

"Spin-offs" as an option for exploiting research results

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1. Definition of "Spin-off"

Before trying to find a standard definition for "Spin-off", let us first identify common characteristics to understand the role they play in the R&D field:

Spin-offs may originate from the idea of shareholders of an existing company (the parent company) to split the company up into separate companies operating in different business sectors. The owners thus expect an increase in the stock valuation of two companies operating independently in two different sectors, as compared to the stock valuation of one company covering the two sectors: Stock holders would own stock in both companies and could participate in the increased profit generated by the commercialisation success of the two split companies.

Apart from the profit incentive, Spin-offs may be generated when employees promote the division of an existing company for the creation of a new one in order to initiate a new business opportunity for themselves.

Spin-offs often derive from universities and public or private research institutions, with the aim of ensuring that the research carried out there has industrial application through the Spin-off.

For the purposes of launching and marketing products and services deriving from research, Spin-offs are often considered exploitation tools by non-profit R&D organisations and universities, as they can be used as vehicles to enter the market and undertake marketing activities, which the non-profit institutions - due to the legal restrictions implied by their non-profit status - cannot do by themselves. This is especially important for non-profit R&D units, for which Spin-offs represent an opportunity to set up a business that is based on the non-profit R&D unit's know-how, but at the same time moves much further into the market with its own product line, production capacities and marketing channels, which can be created.

Spin-offs could thus be defined as new, independent companies originating at the heart of another entity (university/research institution/company), with the primary goal of commercialising the parent organisation's knowledge in the marketplace and/or with the aim to increase the profits of the owners of the parent organisation by means of splitting it into several companies.

2. Purpose and types

Innovative technologies are continuously created and require appropriate commercialisation which might be well served by the Spin-off. For non-profit organisations/universities in particular, the relationship formed between the parties can be particularly advantageous: it can serve as a permanent platform for technology transfer, offering the non-profit partner a more attractive perspective than licensing out only one patented technology, for example.¹

Spin-offs build a bridge between innovation capacities and the market for products and services, and a tight relationship is thus created. This relationship can take multiple forms that may result in at least two different types of Spin-offs:

- a. The University Spin-off (and Spin-off of a non-profit R&D organisation): It may be founded by researchers, by lecturers or even be a service offered by a department.

Here the university plays the role of business incubator, supporting its employees' initiatives. By setting up a Spin-off, the incubator generates, develops and spreads its knowledge, and finds both an appropriate environment to transfer its scientific research results as well as, sometimes, help in the search for investors (business angels or venture capitalists).

The university can obtain its own benefits from the Spin-off by selling or licensing its R&D results (for example patents obtained by grant holders, lecturers, etc., and the outcome protected by other intellectual property rights (IPR)). Through the efforts of the Spin-Off, the university's technology can be improved by further development and finally result in prod-

ucts which can be directly produced and sold on the market by the Spin-off.

The university and its Spin-offs are generally linked by a cooperation agreement that sets up the individual cooperation scheme, specifically the management of the university's research results and IPR by the Spin-off, the related Spin-off's commercialisation activities including a profit participation for the university and provisions for the use of university assets by the Spin-off for the mutual benefit of the parties.

- b. A Corporate Spin-off: It is created within a company whose shareholders or employees acquire the essential organisation or infrastructure to set up a new company by which they either split up different business sectors or realise their ideas outside the parent company.

The Corporate Spin-off can be used to collaborate with the parent company by improving external activities or products directly connected with the principal enterprise. It may serve as a means of becoming active in different industrial branches or fields or production lines outside the scope of the core business of the parent company and may even be used to outsource a defined field of business activities, as well as the liability risks related to the defined field².

3. Successful stories and further comments

These are a few examples of Spin-offs that have been successful: [Kronodoc OY](#) (Finland), founded in 1997 as a Spin-off from an engineering project of the European Organisation for Nuclear Research (CERN); [Infineon Technologies AG](#) (Germany), founded in 1999 for the semiconductor operations of Siemens AG; [Lenntech](#) (the Netherlands), a Spin-off of the Technical University Delft; or several Spin-offs set up by members of the University of Cambridge as [Akubio](#) or [Astex](#) among others.

In conclusion, the success of Spin-offs does not depend so much on their origin, but on filling a gap in the market at the right time. Sometimes, Spin-offs may find a complement or favourable context in the Technology Parks. They offer the appropriate space and facilities to develop and promote the transfer of R&D results from the universities and other institutions to the market. Other actors involved are the Technology Transfer Offices (TTOs), which help identify and protect research results and act as a mediator between the private and public organisations and researchers.

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1. In any case, it is important to evaluate all technology transfer possibilities to decide what would be the most convenient option depending on the situation.
 2. In the document [The creation of an entity in charge of the exploitation of RTD results - What are the best choices?](#) you may find different legal entities that can be chosen.