

10 golden rules for third-party IP funding

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Turning IP into a business asset involves substantial financial investments. For this, third-party funding can be a solution. However, finding the right funding partner and working out the conditions often form a serious burden. With these 10 golden rules, V.O. helps you in making the right decisions.

1. Make a conscious choice between types of funding

There are roughly three different types of funding: subsidies, loans and venture capital investments. Subsidies are essentially gifts. Loans must be repaid after the project has been finished, plus interest. Venture capital investments in a company are usually only made in exchange for shares and voting rights. Instruments on a European, national and regional level can be used for all three types of funding. You should therefore consider whether the conditions are acceptable and estimate the risks for the future.

2. Check the specific rules for IP within the conditions for funding

There are capital providers that claim (partial) ownership of IP developed in a funded project, or that demand a licence. You should therefore check in advance what conditions apply to the IP rights. If these have not yet been laid down, you should agree on them to prevent conflict situations afterwards.

3. Agree on confidential disclosure in the preliminary phase of a collaboration

Confidential information is often shared as early as during the negotiations for collaboration and funding. To prevent the other party from accidentally disseminating this information to others, it is a good idea to agree on a confidentiality agreement at an early stage, so that both parties know what information should remain secret.

And it is also important to have arrangements in place if this information does end up in public, accidentally or otherwise.

4. Determine what IP knowledge is already present and who owns it

Some capital providers become the owner of the IP developed with the capital provided. In this case it is important to know what IP is already present and to specify this. If this is not done, there is a risk of a dispute regarding the owner of the IP. This applies especially if a partnership with a third party (like a public-private partnership) has been entered into to obtain the capital, as certain subsidies prescribe. Determining who owns which IP in advance prevents a lot of discussion afterwards.

5. Determine which IP will be developed and who owns it

If the capital is issued to a partnership with a third party, it is important to determine in advance who owns which IP and who pays for it. This includes possible licences and the conditions attached to them. You should also lay down who can make decisions about IP, for example, which countries have to be assigned, decisions about modifications, or about the expiry of IP and what should be done in case of legal proceedings regarding IP rights. You should also determine who is entitled to commercialisation of results from the partnership.

6. Include as many costs as possible in the project budget

During processes, costs for analysing, protecting and commercialising IP can generally always be entered. Examples of these costs, either incurred by a patent office or otherwise, are the costs for: preparing an IP strategy, mapping out the patent landscape, identifying prior art, general patent costs, freedom-to-operate analyses and drawing-up a commercialisation strategy. You should, however, check in advance whether these costs may be covered using the capital provided. There are capital providers that do not allow certain costs to be paid from the capital provided.

7. Determine what IP knowledge may be published

It may be interesting to publish the knowledge or innovation developed during a project. What's more, a capital provider may even demand that the results of a study be published. If an application for IP is to be submitted, it is important to do so before publication. You should therefore agree in advance what information may be published and by whom.

8. Discuss the licence terms at an early stage of the project

Have arrangements been made about licences? In that case, you should agree on the conditions in advance: exclusive or non-exclusive, for what, technical field, territory, licence fees, who is entitled to commercialisation, right or no right to further licensing. Discussing the licence terms for use or commercialisation in advance is often cheaper than when you have a successful product and the licence provider is only seeing dollar signs.

9. Agree on conditions to terminate the contract

Despite the fact that you start a project together with lots of energy, there may come a time when one of the parties would like to withdraw from the contract. If there is a certain tension in the collaboration at that time, parting ways amicably can often be difficult. You should therefore agree in advance on how the contract can be terminated.

10. Consult a specialist

Looking for the best funding method and making the correct arrangements is specialist work. Just by looking at how many funding schemes are available on a national or European level, things become very complex very quickly. You should therefore seek advice from a specialist in this field. We have plenty of experience with ttopstart. For more information, visit www.ttopstart.com.

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Do you have any questions or would you like IP advice?

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