropriate, the University will support the formation of a spin-out company to develop and exploit University-owned IP. The spin-out process refers to the different stages that need to be completed before a spin-out company can be formed and become operational. The REO supports this process, and the stages typically include:

- **Disclosure:** Completion and submission of an Invention Disclosure Form
- **Initial Assessment:** Due diligence of the invention and IP, including clarifying IP ownership and the prospect of obtaining IP protection, and assessing the commercial potential of the invention through market research and competitor analysis
- **IP Protection:** Preparing a case for support and securing University approval to proceed with appropriate IP protection (where relevant)
- **Plans and Agreements:**
  - a) Preparation of a business plan, including operational and financial plans for the spinout
  - b) A term-sheet of the main deal terms, including:
    - Shareholdings (equity) of the different parties;
    - Roles of each party;
    - Proposed Directors and constitution of the Board;
    - University observer rights at Board meetings;
    - Company matters requiring shareholder and University consent;
    - IP licensing arrangements;
    - IP responsibilities and IP costs;
    - Academic consultancy and/or secondment arrangements (where relevant);
    - Research collaboration arrangements.
- **Approval to Spin-out:** The business plan is reviewed for commercial viability and alignment with University objectives by Commercialisation Group, USG, (and where appropriate, University Council)
- **Company Registration:** Unless otherwise agreed, the spin-out is usually set up and

registered by the University.

Full details of the spin-out process can be found in [Financial Procedure 14 \(FPN 14\)](#).

The University is committed to working through the spin-out process as efficiently as possible while recognising there is variation in the complexity of IP, deals, and the markets the spin-out will access. Therefore it is reasonable to assume the formation of spin-outs will not look the same on each occasion and will vary in timeframes.

As a guide, the University considers that a reasonable timeframe to complete the spin-out process is up to 6 months from the point of deciding to form a spin-out, although recognising that a more complex deal involving more partners and investors could take up to 12 months to complete. The University expects founders and investors to also work efficiently and expeditiously in completing the spin-out process.

While the REO will support the spin-out process and offer guidance, it should be noted that founders with direct equity in the spin-out company are responsible for their personal obligations in relation to the following and may wish to seek specialist legal and financial guidance:

- Income tax implications
- Director and shareholder obligations
- Understanding shadow director status if attending board meetings as an observer.

## **4.2.2 Licence of IP to the Company**

The IP will be licenced into the spin-out company on an exclusive or non-exclusive basis, depending on the company's business plan. The University may seek payment of licence fees which can also include the payment of any fees covered by the University for the protection of the IP and for any future costs covering the protection of IP. The University will seek the most appropriate method of ensuring that any fees will not be a detriment to the success of the spin-out. Due to the complexities of IP, it is commonplace that no two licences will be the same.

## 4.2.3 Equity

The University is committed to supporting the success of its spin-outs and so will look to take equity instead of receiving a fee to help preserve cashflow for the spin-out. Inventors can either opt to receive equity in the spinout or income from the standard IP revenue-sharing agreement, but they cannot receive both. This also applies to inventors who are not directly involved in the commercial venture as founders or shareholders.

The share allocation is a general guide for equity allocation before third-party investment (i.e. 'pre-dilution'). The vast majority of spinouts need to raise equity investment. This is achieved through the sale of company shares. This being the case, the University and researchers will take equal 'dilution' (i.e. the University and researchers' shareholdings will both be diminished to provide shares for an investor). Similarly, any commitment made to external consultants or other organisations will dilute all parties in the same manner.

### Equity: Spin-outs with Registered IP

Spin-out companies based on registered intellectual property will usually have benefited from University financial backing and support with the formal protection of their IP i.e. through patents, trademarks, and/or design rights.

The table below indicates the equity position the University will take for spin-out companies based on registered IP, unless there are circumstances that call for this to be varied:

Equity before any dilutive third-party investment:

| Founder(s) (%) | University (%) |
|----------------|----------------|
| 75             | 25             |

### Equity: Spin-outs with Non-Registerable IP

Spin-outs with non-registerable IP will fall into one of two equity landing zones outlined below. Inventions which have received funding and/or support from the University as part of its commercialisation activity, such as support with marketing, product or service development, collaboration on funding call applications, support seeking external collaborators, and access to internal funding will fall into the equity landing zone outlined below:

Equity before any dilutive third-party investment

| Founder(s) (%) | University (%) |
|----------------|----------------|
| 90             | 10             |

Spin-outs with non-registrable IP that have required little to no support from the University with commercialisation activity should expect to fall in the following equity landing zone:

Equity before any dilutive third-party investment:

| Founder(s) (%) | University (%) |
|----------------|----------------|
| 95             | 5              |

## 4.2.4 Founders' Proportionate Equity Split

Where more than one individual has created the IP, the inventors will be responsible for determining and agreeing among themselves, in writing, as early as possible whether they wish to have a share of equity and the proportionate split between them.

## 4.2.5 Royalty Rate on Net Sales

Milestones and royalty rates will be negotiated by reference to fair market value, and benchmarking data from reputable third-parties will be sourced to establish general parameters and provide rationale for rates and any other terms where appropriate.

Therefore, rates will be determined on a case-by-case basis, however, this will sit inside the landing zones proposed by the USIT Guide. The exact figure will be determined by the IP type and Technology Readiness Levels (TRL).

| Royalty Rate |
|--------------|
| 0.5%-5%      |

## 4.2.6 Directorships

Staff can be company directors in addition to their University employment subject to approval of the Pro-Vice Chancellor of Research (on behalf of the Vice-Chancellor), for academic staff, and the Registrar (on behalf of the Vice-Chancellor) for professional services staff, as set out further in the University's [Additional Paid Work](#) policy. Staff undertaking such roles are personally liable as a Director and should ensure they understand the legal responsibilities involved.

Staff in senior positions undertaking directorships in companies where the University has a contractual relationship, e.g. a research collaboration, or has a shareholding, e.g. spin-out companies, are likely to have actual or potential conflicts of interest with their University position. A member of staff who is a Director of a company should not be directly involved in the University's decision-making processes relating to that company regarding procurement of goods or services, legal contracting, investment, or disposal of shares or assets. Staff who have Director positions in companies should disclose this in the University's Register of Interests in accordance with [Financial Procedure Note 13 \(FPN13\)](#).

Where academic staff are dedicating time to the spin-out, their time must be appropriately compensated for by adjusting their academic teaching or research responsibilities, with prior approval from the University.

## **4.2.7 Board Seats**

Management structures vary, but the University will hold the right to have a member of the REO staff as a Director on the board or attend board meetings as an observer at incorporation. For spin-outs with no registrable IP, there is the expectation that board observer rights or just information rights at founding will be required. This will be determined and agreed in the business case prior to formation.

Other board of directors can include, but are not limited to, academic inventors. Discussions will be held at the outset between the founders and the REO and this will be determined within the business plan.

## **4.2.8 Performance Monitoring**

The spin-out will ensure the following is in place and submitted to the Commercialisation Group at the end of the company's financial year:

- End of year accounts together with an end of year report detailing progress against the current business plan
- Financial forecasts if requested
- Appropriate insurance cover where applicable
- Appropriate health and safety policy and procedures where applicable.

## **5. Disputes**

If an internal dispute arises in relation to this policy and adjudication is needed, the matter should first be referred to the employee's Head of Department and then to the Director of Research & Enterprise for a decision. If the dispute cannot be resolved within a reasonable timeframe, it shall be escalated to the Pro-Vice-Chancellor of Research for resolution.

# Appendix 1: Key Points

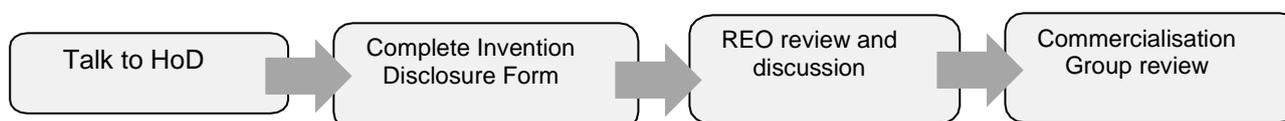
Speak with the REO about innovations with commercial potential before:

- Discussing with external organisations or collaborators
- Posting details on websites or presenting at conferences
- Submitting manuscripts and publications describing the innovations
- Setting up collaborations that commit IPR

## Confidentiality

Novelty is a key criterion for patentability and any non-confidential disclosures (including presentations, posters, and discussions with people outside the University) can affect this. Use of non-disclosure agreements can safeguard these rights and keep options open. The REO can arrange these agreements.

## Invention Disclosure and Assessment



Note – the REO can offer advice prior and during this process and should be contacted at the earliest opportunity.

## IP Licenses

- Allow access to IPR in return for royalty or milestone payments
- Require review by Commercialisation Group

## Spin-out companies

- Not appropriate for all commercialisation opportunities
- Require a sound business plan that defines the business model and strategy to attract investments/develop sales
- For spin-outs with non-registrable IP or other assets, more equity is typically held by the founders than the University. Where spin-outs have more or registrable University-derived IP and assets, more weighting is given to the University's founding equity positions.
- Need to be approved by University Steering Group

## Distribution of income after deduction of costs

|                           | Inventor/Author | Host Department | University |
|---------------------------|-----------------|-----------------|------------|
| Up to £10k                | 100%            | 0%              | 0%         |
| Over £10k and up to £100k | 50%             | 25%             | 25%        |
| Greater than £100k        | 33%             | 33%             | 33%        |

# Appendix 2: Invention Disclosure Form



IDF Inteum No..... (For REO use)

## INTRODUCTION

The purpose of this form is to capture information at an early stage on the initial details of inventions made at the University of Essex. The information disclosed in this form will be kept in confidence and used by Research and Enterprise Office in discussion with the inventor to identify opportunities for the patentability and commercial potential of the invention. Please complete this form to the best of your knowledge, discuss with your Head of Department, and submit to [ipadmin@essex.ac.uk](mailto:ipadmin@essex.ac.uk)

DATE OF DISCLOSURE

## PARTICULARS OF INVENTORS and CONTRIBUTORS

| Inventor(s) | Position | Department<br>(or organisation for non-UoE) | Phone | Email | Inventor Y/N |
|-------------|----------|---|-------|-------|--------------|
|             |          |   |       |       |              |
|             |          |   |       |       |              |
|             |          |   |       |       |              |

## TITLE OF INVENTION

## DESCRIPTION OF INVENTION

Please give a short description, outlining the problem it solves, how it works and its advantages and improvements over existing methods devices or materials. (Any extra information can be included as an attachment).

(i) What problem does the invention solve?

(ii) Describe the current solutions and their shortcomings

(iii) Describe the invention highlighting its advantages and applications

(iv) What needs to be done in terms of development before the invention can be used?

(v) Please give details of any companies who may have an interest in this invention. Please include details of any contacts you may have in those companies (name, position and contact details if known).

(vi) Please attach any supporting information that may be helpful during discussions with REO.

#### PUBLICATIONS, DISCLOSURE, DOCUMENTATION RECORD

Valid intellectual property protection depends upon the invention **not** having been previously disclosed to the public in any way. List any disclosures such as publications, presentations, posters, thesis, discussion with external collaborators or companies

List any dates planned for publications

#### BACKGROUND IP

(Details of background research, expertise, know-how, and patents (if any) leading to the invention)

#### SPONSORSHIP OF THE RESEARCH/ THIRD PARTY INTERESTS

What was the source of funding for the work?

| Funder | Amount | Details/Comments |
|--------|--------|------------------|
|        |        |                  |

#### OTHER RELEVANT INFORMATION

Please disclose any other information that may be relevant to patenting/commercialising this invention.

#### AUTHORISATION

Please discuss this form with your Head of Department and ask for confirmation (by signing below) that they have noted this disclosure and do not have concerns to be raised at this stage about progressing the opportunity

Head of Department Signature & Date

Inventor Signature & Date