



# UNIVERSITY OF JYVÄSKYLÄ

The ownership of research results and the principles of commercialisation

University of Jyväskylä  
Research and Innovation Services







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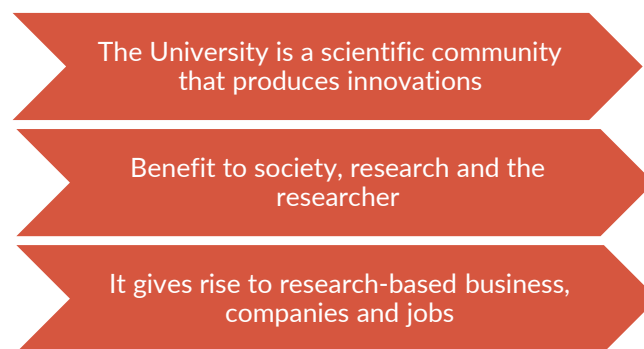
## THE OWNERSHIP OF RESEARCH RESULTS AND THE PRINCIPLES OF COMMERCIALISATION AT THE UNIVERSITY OF JYVÄSKYLÄ

These principles replace the earlier principle on the transfer of intellectual property rights to a commercialising party (24 September 2013) and the Rector's decision on the staff's priority to negotiate on the commercial use of intellectual property rights (24 September 2013).

This document is directed to the staff of the University of Jyväskylä. It describes the owners of research results in different situations. It also describes the principles and procedures, as well as the roles of different parties, when commercialising intellectual rights owned by the University. The document aims to clearly describe the rights, obligations and procedures related to the ownership, protection and commercialisation of intellectual property rights (IPR) created in research activities.

### 1. STRATEGY

Based on its strategy, the University of Jyväskylä aims to have a significant role in reshaping and building a sustainable society. The University interacts with society in an active and responsible manner in regional, national and international contexts. The University aims to share research results and competence for the benefit of society and increase its attractiveness as an innovative scientific community. For this purpose, the University aims to get research-based IPR exploited through existing or new businesses.



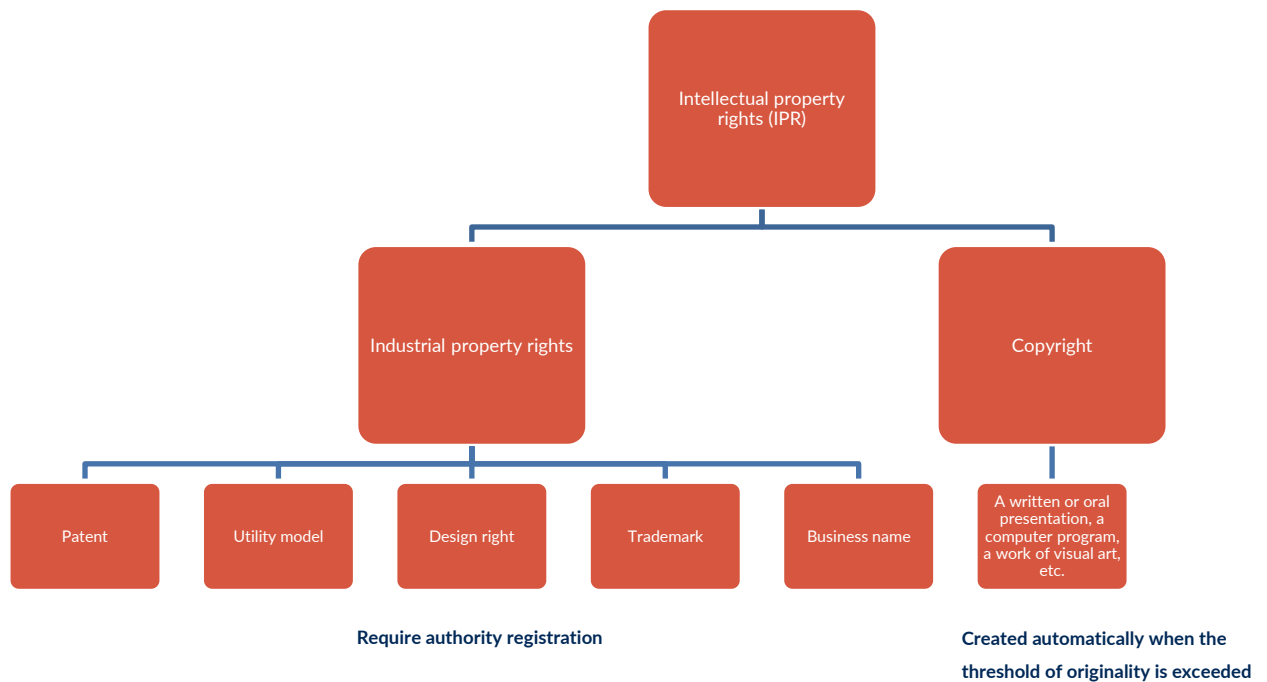
### 2. INTELLECTUAL PROPERTY RIGHTS

Research produces competence and research results. Commercially exploitable intellectual property rights created in research activity are typically technical solutions (i.e. inventions) protected with patents, or computer programs and databases covered by the Copyright Act. Intellectual property rights (IPR) is a general term for these immaterial rights, which are important tools for business activity. Often the abbreviation IPR is used. Usually IPR are divided to copyrights and industrial property rights. A copyright protects literary and artistic works and, for example, databases, computer programmes, training materials and image or voice recordings. A copyright is created automatically for the person who has created the work in question, if the work is sufficiently independent and unique to surpass the threshold of authorship. Industrial property rights, however, must be applied for separately. They include, for example, patents, utility models,



trademarks and copyrights of design. Industrial property rights protect inventions, trademarks used as the emblems of goods and services, and the outward appearance of products or their parts.

For more information on intellectual property rights, please contact Research and Innovation Services. Additional information on copyrights is available at <http://www.tekijanoikeus.fi/>. For more information on industrial property rights, see the website of the Finnish Patent and Registration Office at <https://www.prh.fi>.



### 3. OWNERSHIP OF RESEARCH RESULTS

The ownership of research results and related intellectual property rights is determined by, for example, the transfer of rights agreements with researchers, the Act on the Right in Inventions Made at Higher Education Institutions, the Copyright Act and the terms and conditions of research financiers. The Act on the Right in Inventions Made at Higher Education Institutions is applied to inventions, that is, technical solutions. As a result, inventions made in collaborative research are owned by the University and inventions created in open research by the researcher.

Within the scope of terms and conditions of research financiers, copyrights are transferred to the University's ownership using the transfer of rights agreement. According to the categorisation of the Act on the Right in Inventions Made at Higher Education, inventions are made in open research, collaborative research or under other circumstances. The context determines who owns the rights to the invention. IPR that are related to research results and owned by the University are mainly created in collaborative research in externally funded projects.

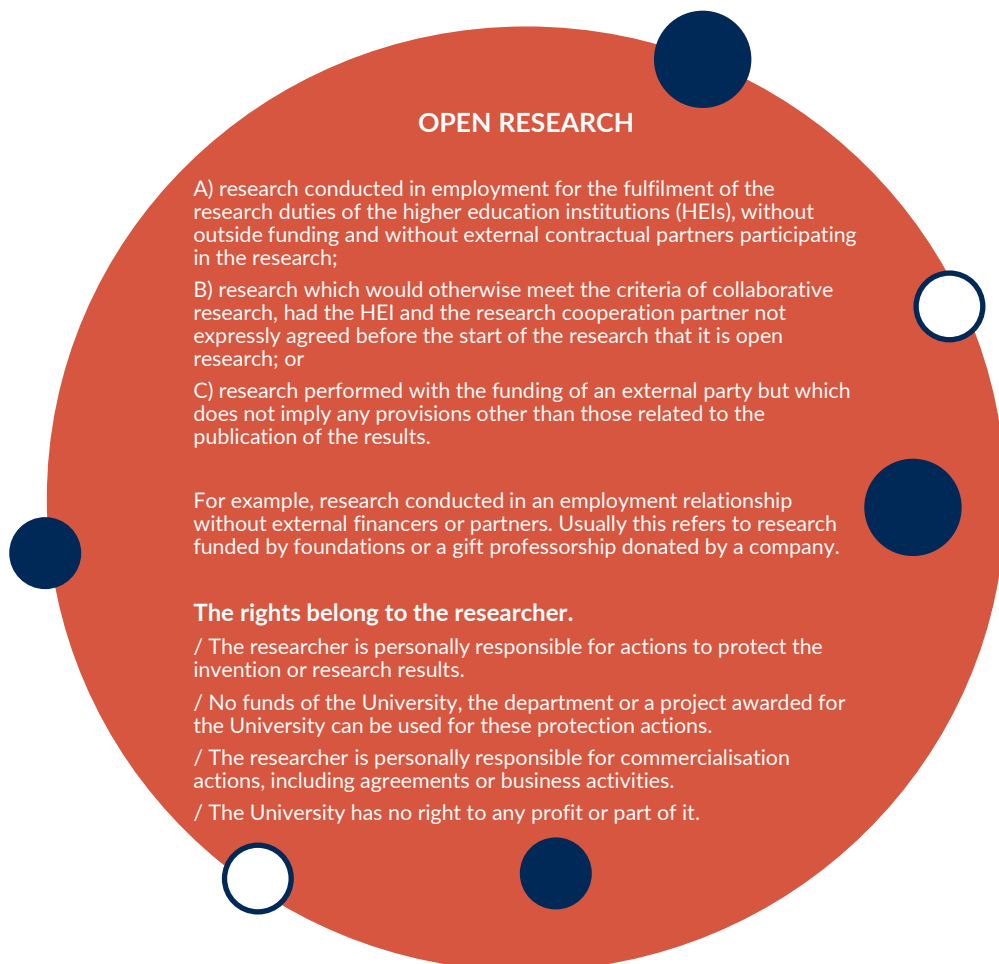
The project financier's terms and conditions may require that the rights to the research results are transferred to the University with a transfer of rights agreement. The agreement deals with the inventor's rights, copyrights and other intellectual property rights of reports, analyses, computer programs (including source code), inventions and/or other results created as research results of the project or in connection of the project implementation. The agreement also covers the research data collected during research implementation regardless of that whether the data can



be protected with intellectual property rights or not. Research data is considered to comprise analysed or unanalysed data, research forms, implemented surveys, interviews, measurements and other material that has helped to achieve the research results.

### 3.1. 3.1. Contexts in which inventions are made and the ownership of rights

The Act on the Right in Inventions Made at Higher Education Institutions (19.5.2006/369) protects technical solutions (i.e. inventions) protected with patents. However, the Act does not oblige you to protect an invention with a patent. The Act defines the following three contexts in which inventions are made: open research, collaborative research and other circumstances.





## COLLABORATIVE RESEARCH

A) research constituting chargeable services under the Act on Criteria for Charges Payable to the State (150/1992)

B) research other than open research or research referred to in subparagraph a) of the present paragraph, involving at least one party external to the higher education institution, either as the party performing part of the research, a financier or other participant, and including liabilities related to results or the mode of implementation of the research.

For example, projects funded by Business Finland, the research programmes of the EU and commissioned research.

**The University has the right to claim the rights if it so desires.**

/ The University is responsible, for example, for the expenses of protection and sales.

/ Research and Innovation Services are responsible for IPR management and guidance. The vice rector responsible for research and innovation activity decides on applications for industrial property rights (such as patents) and commercialisation agreements. Research and Innovation Services prepares propositions to the vice rector.

/ Submitting a patent application requires a utilisation plan and verifying the functionality of technology.

/ Net revenue to the University is divided as follows: 50% to the creators of the research results, 25% to the department/faculty and 25% to the Rector's general funds.

/ Financier's terms and conditions, e.g. [Business Finland](#) and EU: 2006/C 323/01, are considered also when commercialising research results.

/ Employees may negotiate on the commercial use of IPR in companies in which they operate as entrepreneurs.

## OTHER CIRCUMSTANCES

Inventions made under other circumstances refer to inventions not created in open or collaborative research. Researchers face this situation rarely.

This refers to inventions made in, for example, administrative duties or in connection of support services outside actual research (government proposal 259/2004).

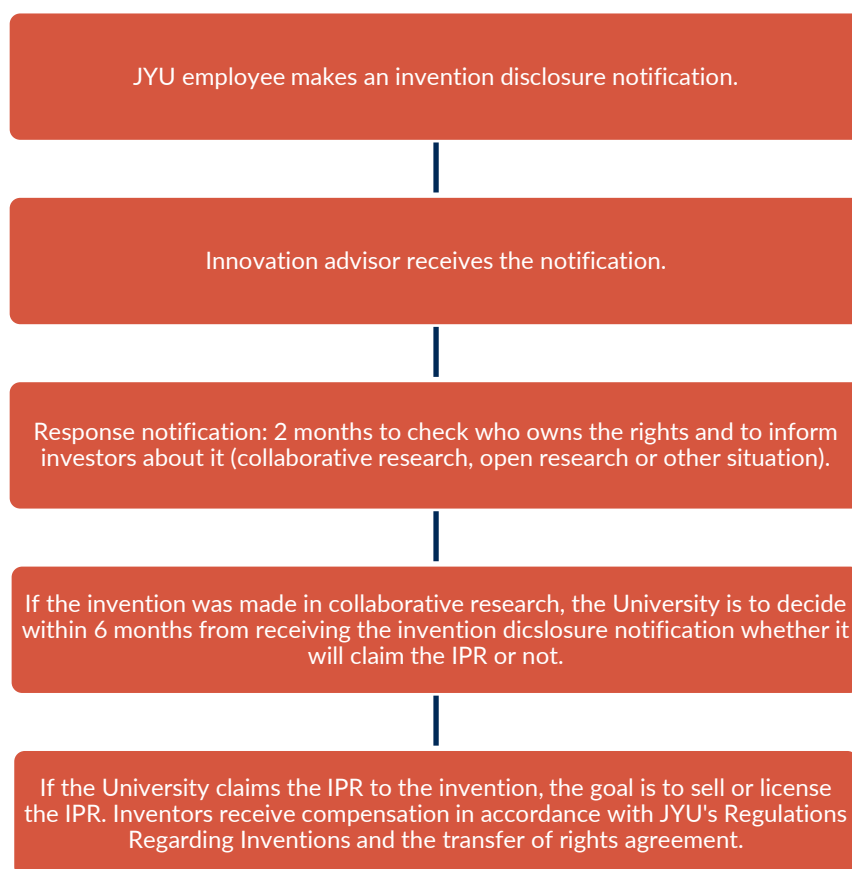
The employee must make an invention disclosure notification even though the IPR belong to the inventor. The University has the priority to negotiate on the IPR or user rights of the invention when necessary.





### 3.1.1. Invention disclosure notification

In accordance with the Act on the Right in Inventions Made at Higher Education Institutions, JYU employees are obliged to notify the employer without delay about inventions they have made regardless of the employee's opinion on the context in which the inventions were made. This is important to be able to, for example, assess the protection, ownership and commercial potential of an invention regardless of possible pressures to publish the invention. Submitting an invention disclosure notification does not mean that the University would, or would have the right to, claim the rights to the invention. Invention disclosure notifications are made in the Greip IP system. For a link, see section "IPR counselling" in the Help Centre of Intranet Uno.

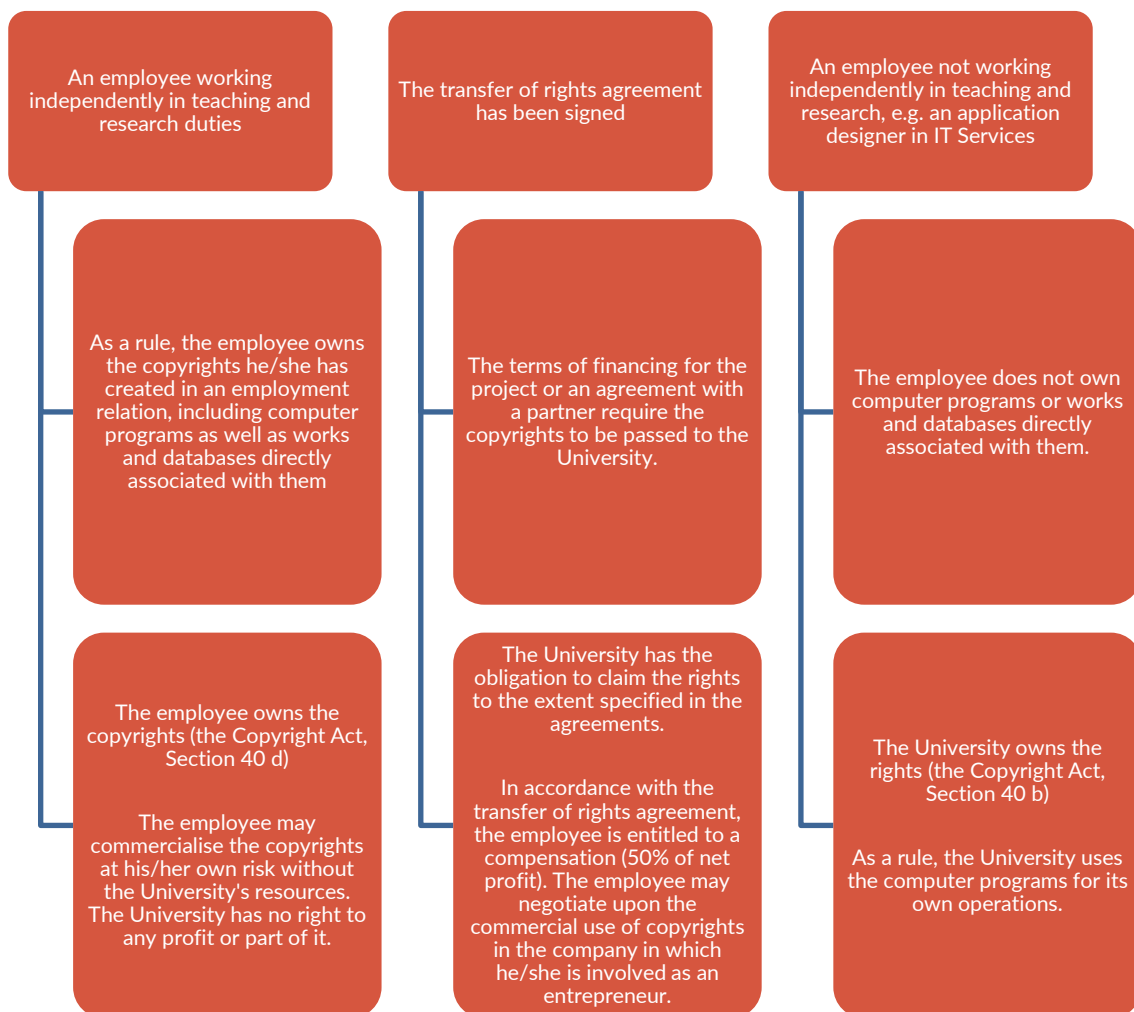


### 3.2. 3.2. Copyrights and their ownership

Copyrights, regulated by the Copyright Act, protect independent and unique works (the requirement to pass the threshold of a work). As a rule, the employee owns a work protected with a copyright if the University and the employee have not signed a transfer of rights agreement. Transfer of rights agreements are made when the University has an obligation, either contractual or based on the financier's terms and conditions, to claim the IPR. A student who is not employed by the University owns the copyright in his/her work unless otherwise agreed, for example, in connection of a project.



The copyrights of scientific publications belong to the authors. In research projects realised with organisations external to the University, the parties usually agree on user rights or pre-emptive rights to research results. The University cannot guarantee rights to its cooperation partners unless it has first transferred the rights from the researcher to itself with a transfer of rights agreement. Therefore, the scientist-in-charge of projects with external funding must take care of that the researchers in the project sign the transfer of rights agreement. Copyrights are passed to the University's ownership in the extent required by the cooperation agreement and the terms and conditions of research financiers.



#### 4. IPR PRINCIPLES OF THE UNIVERSITY

- Support services are primarily offered to protect the research results and associated IPR owned by the University of Jyväskylä, as well as to promote the commercialisation of the results and the IPR.



- The University takes care of the first-stage protection actions of research results with commercial potential and normally takes the cost risk of protection for the first 30 months at the most (so-called PCT phase).
- A utilisation and commercialisation plan needs to be drafted as a prerequisite for launching the protective actions.
- The goal is to transfer the ownership of patent applications and patents to a commercialising party. The University may also keep the ownership of the patent when appropriate. In this case, the University may grant a commercial user right simultaneously to different companies by limiting the purpose of use or field of business in company-specific terms.

## **5. OPERATORS AND THEIR ROLES**

The University enables the framework for conducting research and acquiring external funding as well as offers support services for promoting the commercialisation of research results.

### **5.1. University-level operators**

University-level operators comprise Research and Innovation Services and Unifund Ltd.

Research and Innovation Services provides information on the ownership of intellectual property rights and research results, evaluates research results and competence for commercialisation and promotes business originating from research. Research and Innovation Services manages the University's industrial property rights originating from research. It prepares the commercialisation agreements dealing with University-owned copyrights and industrial property rights for the decision-making of the vice rector responsible for research and innovation activities. It also prepares the transfer of IPR to Unifund Ltd for the decision-making of the vice rector responsible for research and innovation activities when the IPR is invested to a company by exchanging IPR for shares through a fund.

Unifund Ltd is a financing company established by the University. It invests in companies that utilise IPR or the results of open research created at the University or that have other natural connection to the University. Unifund makes 1–5 initial investments per year, the investment being money or IPR owned by the University. In addition, further investments may be made to the best targets. If a spin-out company wants ownership to IPR owned by the University, it may move to the ownership of a startup only through Unifund in exchange for shares (a contribution in kind).

Staff members must select the primary negotiation partner from University-level operators and plan the IPR strategy of the company accordingly.

### **5.2. Combining the duties and business activities of University employees**

The roles of researchers, teachers or experts are crucial. They create new information, competence and research results that can be utilised in the academic world and in business originating from research. They may also become entrepreneurs and exploit the IPR they already have created. If



the IPR are owned by the University, the researcher should contact an expert of Research and Innovation Services (ris@jyu.fi).

The University also wants to promote research-based business operations established by its employees. However, the University employees must make a decision after the start phase if they will primarily work for the University or the company. If the employee participates actively in the establishment of the company, the University recommends an employee to apply for part-time or fixed-term dismissal from work at the establishment phase.

Companies owned by University employees may order research from the University and participate in cooperation projects, or the University may order services from the companies. Companies owned by University employees must, however, be treated at the same way as any external companies. Attention must be paid to the conflicts of interests to avoid disqualification situations or misuse of authority caused by the employment relationship. A staff member may have only one role in a project, either as a University employee or as an entrepreneur. If the company owned by University employees orders research from the University or participates in a research cooperation project, any University employee working in the company part time or owning shares in the company cannot operate in the project as a scientist-in-charge, a member of the board, a signer of agreements, an approver of expenses or in any other position requiring decision-making power at the University side. A disqualified employee cannot participate, for example, in the processing of tender documents, procurement agreements or invoices.

For more information on part-time employment and related procedures, see the HR Services website at <https://www.jyu.fi/yliopistopalvelut/intra/henkilostolle/how-to/sivutyo>

### 5.3. Networks

The University actively cooperates with other operators that promote business activity. The staff and students of the University can utilise this network to get specialist support when developing a business idea originating from competence and research. The Jyväskylä Business and Innovation Factory (<http://www.yritystehdas.fi>) is partly owned by the University and offers information on entrepreneurship, services to develop your business idea and peer support. The Business and Innovation Factory provides free services for new entrepreneurs, for example, information on establishing a new business. It helps companies in the Jyväskylä region to grow from an idea to a viable business. The Business and Innovation Factory also organises varying events and training related to entrepreneurship.

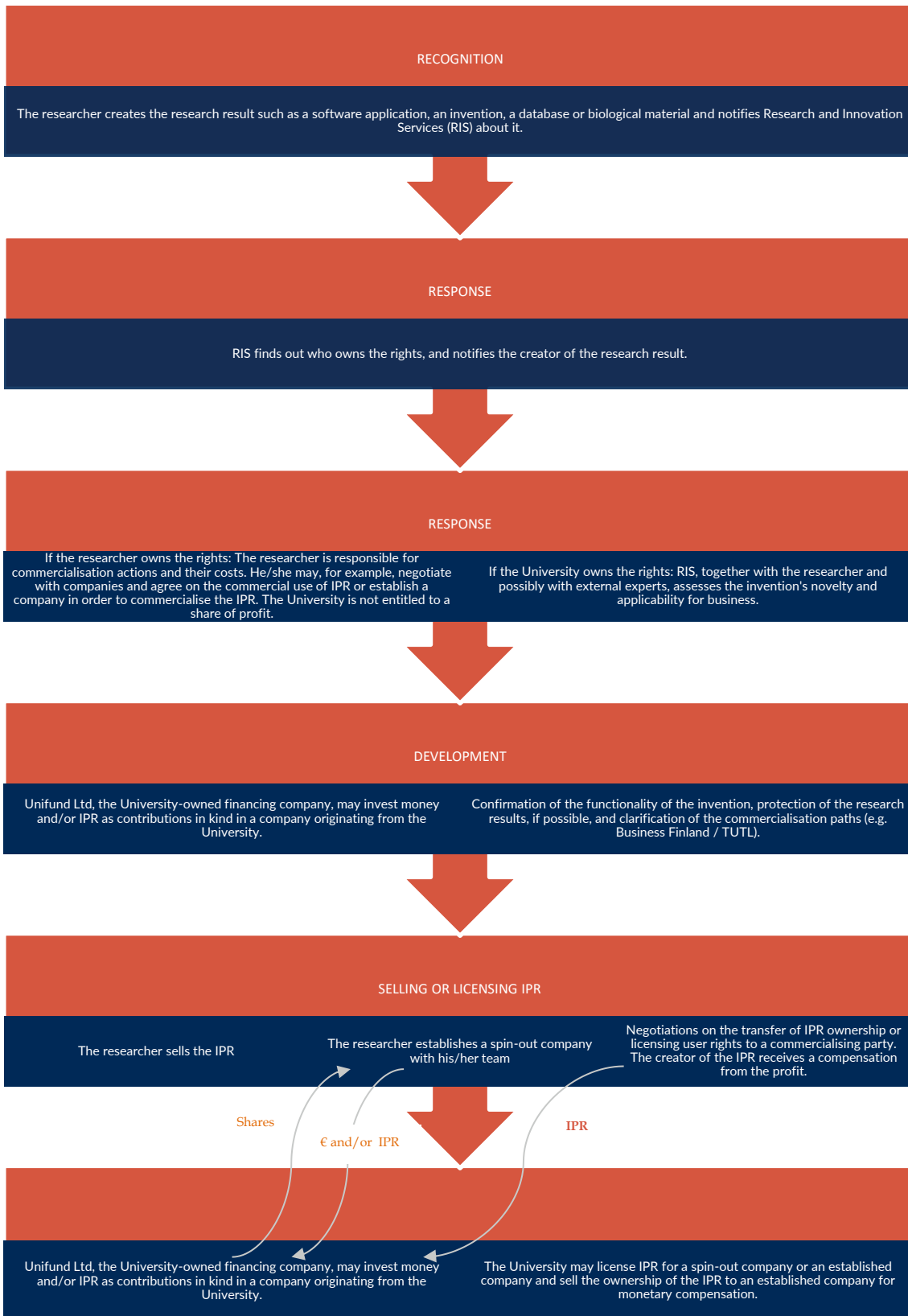
## 6. PRINCIPLES OF COMMERCIALISATION

Research results are typically commercialised by licensing or selling the research-based IPR. As mentioned in section 5, ownership to the IPR of a spin-out company can be transferred only through Unifund as a contribution in kind.

Unless otherwise agreed in the terms and conditions of funding or in the research cooperation agreement of the project, the University employees who have transferred IPR, created as a result of their work, to the University have the priority to negotiate about the commercial use of the IPR in the business of the company in which they operate as entrepreneurs. Thus, when staff members become entrepreneurs they have a chance to utilise the research results in the company's business even when the IPR have been transferred to the ownership of the University. The University



requires a credible entrepreneur team and business plan as well as ability from the company to utilise the IPR to be licensed.





## 6.1. Licensing or selling IPR directly from the University to a company

The University of Jyväskylä's Research and Innovation Services are responsible for negotiating on the licence and sales agreements of IPR. However, the support and subject matter knowledge of the person who has created the IPR are necessary when commercialising IPR that originate from research. In licensing and sales agreements, the granting party is the University of Jyväskylä and the agreements are signed by the vice rector responsible for research and innovation activities.

In licensing, user rights are granted for a target in accordance with agreed terms and conditions. This means that, in case of licensing, the University keeps the ownership rights to the IPR. The licensee's rights to use the IPR may be exclusive or parallel. It is also possible to agree on the field of operation or the duration of the user rights. Licensing agreements define the distribution of revenue resulting from the target of licensing. Typically the licensor is entitled to a royalty, a percentage of the revenue produced by the target of licensing, agreed in advance.

Sales agreements are very similar to licensing agreements, with the difference that the University transfers the IPR ownership to the company. Only an established company, which commercialises an invention made at the University, can sell IPR. However, ownership to IPR is granted for University-based spin-out companies only in exchange for shares through Unifund Ltd, the financing company owned by the University. If the user right to IPR is granted for the spin-out company, the agreement is made directly between the University and the spin-out company.

When selling or licensing IPR, the rights and obligations related to protecting the IPR are normally transferred to the buyer or licensee. When negotiating on licensing and sales agreements, the parties agree on, for example, the initial payment, royalty, minimum compensation and milestone payments. This is to ensure that the operator purchasing IPR is committed to construct business activity originating from research. When licensing or selling IPR, the University requires the company to have sufficient resources, a credible business plan and competence to utilise the IPR in the agreed schedule.

## 6.2. Investment of research results in exchange for shares

Research-based IPR owned by the University can be transferred to a spin-out company only via the University-owned financing company Unifund Ltd. In such a case the intellectual property rights are transferred as a contribution in kind to the company to be established, and in exchange for this transfer the financing company receives shares for its investment. When necessary, the University can also transfer the IPR via Unifund Ltd to spin-out companies for a compensation payable as a combination of shares and money. The ownership of IPR can also be transferred as a contribution in kind to an established company via Unifund. More information on Unifund Ltd is available at (<https://www.jyu.fi/fi/yliopisto/unifund>).

### 6.2.1. Investment criteria of Unifund Ltd

Unifund Ltd requires that its target of investment is connected to the University of Jyväskylä and the company needs to be appropriately registered (Business ID). Unifund Oy offers support for launching research-based business providing that the following criteria are met:

- connection to the University of Jyväskylä
- credible business plan



- need for capital fits the size of the fund
- profit potential
- possibilities for withdrawal
- reasonable valuation
- capacity to take advantage of the IPR transferred
- researched market
- credible team

### **6.3. Distribution of the income received by the University and compensation to the researcher**

As regards inventions, the inventor is entitled to rewards according to the University of Jyväskylä Regulations Regarding Inventions (reward for an invention disclosure notification, patent application and granted patent). Further, according to the same regulations and the transfer of rights agreement of the University, persons passing their intellectual property rights are entitled to a compensation if the University gains net profit from the commercialisation of these rights. The share of the original IPR owner(s) is 50% of this net profit. If the IPR originate from the efforts of several researchers, their personal share will be calculated based on their individual contributions.

When the University is involved as a party in a commercialisation agreement, the University will pay the researchers a share of the sum received from the company after cost deduction. When IPR are transferred to a company in exchange for shares or other compensation via Unifund Ltd, Unifund will pay the University a price defined in the IPR transfer agreement. This price corresponds to the value of the IPR upon investing in the (spin-out) company. The University pays the original IPR owners their share of the actual price received after cost deduction.

### **6.4. Determining the value of intellectual property rights**

Intellectual property rights are inherently novel and varied, and therefore their value is difficult to determine. The determination of the actual value of IPR is challenging especially when they are not yet related to any existing product which would serve as an indication of the verified business value. Typically, research-based intellectual property rights are just a preliminary element for the business to be created and include thus also some risks in view of productisation and business opportunities. Sometimes IPR are related to a clear improvement to an existing product and in such cases their value might be easier to estimate. To attract buyers, the IPR should enable or at least quicken entrance to the market. The value eventually determined is always an outcome of negotiation between the buyer and the seller.

The value can be estimated on the basis of the following, for example:

- Cost-based calculations
- How much would it cost to the buyer to produce equivalent IPR anew, either by themselves or as a paid service? Alternatively, it can be estimated how much resources the University has used in producing the IPR concerned, or find the closest equivalent concept available in the market and capable to replace the negotiated IPR and use it as a benchmark.





- Market value calculations
- Ideally, the price of IPR could be determined in an auction with several interested buyers. Alternatively, information can be gathered on similar IPR purchases and corresponding existing royalty agreements.
- Profit-based calculations
- The value is determined by the capacity of the IPR to yield profit in the future. It is thus estimated how much profit the IPR will yield during the lifespan and, on the other hand, what are the costs for this.

#### 6.4.1. Pricing of IPR when the University is selling or licensing directly to a company

When the University transfers IPR to an established company in exchange for monetary compensation, the most typical primary way of payment is a royalty calculated from the turnover. This applies also to licence agreements. In these cases, the eventual value of the IPR is defined by the actual business results. In most IPR agreements by the University, the compensation paid by the company is thus dependent on the eventual scope of business created around the IPR. When justifiable, a maximum can be settled for the amount of royalties to be paid (so-called maximum compensation). In most cases the eventual price of IPR is determined gradually by the royalties or licence fees paid over the years. In a lump sum model the price of IPR is explicit, but front-loaded for the company.

#### 6.4.2. Pricing of IPR, Unifund Ltd

When intellectual property rights are invested via Unifund Ltd in exchange for company shares, these rights constitute a part of investment in the company's value. Typically IPR are valued moderately in terms of capital investment. For a starting company IPR are important, since they improve the company's eligibility for capital investments even if the IPR do not necessarily add the company's value to any significant extent as such. In the end, despite the baseline information, future market prospects and competitor analyses, valuation is based on the negotiation between the buyer (the company to be established) and the seller (Unifund).



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