

POLICY ON PRODUCT COMMERCIALIZATION

UNIVERSITY OF MORATUWA

(Approved by the Council at its 479th meeting held on 06-01-2021)

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1.0 Preamble

Intellectual Property powers the engine of innovation and creativity and contributes immensely to the knowledge-based economy when the use is optimized through commercialization. The University of Moratuwa (UOM) in its journey towards becoming a world class University focuses on number of technologies commercialized out of its intellectual property as one of its Key Performance Indicators. This Product Commercialization policy is formulated in line with the Intellectual Property Policy of the UOM by the Intellectual Property Advisory Committee (IPAC) to meet the said objective of the UOM.

2.0 Objectives

- i. To encourage the commercialization of Intellectual Property assets of the UOM that are being developed for mutual benefit of the UOM and the industry.
- ii. To setup a framework for “University Business Linkage Cell” [UBLC] to effectively manage Technology Transfer.
- iii. To provide appropriate incentives in order that the technology could be commercialized for public benefit in an adequate and timely manner.

3.0 Definitions

“Derivative Works”

(a) translations, adaptations, arrangements and other transformations or modifications of works; and
 (b) collections of works and collections of mere data (data bases), whether in machine readable or other form, provided that such collections are original by reason of the selection, co-ordination or arrangement of their contents

“Intellectual Property”

Rights relating to the areas such as literary, artistic or scientific works, performances of performing artists, phonograms, broadcasts, inventions, industrial designs, trademarks, service marks, commercial names and designations, protection against

	unfair competition, geographical indications, new varieties of plants, undisclosed information and layout designs of integrated circuits
“Marks”	Trademarks, service marks, associated marks, collective marks, certification marks and any other “mark” as defined in the Intellectual Property Act No.36 of 2003.
“Net Revenue”	The amount of sales generated by a company out of a University intellectual property after the deduction of returns, allowances for damaged or missing goods, discounts allowed, and direct tax. Total sales of the company will be considered wherever it is not possible to extract the part of sales generated out of University IP.
“NIPO”	National Intellectual Property Office of Sri Lanka
“Resources of UOM”	UOM’s physical structures, research, laboratories, capital equipment, technical facilities, services, personnel, staff supervision, and knowledge assets.
“Works”	Any literary, artistic, or scientific work referred as “works protected”
“Works protected”	<ul style="list-style-type: none">(a) pamphlets, articles, computer programs and other writings.(b) speeches, lectures, addresses, sermons and other oral works.(c) dramatic, dramatic musical works, pantomimes, choreographic works, and other works created for stage productions.(d) stage production of works specified in

paragraph (c) and expressions of folklore that are apt for such productions.

- (e) musical works, with or without accompanying words.
- (f) audiovisual works.
- (g) works of architecture.
- (h) works of drawing, painting, sculpture, engraving, lithography, tapestry, and other works of fine art.
- (i) photographic works.
- (j) works of applied art.
- (k) illustrations, maps, plans, sketches, and three-dimensional works relative to geography, topography, architecture or science

Any other term

Shall be interpreted as having the same meaning as given in the Intellectual Property Act, No. 36 of 2003 as amended.

4.0 Commercialization Procedures

The UOM promotes following two modes of Commercialization procedures:

1. Exclusive Licence
2. Non-exclusive Licence

Exclusive Licence:

University offers the first right of refusal to the inventor(s) to commercialize their inventions through an exclusive licensing mechanism. University may

waive off the licence fee if the inventors themselves seek an exclusive license. Right to sublicense is subject to the approval of the UBLC based on the existence of a clear path for royalty revenue. Exclusive licensee shall submit a business development plan including expected milestones of product launch and expected revenue. As a general rule, an **exclusive licence shall be available for 10-year period, and extendable subjected to proper implementation of the business plan, and on the existing or new royalty terms agreed by the UoM and the licensee.** Royalty will be decided by the UoM on the recommendation of the UBLC. Rights given include: to make, have made, use and sell the given technology by the licensee.

If the inventors decide not to seek an exclusive licence, the University on recommendation of the UBLC will offer exclusive or non-exclusive licenses with or without sublicence rights of its inventions to the investors at large.

Non-exclusive Licence

Non-exclusive licensees shall submit a business development plan including expected milestones of product launch and expected revenue. As a general rule, **non-exclusive licence shall be available for a 10-year period, and extendable subjected to proper implementation of the business plan based on existing or new royalty terms agreed by the UoM and the licensee.** Royalty will be decided by the UoM on the recommendation of the UBLC. Rights given include: to make, have made, use and sell the given technology by the licensee.

4.1 Formation of Startup Companies

If the inventors are of the opinion that the best mode of commercialization of the Intellectual Property is through formation of a Startup Company, UOM through UBLC will foster such startup companies through the exclusive licence scheme within the Enterprise Product Accelerator. The startup fostering procedure is stipulated as follows:

1. Startup companies will be selected by the UBLC and fostered at the Enterprise Product Accelerator for two years providing them the University address, mail box, email account, web page and other resources available.
2. Startup companies need to negotiate a licence for the University IP from the UBLC and enter into an agreement with the University. The agreement should specify the services and facilities offered by the University. Agreement process will be administered by the UBLC.
3. Startup companies will be offered laboratory facilities, machines, equipment and server space at a nominal cost administered through a process managed by the UBLC.
4. Departments are supposed to provide space for product incubation at their laboratories. UBLC will support and administer such activities.
5. Startup companies will be offered following two options with regard to equity shares and royalty.
 - a. From the shareholding of the proposed company a 5% to 15% equity shareholding with 10% being the default amount from and out of the total allotted equity share capital shall be offered to the University as judged by the UBLC and approved by the University. In addition, a 1% from the net revenue to be paid as Royalty. University shareholding as a percentage (%) can be subjected to a dilution in percentage. However, such dilution in % control shall not, on the other hand, reduce the value of the par value of the equity shareholding below Rs. 500,000/- . After 10 years, the company is allowed to buy back the % of equity shareholding held by UoM at a market price determined by employing an accepted valuation method of valuing net assets of the company as appropriate.

- b. However, in the alternative the startup company may decide not to offer equity shares to the University and given such decision UoM shall be entitled to receive 3% of the net revenue calculated by using an acceptable Accounting System employing appropriate and relevant Accounting Standards while having a transparent methodology of disclosing the revenues, returns and relevant deductions with material proof and such 3% of the Net Revenue so calculated shall be regarded as the Royalty charge. Royalty payments shall be continuous and timely until 5 years from the commencement and after 5 years there shall be no Royalty charge.
6. UBLC shall have one non-executive member on the Board of Directors of a start-up companies.
7. Start-up companies, in which University of Moratuwa holds equity shares shall submit to UBLC a certified copy of the annual returns calculated, by using an acceptable Accounting System employing appropriate and relevant Accounting Standards while having a transparent methodology of disclosing the revenues, returns and relevant deductions with material proof to the UBLC for calculation of royalty. UBLC shall issue an invoice to the start- up company to make payments to the University. Start -up company has to make the payments within 14 days and submit a copy of the payment receipt to the UBLC. Startup companies, in which University of Moratuwa does not hold equity shares shall submit certified copies of licensed product sales or total sales as agreed to the UBLC annually.
8. UBLC will monitor the progress of startup companies on a monthly basis, and in case of poor performance at two successive evaluations, the startup company may cease to function within the Enterprise product accelerator.

5.0 University Business Linkage Cell (UBLC)

All issues related to the marking aspects of Intellectual Property will be prudently and efficiently handled by the UBLC.

In case of non-exclusive licensing, UBLC may recommend the royalty rate by taking the average of royalty rates where each prospective licensee is willing to pay.

In case of exclusive licensing, UBLC may recommend the royalty rate by taking maximum royalty rate where each prospective licensee is willing to pay.

In case of exclusive licensing, UBLC may recommend the minimum annual fee/upfront fee by taking maximum fee each prospective licensee is willing to pay.

UBLC may use methods such as listing on the UOM website and other websites, email propaganda etc. to generate interest and promote sales.

UBLC will provide details of the Intellectual Property to any investor, buyer or a third party under confidentiality undertaking executed through a non-disclosure agreement.

UBLC may use the information in Product Commercialization Plan (as per Annex II) submitted by the inventor for finding prospective licensees and to negotiate the royalty rate.

6.0 IP Commercialization Fund

To meet the expenses related to marketing, incentives for UBLC staff, payment of honorarium to experts and IPAC committee members, in terms of Section (VI) of the Intellectual Property Policy of the UOM, ten percent (10%) of gross revenue resulting from Intellectual Property shall be credited to a special fund that may be designated as “IP Commercialization Account”. The Account shall be administered by the UBLC under the supervision and the directions of the Vice-Chancellor.

7.0 Special Provisions for Inventors

If any inventor is interested in obtaining Exclusive or Non-Exclusive licence for the Intellectual Property they created the licence fee shall be waived off.

8.0 Conflict Resolution

In the event any complaint or grievance arising from the intellectual property-related Product Commercialization, any such issue, in the first instance, shall be mutually and amicably resolved after submitting it to the UBLC or IPAC. Any complaint or grievance that remains unresolved for more than 60 days after being received by the UBLC or IPAC will be referred to the Vice-Chancellor for necessary actions.

Annex I: Fees and Royalty Structure for Commercialization

IP Type		Startup Companies	Non-exclusive Licensing	Exclusive Licensing		
Industrial Property	Patents/inventions (product/process)	<p>5%-15% equity + 1% royalty out of net revenue + dividends OR 3% royalty out of net revenue + dividends</p> <p>For 5 years from the first payment year.</p>	<p>Rs. 50,000/= annual fee + 1%-3% royalty out of net revenue. Default license period is 10 years</p>	<p>Rs. 250,000/= Minimum annual fee + 1%-3% royalty out of net revenue Default license period is 10 years</p>		
	Industrial design					
	Marks	<p>5%-10% equity + 1% royalty out of net revenue + dividends OR 3% royalty out of net revenue + dividends</p> <p>For 5 years from the first payment year.</p>	2%-3% royalty out of net sales	2%-3% royalty out of net sales		
Copyright of works/ works protected	Scientific works	<p>10% equity + 1% royalty out of net sales + dividends</p> <p>For 5 years from the first payment year</p>	<p>Rs. 50,000/= upfront fee</p>	<p>Rs. 250,000/= Minimum upfront fee</p>		
	Literary works					
	Artistic works					
	Derivative works					
Related rights	Performances of performing arts	<p>Shall be decided by the UBLC in consultation with the Vice-Chancellor.</p>				
	Phonograms					
	Broadcasts					

Annex II: Product Commercialization Plan

The Inventor shall submit a “Product Commercialization Plan” indicating:

1. Details of the Intellectual Property
2. Time frame of the development
3. Declaration of originality, on non-infringement of Intellectual Property rights of others, etc.
4. Cost of the development with a breakdown
5. Potential applications of the Intellectual Property
6. Further development and estimated cost of the same
7. Intellectual Property value and method of valuation
8. Potential investors/buyers; and
9. Whether the Inventor wishes to develop the Intellectual Property through a Startup Company, Spinoff Company, Non-exclusive Licensing or Exclusive Licensing.

If the inventor requests assistance for the preparation of the above report the UBLC will provide the assistance of an Expert.