Explaining the UMC IP Deal Terms for spin-offs

Explaining the terms for IP based start-ups coming from Dutch University Medical Centers when the inventors remain employed at their UMC

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1 Introduction

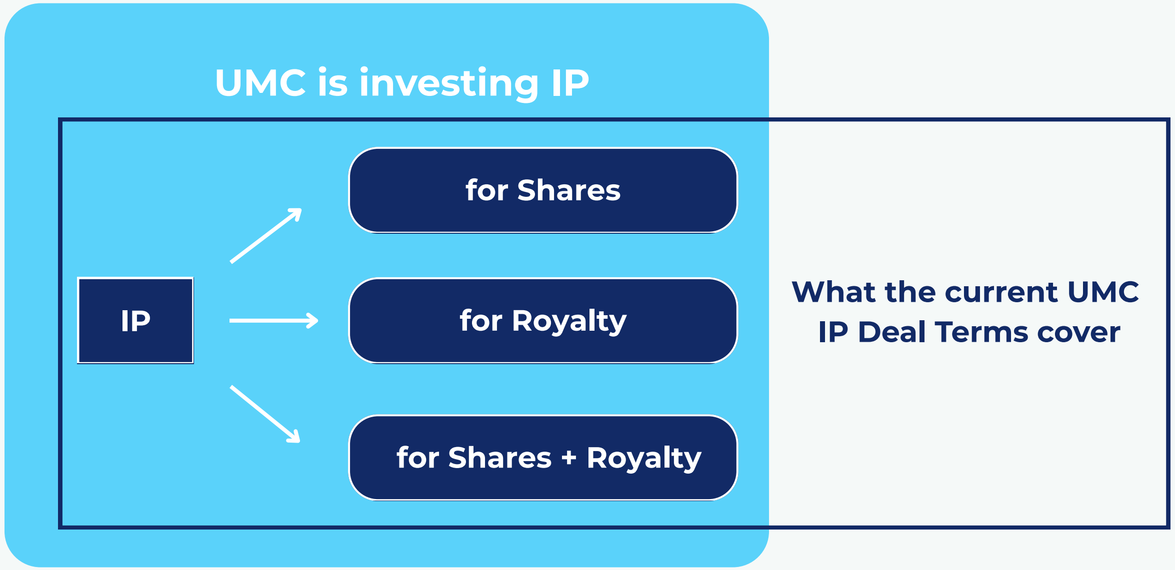
Spin-offs are based on disruptive research results generated by UMCs. These ventures are granted access rights to a UMC's Intellectual Property (IP) and often an exclusive right to use that IP for commercial purposes.

The Principles aim to expedite the spinout process, enabling stakeholders to achieve financial returns and achieve the goal of UMCs to generate positive impacts from their research.

The UMC IP Deal Term Principles are a set of best-practice terms for the formation of spinout companies, developed and agreed upon by the UMCs. Designed to foster fair and transparent deals, the Principles aim to expedite the spinout process, enabling UMCs to generate positive impact from their research and for all stakeholders to achieve financial returns.

The Principles address compensation and agreements regarding IP rights in situations where an inventor, a researcher or an employee or entrepreneur of the UMC seeks to start a company based on IP owned by the UMC. The Principles aim to maximize efficiency, fairness, and transparency. In this document the Principles are outlined according to which rights to the IP may be granted.

These explanatory notes to the Principles aim to provide researchers and investors with deeper insights into the diverse interests involved in spinning out a company and how universities balance these complex and interconnected interests to decide on company formation. Emphasizing a fair, transparent and smooth process, the Principles support innovation and entrepreneurship by streamlining and clarifying processes, making it easier to bring innovations to market.



When the UMC drafts a deal based on these Principles, it can decide for itself which specific options or rights to include in the deal. For example, a UMC that opts not to take equity in a spin-off cannot be compelled to do so merely because the option exists within the Principles.

These Principles serve as guiding starting points rather than binding rules. The "comply or explain" principle applies: deviations are permitted, provided they are reasoned and justifiable based on the institution's policies or context.

These IP deal terms focus on the IP investments. A UMC may also decide to invest with cash or in-kind contributions, not related to IP. This investment, whether in the form of cash, in-kind contributions, or venture building and support services in exchange for shares, can thus lead to an additional shareholder position that is not covered by these IP Deal Term Principles.

*More information about the context and the process of securing a deal can be found in the document **A national blueprint for enabling academic spin-offs in the Netherlands**, which provides detailed guidance on the steps involved.*

2 How the UMC IP Deal Terms came to be

In February 2023, the Universities of the Netherlands (UNL) introduced transparent Principles for providing a spin-off access to IP. These IP Deal Term Principles ("Principles") are based on international best practices with the input from universities, investors, and entrepreneurs, with support from Techleap.nl. In October 2025, these UNL Deal Term Principles were updated (v2.0). Due to differences between universities and university medical centres, the UMCs felt the need to create a variant of these Deal Term Principles more directed towards their practice, leading to this UMC IP Deal Terms document.

The Principles aim to expedite negotiation processes between UMCs and young companies, thereby enhancing growth and opportunities for success.

Knowledge Transfer Offices (KTOs) of the UMCs, will periodically monitor, evaluate and refine the IP deal terms to enhance the efficiency of the spin-off process.

The Principles refer to the Socially Responsible Licensing Toolkit. This toolkit elaborates on the 'ten Principles for Socially Responsible Licensing (SRL)', providing a foundation for discussions between knowledge institutions and market parties about the future use of patented knowledge, facilitating the conversion of academic knowledge into valuable products and services. The SRL toolkit aims to balance the commercialization of academic knowledge with societal responsibility, ensuring that innovations from Dutch IP benefit both the market and the public.

3 Key principles of the deal terms

The deal terms are grounded in the following set of core principles.

Agreements are structured to enable the spin-off to succeed, attract funding and grow.

- **Impact first.** By creating spin-offs, UMCs play a pivotal role in transforming academic knowledge into societal and economic impact. These ventures are not merely business endeavours but essential to the UMC's mission to impact and contribute positively to society.

- **Transparency and Consistency.** Maintaining clarity and consistency in deal terms across agreements.

- **IP is owned by the UMC** A spin-off leverages UMC's IP. According to legal frameworks, collective labour agreements, and employment contracts, IP generated during employment is typically owned by the UMC. Hence, a spin-off initiated during an employee's tenure is presumed to be based on UMC IP, unless proven otherwise. It is important to note that IP encompasses any results generated by any research and innovation activities, and can include, e.g. patents, copyrights, trademarks, publications, data, know-how, prototypes, processes, practices, technologies, inventions, software or business models.

- **Fair return.** In case of the successful valorisation through a spin-off, a fair return to the UMC must be ensured, so that a reasonable share of the proceeds flows back and can be reinvested in research and innovation.

- **Spin-offs are partners.** Spin-offs are not profit models but pivotal partners for valorisation and collaborative research. There is a shared interest in the success of these ventures, minimizing conflicts of interest. Agreements are structured to enable

the spin-off to succeed, attract funding and grow.

➜ **In founder we trust.** Confidence in the founders' capability to effectively expand the spin-off, assessed through objective milestones.

➜ **Use.** As the UMC aims to maximize the impact of its IP, initially the spin-off may be granted conditional access to these rights. Continued access to the IP is contingent upon the spin-off achieving specific milestones, ensuring progress, value creation and a capability of bringing the IP to the public. If the spin-off demonstrates success in meeting these milestones, its access to the IP will be sustained.

➜ **Market-Conform Compensation.** The deal's compensation terms align with market practices and are designed to avoid market distortion. Fees for IP are based on Fair, Reasonable, and Non-Discriminatory (FRAND) principles, ensuring that pricing reflects the actual value of the IP without giving undue advantage to any party, regardless of their association with the organization or their financial capacity. Deal structures are adapted to the unique characteristics of spin-offs but maintain neutrality, ensuring spin-offs do not receive preferential treatment over established organizations or other spin-offs. In addition, to uphold competitive integrity and comply with antitrust regulations, it is crucial that pricing remains flexible and responsive to market dynamics. Fixed pricing in advance may contradict the principles of a free market, where prices are ideally determined by open competition rather than pre-set conditions. This approach ensures that compensation practices do not interfere with market dynamics or violate competition laws.

➜ **Facilitating future success.** Encouraging the spin-off's development to amplify its societal and economic impact. UMC compensation is tied to the spin-off's success. Generally, equity agreements avoid pre-revenue cashouts or milestone payments without clear investment components and provide adequate rewards to ensure founders' sustained dedication to the spin-off's success. The deal structure is optimized to attract future investments.

4 Fair Reasonable and Non-Discriminatory (FRAND) Terms

As IP owned by the UMC comes forth from research that is (partially) funded with public money, compliance with state-aid regulations requires the institution to establish a market-conform deal with the spin-off.

To meet these requirements, the IP deal terms outline three specific compensation structures from which the UMC can choose:

- **A fully dilutive equity share.** This option allows the UMC to hold an equity stake in return for the use of its IP by the spin-off that adjusts over time as new investments dilute shares, ensuring the institution's stake is proportionate to the company's growth and additional funding rounds.
- **A license deal with royalty payments.** In this structure, the spin-off receives a license to use the IP, with the UMC earning ongoing royalties based on revenue or sales, ensuring fair compensation that scales with the spin-off's successful commercialization.
- **A hybrid equity-royalty deal.** This combines elements of both equity and royalty arrangements, allowing the UMC to benefit from both an equity stake in the spin- off and a royalty stream.

The UMC (or its Holding) will decide which of the deal structure (equity, royalty, hybrid) is applicable. Time spent by UMC employees before the incorporation of the spin-off is part of the valorisation task of the UMC and represents a contribution from the UMC to the spin-off.

See Chapter 6 for the details of these three IP arrangements.

5 The license

As a rule, IP is licensed and not transferred, a.o. due to Social Responsible Licensing obligations. The UMC may consider a request for IP transfer.

A license is a permission granted by the owner of IP that allows another party to act under all or some of the owner's rights, usually under a written license agreement. A license agreement describes the rights and responsibilities related to the use and exploitation of IP owned by the UMC. The license agreement is usually concluded at a very early stage, when it is still unclear whether there will ever be a product on the market. A license agreement usually stipulates that the licensee should diligently seek to bring the IP into commercial use for the public good and provide a reasonable return to the UMC. A licensee is chosen based on its ability to commercialise the technology and bring the technology to society for the benefit of the general public. The UMC will also check the reputation of the licensee(and its shareholders) and its intentions to use the IP for the greater good.

A national guideline[1] provides additional recommendations for licensing agreements with spin-offs. Standard conditions include:

- ➜ **Fair market price** ("Fair Reasonable And Non-Discriminatory" terms)
- ➜ **Spin-off reimburses the costs** incurred by the UMC to establish and maintain the IP.
- ➜ In line with the Socially Responsible Licensing principles, the UMC will at all times demand an **academic license**, being an automatic, non-exclusive, royaltyfree license to use the IP, limited to research and educational purposes and patient care only.

[1] https://www.umcnl.nl/app/uploads/2025/09/Richtsnoer-omgang-met-intellectuele-eigendomsrechten-IER-2016.pdf
https://www.universiteitenvannederland.nl/files/publications/Richtsnoer%20omgang%20met%20IE%20ENGLISH.pdf

and research purposes, including but not limited to research in national and international projects executed with public funding.

- In case the spin-off needs UMC facilities (access to research labs), it will enter into a **separate agreement** with the UMC.

- **Right to publish.** The UMC can and may publish the results of joint research without restrictions and use these findings for research and educational purposes.

- **Follow-up research.** Results of follow-up research by the UMC and the IP that may arise from it, are the property of the UMC. The spin-off does not have automatic access to this future IP; this is to ensure the academic freedom of the UMC. The UMC expressly disclaims any and all implied or express warranties and makes no express or implied warranties of merchantability or fitness for any particular purpose of the IP. If the spin-off is interested in follow-on IP, an agreement can be discussed at UMC's discretion.

- **Periodic reporting.** In order to keep track of payments as well as how the results are being used, a UMC will expect to periodically receive reports from the start-up. The nature and content of these depends on the spin-off's development phase at the time. The report could relate to technological developments, the actions and objectives relating to the launch, sales successes and any sublicenses and so on.

- **Anti-shelving.** Access to knowledge from the UMC always takes place on condition that the user makes reasonable commercial effort to actively bring the knowledge to the market.

- **Cooperation of UMC staff** in case of infringement proceedings or other IP related legal actions. For licensees or subsequent owners it is often of paramount importance that they have continued access to the original inventors, in the case of extending a patent or if there is a court hearing. It is important that UMCs cooperate with such requests from spin-offs.

The spin-off team has to prove that they are successful in development to maintain access to the IP.

Access to IP & commercial rights

➜ In case of IP that is more broadly applicable than the business of the spin-off, the license and/or its exclusivity may be limited to a specific field or territory.

➜ The spin-off is granted an **exclusive, unrestricted user license**, with the exclusion of the Academic License, with the right to grant sublicenses on the IP for a period of X years.

Diligent efforts

The spin-off team has to prove that they are successful in the early phase of the development of the spin-off to maintain access to the IP.

To meet diligent efforts obligations, objective milestones are set in advance. e.g. an investor has assessed the business case and is willing to invest a significant amount of venture capital, or the spin-off has shown to be successful by realising a certain amount of sales. The UMC (or its Holding) may also add a technology milestone such as a certification or reaching a certain development stage. In case the spin-off fails to meet the milestone(s) within X years, the license will either be converted to a (continued) non-exclusive license to the IP or be terminated at the UMC's discretion.

Spin-off's rights and obligations with respect to the patents

- The UMC shall **consult** with the spin-off on important steps related to the preparation, filing, and maintenance of the patent, provided it has been granted an exclusive license. Alternatively, UMCs may consider to transfer the responsibility for the prosecution of the patent to the spin-off.
- All out-of-pocket cost incurred by the UMC in connection with the filling, maintenance, and enforcement of the Patent Rights up to the signing of the license agreement (the 'Historical Costs') shall be **reimbursed by the spin-off** upon signing of the license agreement, after a certain agreed period, or upon completion of an agreed Milestone, as applicable.
- All costs incurred after the signing of the licence agreement, including but not limited to expenses related to the prosecution, maintenance, enforcement, and upholding of the patent rights, as well as costs related to national phase entries, transfer of rights, and any post-transfer expenses, shall be **borne directly by the spin-off**.

The signing of a License Agreement is usually the beginning of a long-term relationship. Most licensees continue to develop an invention to enhance the technology, reduce risk, prove reliability and satisfy market requirements for adoption by end-users. This can involve additional testing, prototyping for manufacturability, durability, integrity and further development to improve performance and other characteristics.

6 The compensation for IP

The UMC may offer one of the following types of IP arrangements:
1. fully dilutive equity share (IP for equity)
2. license deal with royalty payments, upfront fees and fixed fees (IP for royalty)
3. hybrid equity-royalty deal

Valorisation of research results and generating IP is a core task of a UMC. UMCs reward valorisation efforts by sharing the financial revenues from the exploitation of inventions with the involved research group and the directly involved employees personally. This sharing in the employer's revenues is a further elaboration of Article 12(6) of the Dutch Patent Act, which stipulates the obligation of the employer (patent owner/the UMC) to grant the inventor a fair compensation for making the invention. The same Article 12, sub 3, describes that the UMC is the owner of the inventions of its employees. In addition to the revenue sharing, the employee may also obtain shares in a spin-off company, typically in combination with future commitment. This is the case in any of the three IP arrangements, i.e. all inventors of the IP benefit from the proceeds that are being received by the UMC, e.g. from the sale of shares, dividend or royalties. The exact division of the proceeds is determined by the local policy of each UMC. In most UMCs ⅓ of the proceeds goes to the inventors, ⅓ to their research groups and ⅓ to the UMC). NB 'research group' can also be interpreted as department, faculty, or division, depending on the local policies on income distribution at the various UMCs.

Nuance differences between UMCs

At the time of drafting these guidelines, the majority of UMCs make use of the fully dilutive equity share type. The remuneration of founders for future efforts for the spin-off in the form of shares has also been harmonized within this majority.

1. IP for Equity

In this model, the UMC participates in the spin-off by acquiring shares in exchange for access to the IP. Accordingly, the UMC acquires fully dilutive shares with the same rights as the other founders. Dilutive means that when new shareholders (such as an investor) join the company and receive newly issued shares, the share percentage of each shareholder proportionally decreases. As all initial shareholders dilute pro-rata with such an investment, this means that interests between founders and UMC remain aligned. Please note that the management of a spin-off may at any time decide (with approval of the shareholders) to incentivize key personnel by allowing them extra shares, e.g. from an employee stock option pool (ESOP), thereby reducing their dilution.

Incorporation of the spin-off & share percentages

Please note that generally a spin-off is better only incorporated once a (preferably external. i.e. from outside the UMC) CEO has been found, a solid business plan has been drawn up and (ideally but not necessarily), an investor comes on board immediately.

Inventor shares The (external) CEO/management team will be responsible for bringing together the team and, together with the KTO, determines which inventors are or are not key to the success or growth of the spin-off and what incentive they should receive for their future efforts for the spin-off, with a maximum of 4.9% shares for employees who wish to remain fully employed. Being an inventor does not imply that the inventor automatically has the right to become a shareholder, it is about the future commitment and role in the spin-off. The remuneration in shares for future efforts is in addition to the remuneration in cash for the contribution to the IP (= past efforts); see also elsewhere in this chapter.

UMC shares It may be necessary, for example due to interesting subsidy options, to start without an external CEO and/or investor. In that case, the UMC or its Holding will hold all shares and may temporarily fill the management role or have that role temporarily filled by one of the employees who indicates a willingness to invest time in the initiative.
At incorporation the institute sets aside a third of the shares for an employee share option plan (ESOP) for the

inventors and other key personnel in the spin-off. The Institute will adjust this share for the ESOP as needed to attract the necessary talent capable of building a spin-off that can bring the innovation further to the market. These shares are typically reserved within a so-called “Stichting Administratie Kantoor” (StAK) with an independent board of directors, in the form of an Employee Stock Option Pool (ESOP) or an alternative solution, e.g., in the form of Stock Appreciation Rights (SARS) or an option scheme. They can also be used to reward the CEO to be recruited and, after an investment, to grant certain employees additional shares at the recommendation of the management. The inventors will remain bound by the maximum of 4.9% (shares, SARS, options or a combination) for as long as they remain fully employed at their UMC.

The percentage of shares in the share capital of the spin-off requested by a UMC, as well as the percentage of the reserved shares for CEO and other key management required for the successful execution of the businessplan depends on each individual’s value and contribution. This is typically determined in negotiation with the management and prospective investors. The percentage of shares requested by the UMC will depend on the amount of the investment made by the investors in relation to the value of the proposition. This value is determined by how relevant the IP is to the initial unique value proposition of the spin-off, the TRL (technology readiness level) demonstrated, the strength of the IP and the competitive advantage it provides, as well as the size of the market opportunity.

Biotech/pharma propositions that form the majority of the UMC spin-off initiatives require more and larger investment rounds justifying a higher initial share for the UMC than typical UNL propositions. As a result the percentage of UMC shares after the first investment for TRL level 3-4 propositions typically ranges between 20-25%; for TRL level 5-6 propositions this can extend to 45%.
All UMCs underline the importance of the active participation in the spin-off by inventors that the CEO considers to be key to the spin-off's success. The UMCs therefore consider allowing these inventors to spend four of their weekly working hours on spin-off related activities for a period of two years and regard this as a further implementation of the UMC's

valorization task, conditional to written approval by their direct supervisor.

The UMC is compensated for this contribution through its shareholding (in addition to the contribution from the licensed IP). This is separate from any additional work performed by the inventors (in their free time) for the spin-off, for which they receive the 4.9% of the shares. This must be approved by the manager or board and is administered as an ancillary activity. If, after two years, the spin-off wishes to extend the active involvement of an inventor it will have to pay for the hours made under a separate agreement. NB The spin-off would be wise to attach “reverse vesting” conditions to the issue of the 4.9% inventor shares, i.e., inventors should only be allowed to keep their shares if they achieve predetermined milestones.

The conflict of interest (CoI) situation that arises when an inventor continues to conduct research within the UMC and performs activities for the spin-off that is active in the same field of research, in exchange for shares or any other form of renumeration,and in addition, devotes part of her or his work and free time to working for the spin-off, requires clear written agreements with the designated person within the UMC (e.g., the department head) and notification of these ancillary activities. These agreements must be in line with the national and local regulations on ancillary activities. Researchers with an interest in a spin-off can - for example - never negotiate on behalf of the UMC with ‘their’ spin-off and cannot be ultimately responsible for studies of which the outcome is relevant for the spin-off. For an example of a CoI-checklist, see Annex 1.

Shares for (additional) spin-off employees

It is up to the shareholders to decide on how to reward the external CEO and subsequently up to the spin-off management team to decide on the further distribution of the shares over the team members. It is advised to take into account:

- ➜ the activities of the person for the spin-off and the commitment to work for the spin-off (number of hours per week);
- ➜ which unique expertise, network or competences the person brings to the spin-off;
- ➜ the risk that the person is taking, e.g. resigning (a part of) their job;
- ➜ does the person receive payment for

the work for the spin-off.

If one or more inventors wish to leave the UMC on a part-time basis, a customized solution is required. This depends, among other things, on the number of hours worked outside the UMC and whether the spin-off will pay for these hours.

Other contributions from the UMC to the spin-off:

In addition to IP, the UMC can make further contributions to the spin-off in the form of, for example, a PoC loan, a direct investment, use of space and equipment, and other venture-building activities, such as secretarial/HR/legal/business development support, accommodation, assistance with financing options, coaching, website construction, and other marketing and communication activities. Business agreements must be made between the UMC and the spin-off for this contribution. <u>These agreements fall outside the scope of this document.</u>

Shares - summary

- Initially, 33.33% shares will be reserved for the **current and/or future team members** are intended to build and reward the team that is able to reach the milestone(s), with a maximum of 4.9% shares for employees who wish to remain fully employed.
- The amount of shares held by the UMC Holding after the first investment will be determined by the outcome of the negotiation with the CEO/management and first investor, and be **fully dilutive and of the same value** and type as the founders, helping to align interests.
- Shareholders who remain (partly) employed by the UMC need **explicit approval** and have to comply with the applicable rules of their UMC on ancillary activities and maximum allowable share percentage.
- UMC Holding may require that in the shareholders' agreement and/or articles of association it is described that some specific far-reaching decisions may need a **qualified majority**. This qualified majority may require a blocking vote for the UMC Holding until a bona fide professional investor steps in.

2. IP for Royalty

In case of a royalty deal, the UMC will receive a royalty payment on sales or other income related to products or services that make use of the IP. The royalty payment for the license will consist of:

- ➜ A royalty as a **percentage of Net Sales** and other income related to products or services that make use of the IP;
- ➜ A (substantially higher) royalty percentage on **income from sub-licenses**;
- ➜ A **minimum annual royalty payment** (of which the first payment is an up-front fee and will be due on closing the license agreement);
- ➜ (optional) **Milestone payments** related to e.g. certification, commercial sales.
- ➜ For technologies up to TRL 3-4 the typical **royalty rate is up to 5%.**
- ➜ For later stage TRL technologies, for example technologies at clinical stage, those with stronger IP positions (e.g. multiple patent families) and those technologies with application in advanced, high growth fields and/ or new modalities royalty rates are typically **above 5%**.

The royalty percentages are dependent on the market sector, expected gross margin, TRL, exclusivity, field of use and territory. It is recommended that each deal, technology and situation is considered and discussed in good faith to arrive at an agreed net sales royalty rate. Based on international benchmarks the following principles have been included:

- ➜ The royalty **agreement stays in force** at completion of any milestones.
- ➜ Each year the spin-off will need to **report all necessary information** to the UMC, so the UMC will be able to determine the amount of royalties due.

In the exceptional case the spin-off is granted the option to acquire the IP, royalty obligations will remain in force. The spin-off may request to buy off the royalty obligations for a FRAND fee, but the UMC shall not be obliged to enter negotiations for such buy-off.

3. Hybrid

In a hybrid deal, the equity terms and royalty terms are combined: for example, part of the equity percentage plus part of a full-royalty deal. However, it is important to emphasize that the combined value of the equity and royalties must remain fair and balanced, ensuring that both parties have a just agreement.

General remarks:

➜ Similar to the equity deal, the provisions of the SRL toolkit will be taken into account when concluding a royalty or hybrid deal.

7 Definitions

Dealmaking refers to the process that often encompasses more than just financial agreements and may include arrangements regarding use of UMC facilities, collaborative R&D, spin-off support.

IP Deal Term Principles refers to a set of principles proposed in this guide to determine the financial and legal arrangements related to providing access to Intellectual Property to the spin-off company.

Intellectual Property (IP) covers any results generated by any research and innovation activities, and can include patents, copyrights, trademarks, publications, data, know-how, prototypes, processes, practices, technologies, inventions, software or business models that are fully or partly owned or contributed by the UMC.

UMC refers to Dutch University Medical Centers (UMCs).

Spin-off refers to a start-up based on knowledge from scientific research conducted at Dutch UMCs.
It is important to note that not all spin-offs are necessarily scalable tech companies; they can also include social enterprises, NGOs, and knowledge-intensive services as long as they offer scalable solutions.

Spin-off Process refers to the internal procedure a UMC uses to check if the spin-off route is the best valorisation strategy, if IP arrangements are needed and how the role of the researcher relates to the principles regarding ancillary positions. If founding a spin-off is identified as the optimal route for commercializing an invention, the UMC will negotiate with the company's representative to grant the necessary rights.

ANNEX 1 Checklist ancillary activities MUMC+/Brightlands MHC BV