

## FAQ for Imperial Founders

Version 1 – November 2021, produced by Enterprise

In addition to the FAQs listed here, please refer to the [Founders Choice™ Mini-Guide](#) for a detailed overview of the startup formation process at Imperial.

### Section 1: IP identification, due diligence process, involvement of third-party inventors/institutions

1.	Better understanding of Due Diligence	See Appendix 1 for an overview of the Due Diligence process.
2.	Why it is important to identify <u>all IP</u> to be licensed by the startup (so the startup will be operational) and to do so early on?	To ensure no holdups during IP due diligence and to provide clarity on the IP strategy.
3.	Questions around more complex arrangements when trusts are involved and also retrospectively getting ICL into the company structure that already exists (as the PIs set it up independently)	Related to above - it is important for everyone to be clear on who owns or has commercial rights to the IP going into the startup. College has joint working agreements with most NHS Trust research partners to facilitate the management of joint IP.

### Section 2: Policies - Rewards to Inventors, Founders Choice, limitations on activities and Investor checks

1.	Why does Founders Choice include both licence and equity?	This is standard policy and practice for UK universities – founders benefit from both alongside Imperial and licence returns do not get diluted like the equity. A 2020 <a href="#">Research England report on Best Practice in Equity Stakes for University Spinouts</a> highlighted Founders Choice as one of the best in the UK as Imperial inventors receive both founding equity and a share of royalties.
2.	As a PhD student, does the reward to inventor's scheme differ to my PI when the technology is licensed, since I am not staff?	Students are treated on the same basis as Imperial staff under the <a href="#">Reward to Inventors Scheme</a> (College login required) when Imperial commercialises IP that <a href="#">students jointly invent with staff</a>
3.	What are my rights as an inventor once the patent is filed and who makes the final decision regarding licensing the technology?	All inventors are named on the patent application. The <a href="#">College's IP Policy</a> (College login required) outlines the ownership of IP generated by staff, students and associates. For staff, IP generated in the course of their research (or normal duties) is owned by College and they benefit from a share of licence revenue under Imperial's discretionary <a href="#">Reward to Inventors Scheme</a> (College login required). Imperial's <a href="#">IPC Teams</a> have the resource, expertise and experience in finding the best commercial partner for Imperial's technologies whilst working in the framework of Imperial's charitable objectives and mission. The IPC Teams work closely with the inventors, Department Champions and ITES (Imperial Technology Experts Service; a pro bono support network working with Enterprise) to assess the best route to impact. Note that Imperial has an obligation to maximise impact of Imperial's inventions and this usually requires the involvement of the academic team.
4.	Upon formation of the startup will the IP be owned by Imperial, and not the new startup company?	Yes, Imperial College's policy (similar to most other universities) is that it retains ownership of the IP and provides an exclusive licence to the IP to the startup. There are two main reasons for this: <ul style="list-style-type: none"> <li>• that if they assign the IP they may not be able to recover it if the company fails to progress the development of such IP or goes insolvent.</li> <li>• that if the company were to further assign the IP to another company, then any royalty obligation 'attaching' to IP that formed part of the original assignment would fall away.</li> </ul> Consequently, many UK universities would prefer to follow the US model and exclusively licence IP into new startups.

5.	Is there a difference for inventors in terms of reward to inventors whether their IP is licensed to a startup or a 3 <sup>rd</sup> party?	No in terms of licence payments but in a startup inventors get equity as well as benefitting from reward to inventors (see Question 6 below). The College's share of licence income is shared between inventors in accordance with their agreed % inventive contribution to the new technology's creation and distributed under the <a href="#">Reward to Inventors Scheme</a> (College login required). The inventors' agreed % inventive contribution is recorded in the IP Due Diligence Form (see Appendix 4) and is signed by all inventors and kept in College's records until there is revenue to distribute. The distribution model operates in the same way for revenue received from startups or other types of licensee. Inventors can change the % revenue share between themselves and/or include other College members in the share, at any time, provided all inventors agree.
6.	How good is the Imperial "deal" compared to that offered by other Universities (via their Technology Transfer Offices)?	See the 2021 <a href="#">QuickStart Guide</a> to University Equity Stakes compiled by UK and US universities and 2020 <a href="#">Research England report on Best Practice in Equity Stakes for University Spinouts</a> which highlighted Founders Choice as: <ul style="list-style-type: none"> <li>• Providing clear guidance</li> <li>• Inventors receive both founding equity and a share of royalties</li> <li>• Inventors take up to 95% founding equity</li> </ul>
7.	Reward to inventors – is it possible to waive personal reward and divert it to the Department/Group?	Yes. There are opportunities for inventors to express their wishes on the recipient of <a href="#">Reward to Inventors Scheme</a> (College login required) revenue either in the IP Due Diligence Form or at the point of payment when they are asked if they would like to receive revenue via payroll. This includes the option to transfer the reward to a departmental account or divert it elsewhere.
8.	For non-IP startups, do I still need to come to Enterprise?	If the basis of the startup is completely unconnected with your research work, then no, e.g. charitable activities. If it is connected, then yes, you should get in touch with your IPC team to discuss and agree a way forward and make sure all necessary approvals are in place before the startup is set up.
9.	What other College policies do I need to be aware of?	Just focusing on startups, the College expect that College staff continue to observe the same limitations it has on research activities in <a href="#">tobacco</a> , weapons and terrorism to activities carried out by the startup company. Founders should ensure that the startup avoids future business with the tobacco industry and complies with Government regulations on export controls.
10.	Government legislation	All companies will need to abide by all relevant government legislation and guidelines. Your company lawyers will be able to advise if you have any specific questions. However, to highlight one new piece of legislation that has recently become law, The National Security and Investment Act 2021 increases the importance for startups to conduct KYC (Know Your Customer) checks on all their investors. Imperial College will expect to see evidence that this has been done by all startup companies.

### Section 3: License

For more information about Imperial's IP Licences please check the glossary of licence terms [here](#) which is provided to explain the meaning of some common words and phrases found in the terms of licence agreements. During your commercialisation journey, you may encounter or be asked to comment on these terms by [Industry Partnerships and Commercialisation \(IPC\) team members](#) or your commercial or legal representatives if you are forming a startup company. This glossary is provided as an information guide and is part of the [Enterprise Division's](#) commitment to provide you with support during the commercialisation process.

1.	If IP is owned by Imperial and it is licenced to the startup, what assurances do we have that a) the licence will not be given to other parties too, and, b) the licence will not be	If the licence is exclusive in all fields and territories, then Imperial cannot licence to a 3 <sup>rd</sup> party. This will be discussed with the founders.  Note that a standard clause in all licences covers diligence conditions which are there to ensure the startup makes use of the IP. These are important for Imperial College to meet its charitable objectives and mission to maximise the societal impact of its research outputs. Startups can often experience changes
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	withdrawn from the new company?	of direction or unforeseen circumstances; in the event a company is struggling to reach these goals the licence agreement provisions specify that dialogue is required between the licensee and licensor as the purpose of the licence is to promote development and commercialisation of the IP for the benefit of both Parties and Imperial College. Licensors can impose penalties or terminate the agreement to “encourage” the Licensee to meet its obligations or give other potential licensees the opportunity to develop the IP.
2.	Why do we need a suitable <a href="#">business plan</a> in place before startup formation/licence negotiation begins?	The requirement to produce a <a href="#">business plan</a> is primarily for the benefit of the startup; it is very important to be clear how the startup will generate revenue and what investment will be needed. Note that we do provide a template PowerPoint presentation to guide the founding team in preparing the plan and will also seek to provide feedback and support from the Departmental Academic Champions and ITES as needed. The final plan is also important to obtain approval from Faculty and Enterprise and the detail of the revenue model is needed to ensure that fair commercial terms (regarding the license terms and equity proposal) are proposed. See Appendix 2 for a sample of the <a href="#">business plan</a> template.
3.	Once IP/patent is licensed to the startup, who will cover historic/future patent costs?	In the case of an exclusive licence the Licensee covers these costs. Terms might vary for non-exclusive licences.
4.	Can the startup have assignment of the College’ IP?	No, as per FAQ Section 2, question 4 above. IP can be licensed, not assigned, to the startup. Should the opportunity arise typically at the time of acquisition, we can discuss and exceptionally consider assignment on terms to be agreed at the time.
5.	Why is it important to identify <a href="#">all IP</a> to be licensed by the startup?	So the startup will be operational and to do so early on (no holdups during Due Diligence checks, see Appendix 1).
6.	What is the basis for the commercial terms (benchmarks used) and why might they look different from other universities?	Overall terms, not just selected terms, need to be considered when comparing with other TTO’s. Commercial terms are crafted in consultation with market trends, royalty databases and our own internal assessment which often includes feedback from ITES (Imperial Technology Experts Service; a pro bono support network working with Enterprise).
7.	Can a startup have access to arising IP from a Founder’s lab?	Yes. The team should discuss an Option Agreement for access to an IP pipeline arising from that lab in a defined field for a defined period of time.
8.	How can a startup work with the founders’ academic research lab/group?	In most cases the founding teams research group is best placed to carry out the technical development of the product. In these situations, the startup should be treated as any external research funder and a separate research agreement put in place via the Faculty’s <a href="#">Research Contract Teams</a> .
9.	As researchers, can we continue doing research using the IP which has been licensed to a 3 <sup>rd</sup> party or a College startup?	All Imperial licences include a Reservation of Rights Clause to ensure that Imperial academics and researchers can continue to use the IP under licence for research and teaching purposes; core to its mission as a university it “reserves the right” for them to do so. Note the wording of this clause does not grant Imperial (or anyone else) any rights to use the IP for commercial purposes.  Research funders and collaborators often require additional reserved rights to appear in any licence to IP developed from a research project (for example, reserved rights for external academic groups working on the research project).

#### Section 4: Equity

1.	Inventors and equity due; Inventor vs. Inventive founders vs. non-participating inventors vs. non-inventive founders	Founders are defined as those individuals who are active participants in founding the startup. Inventors, on the other hand, are individuals who have contributed IP that will be licensed to the startup company upon formation. It is possible for an inventor to also be a founder if they are actively participating in the founding of the startup (inventive founder) but they remain solely an inventor if their only contribution to the startup is the IP that will be licensed into the startup (non-participating inventor). The other possible role is a non-inventive founder, defined as someone who has not contributed any IP but will play an active role in the founding of the company. If the non-inventive founder
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		<p>happens to also be an employee of the College then they will fall outside of the HMRC's researchers' tax safe harbour and should seek independent tax advice from a professional adviser.</p> <p>Under the <a href="#">College's IP Policy</a> (College login required), all inventors are due a share of the founding equity in the startup. Inventors can decline equity but need to do so in writing to Enterprise. Non-inventive founders, on the other hand, are not due a share of the founding equity under the IP Policy.</p> <p>For the Founder Driven Route, any equity assigned to these individuals is shared from the initial 90-95% equity share of the founders. For the Jointly Driven Route, the equity assigned will be assessed on a case by case basis.</p>
2.	Why do we need a suitable <a href="#">business plan</a> in place before startup formation/licence negotiation begins?	The requirement to produce a <a href="#">business plan</a> is primarily for the benefit of the startup; it is very important to be clear how the startup will generate revenue and what investment will be needed. Note that we do provide a template PowerPoint presentation to guide the founding team in preparing the plan and will also seek to provide feedback and support from the Departmental Academic Champions and ITES as needed. The final plan is also important to obtain approval from Faculty and Enterprise and the detail of the revenue model is needed to ensure that fair commercial terms (regarding the license terms and equity proposal) are proposed. See Appendix 2 for a sample of the <a href="#">business plan</a> template.
3.	The equity that Imperial will have equates to the shares in the company. Will these shares be at different classes to the founders?	In the Jointly Driven route, Imperial has the same class as the Founders. In the Founder Driven route, Imperial has non-dilute protection so has a class of shares that allows this to be defined in the Articles of the company. All other share rights are the same as the founders.
4.	Noting Imperial shares are non-dilutable, but the founders' are, can this be negotiated as the majority holding can be lost very quickly?	Non-dilute protection is fixed in the Founders Choice™ policy. The key is that the founders have 90 to 95% of the equity and they make the decisions on how much money to raise on what terms.
5.	With a 50% jointly driven model, a) will Imperial have the final say on the level of investment accepted (i.e. how diluted the shares will be made?), and; b) how are decisions driven? Which management support to engage, business strategy, research strategy, etc; will Imperial have a supportive role, or a decision making one?	<p>Imperial will be part of the decision with one person on the board and a shareholder. The final decision lies with the company, i.e., jointly with all board members and shareholders.</p> <p>These are all covered in the <a href="#">Letter of Understanding (LoU)</a>. Who does what is decided jointly but the principle is that Imperial is helping the founding team be successful, not running the company on their behalf.</p>
6.	Is there precedence for the Jointly Driven model with Imperial having less than 50% shares?	Yes. The policy sets 50:50 as the starting point and considers any special conditions to adjust that split. The final split is therefore case by case.
7.	Is there precedence for the founders to also have non dilutable shares?	No. The basis of the Founders Choice™ policy is that the founders get 90 to 95% of the equity and then have the control. College is in the back seat with some protection from the non-dilute hurdle to ensure there is some return to College and the funders of the research if there are charities involved.
8.	What options do I have if the College does not think the <a href="#">business plan</a> is not good enough?	Enterprise will discuss with you what is needed to improve the <a href="#">business plan</a> and help you identify resources (Faculty Enterprise Champion/IVMS/ITES) that could help with that.

## Appendix 1: Intellectual Property (IP) Due Diligence

This note has been put together to illustrate the steps that need to happen to confirm IP ownership and transfer it from Imperial College London (Imperial) to our technology transfer subsidiary Imperial College Innovations Limited (ICIL).

It is crucial to remember the following three points:

1. To disclose all the IP (such as software, database, knowhow, design documents, etc) and inventors to the IPC teams as early as possible, during the technology disclosure phase. This will avoid delays in the Due Diligence process and in forming startup companies;
2. To discuss with the IPC teams as early as possible how the IP was funded, and to make them aware of any unusual funding terms that you might be aware of;
3. Interact with and reply to the IPC, PALM (Patent and License Management, which manages the Due Diligence process) and SUI teams promptly.

Your cooperation will help us greatly in progressing swiftly, without delays.

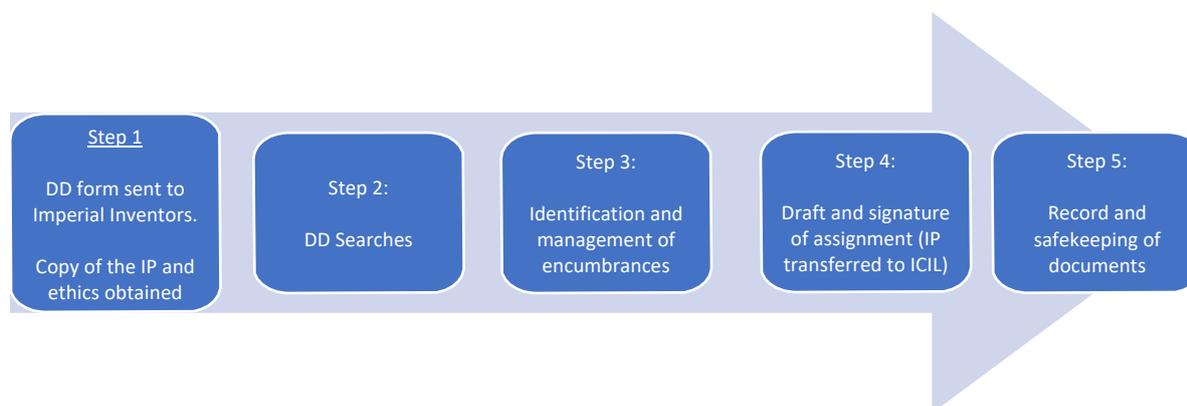
### Introduction

ICIL is Imperial College's fully owned subsidiary and whose operations fall within the larger Enterprise structure. Imperial is a charity and cannot enter into commercial agreements with external organisations. Hereafter, the IP that is generated by research and academic staff (and students if appropriate; please refer to the [College's IP Policy](#) (College login required)), at Imperial needs to be transferred to ICIL.

The transfer is executed with a legal document named "assignment agreement". The assignment agreement needs to clearly identify the IP in question and who generated it. In order for the assignment agreement to be drafted and signed, the PALM team needs to perform "Due Diligence", meaning we identify anyone who might have rights to the IP, so that we are sure that we are able to license it via ICIL.

### Due Diligence process

The IP Due Diligence process begins once the IP has been disclosed and a patent/trademark/design rights have been filed or software/knowhow is deemed of commercial interest.



### Step 1

The PALM team contacts the Imperial inventors, asking them to complete the Due Diligence form. Some of the information might have already been provided in the Invention Disclosure Form (IDF) (inventors, inventors contributors, funders etc). If the information is the same, still valid and current, please confirm this in the Due Diligence form, and complete the remaining sections.

However, this is the stage where the information is confirmed and verified. The IP Due Diligence form is important as it records information that are vital for the PALM team to act on (step 2: Due Diligence searches). Only the Imperial inventors are required to fill in the form.

**IMPORTANT:** The Due Diligence process cannot start without the Due Diligence form, without a copy of the IP (software, knowhow document, database, or a copy of the filed patent application) and without a copy of the patient consent form/patient information sheet, for inventions with clinical data. Your cooperation is appreciated if you could return the form to us promptly. Please get in touch if you have any questions about how to fill in the form.

A quick instructional video is accessible [here](#), to guide you through on how to complete the different sections of the form.

In certain special circumstances, for example in case of a patent, the PALM team might contact you at this stage, asking you to sign and return an assignment to Imperial College, to facilitate the management of the patent.

## Step 2

The Due Diligence searches are at the core of the activity, and include the following:

- Confirm what the IP is, and obtain a copy of it;
- Establish the relationships of the inventors with Imperial;
- Confirm ownership of the IP

In addition, research agreements which funded the research work leading to said IP need to be identified, their terms and conditions analysed before acting on any terms and conditions that need to be acted on.

**IMPORTANT:** During this stage, the PALM team might contact you for clarification questions if things are not clear. Again, your cooperation is important, as we need your input to progress.

## Step 3

The PALM team acts on the findings of the searches and manages the necessary encumbrances to enable the IP being assigned to ICIL. Encumbrances are legal rights that other parties and entities might have on the IP, as they funded or co-generated the IP.

As examples, encumbrances might include:

- notification to the funder that the IP has been created;
- consent to commercialise the IP;
- revenue share

Some actions are quick to be acted on whilst we might need an active reply on others. There are instances where we need to honour the terms of the funding contract and we need to wait for a specified period of time, as agreed in the contract (which could vary, up to 60 days, for example). If the IP is jointly developed with somebody else, we need to find an agreement with them.

Both the PALM and IPC team work together to manage these required actions. All this work usually happens in the background and is usually the most time consuming step as we rely on others to progress.

## Step 4

Once the Due Diligence work is concluded, the PALM team will liaise with the Legal team to draft an assignment to formalise the transfer of the IP to ICIL. Usually, you will be required to sign such an assignment agreement. The signature process is managed electronically via DocuSign.

## Appendix 2: Business Plan Template

The screenshots below highlight the information required within a startup Business Plan. The template can be accessed [here](#) to allow startup companies to begin preparing their Business Plans.

Imperial College  
London

Business Plan Template  
v.2021-01-15

# [Startup Company] Business Plan

[Single line description of the company]

[Authors] [Date]

**GUIDANCE**

The slides within outline the information required by IPC/Startup teams to assess the business opportunity

Keep the technology information concise and focus on the business information

The bullet points on each slide are suggestions for the content on that slide. You may not be able to provide it all in the first instance, but you should provide some initial assumptions

Keep each section to one slide ideally but 15 slides total length. You can use appendix slides to provide further information if you wish

Imperial College  
London

## Executive Summary

Tip: complete abstract/summary slide after rest of the pack

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London

## Background/Opportunity

- What problem are you solving and for whom (market pull)?
  - Who is the customer?
- Why?
  - What is your motivation/goal for the company?

Tip: think about the long term vision? Does it involve an exit? If so at what point? How far do you want the company to go? E.g. scale up to be a major global leader

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- What is the eventual product/service (or family of products) as you see it being packaged and delivered, in marketing not technical terms?

Tip: think about the context of the problem described

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- What is the technology offer?
  - Have you validated the technology? E.g. feasibility studies with potential customers, field trials, etc.?
  - What are the key benefits to customers?
  - Is there any cost analysis?
  - What are the advantages over the competition?
  - Why is it unique and for whom?
- How is the idea protected?
  - Details of IP e.g. patents, knowhow, software, other
  - Is there any IP from other organisations or individuals outside Imperial?
  - Freedom to operate

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- Market size?
  - Total Addressable Market / Specific Addressable Market
  - Where is your product(s) positioned in the market?
- Customer discovery and feedback?
  - Any interactions to date?
  - Does your solution (product) address the needs of those experiencing the problem?

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- Who are the key players?
  - Where are you in the value chain? E.g. service provider, technology development etc.
  - How will you get into the market?
- What other solutions are currently available?
  - Think widely
  - If you have one or two competitors, you have probably not thought widely enough
  - Why is your product different?
  - Where is your competitive edge?
  - What are the barriers to entry for competitors?

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- What is your business model?
  - Will the IP be part of a product or service for sale and/or sublicenced to others in the value chain? (If sublicencing is envisaged, what is the timeline?)
  - Will the company provide consultancy or other services using the IP?
  - How would the customer buy the product / service?
    - Do you have any data to support this e.g. customer surveying to inform the pricing strategy?
  - When will you have a product ready to sell?
- Barriers to entering market and customer adoption
  - How will these be overcome?

Tip: Is it a one-off sale? Annual licence? Standalone product or as a component? Are 3rd parties required? Price range? Etc.

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- What is the approximate TRL level now and what else is necessary to "productise" it?
  - Will you be developing additional IP to go into the startup? Knowhow? Software?
- What is the path to profitability?
  - What is the first concrete demonstration of value i.e. value inflection point?
  - Estimate (i) the total money required for profitability and (ii) the number of stages envisaged in raising it. (If more than 2 stages envisaged this estimate will likely be rougher) (iii) sources of finance e.g. angels, VC, bootstrapped by grants or developmental contracts?
  - Use of funds at each raise? E.g. team development, lab space, tech. development, business development, team building
  - Timeline of key activities from conception to beyond market entry - milestones?

Tip: See <https://www.imperial.ac.uk/enterprise/staff/industry-partnerships-and-commercialisation/guide/> for more on TRLs. Note Imperial login details are required.

Tip: (i) what resources are needed, including time? If medical device/pharma then identify the clinical trials required

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- Financial model
  - Simple profit and loss, and cash flow (especially if a bootstrapping model is planned) for up to 2 years after the first sale
  - What are the assumptions made?

Tip: Example [template/sample financial model](#). Please review the terms of use and note Imperial login details are required.

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- Current members and their expertise
  - Will they be full time?
  - Are they committed to being with the company in the longer term (assuming funding)?
- Skillssets missing?
  - Recruitment plans
  - What commercial expertise do you have in the team? Do you have a credible company chair and/or CEO who could be the independent negotiator?

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- Why this company?
- Why now?

**Tip:** consider important dates on your timeline, impact to Imperial, society, etc. the journey so far, traction (e.g. are there customers waiting to buy?), market trends and window of opportunities, etc.