



**Northwestern
University**

Approving University Official(s): Provost
Responsible Office: Innovation and New Ventures Office
Effective date: February 27, 2019
Next review date: February 27, 2020

University Technology Licensing and Equity Interest Policy

Policy Statement

In licensing its technology, Northwestern seeks to promote the development of technologies that serve the public interest and provide public benefits. Where Northwestern determines the best opportunity for the development of early-stage technology is to license technology to a startup or small company (a “Commercial Venture”), Northwestern may accept an offer of Equity from the Commercial Venture in lieu of, or in addition to cash or other fees. Similarly, Northwestern may accept Equity in exchange for providing financial support to ventures that participate in its Innovation Programs. In receiving and managing such Equity, and distributing the proceeds from any sale of Equity, the University will act consistently with the University’s Patent and Invention Policy and in furtherance of its educational and research missions.

Purpose

The purpose of this policy is to establish the circumstances and processes for receiving and managing Equity investments in Commercial Ventures, and determining how and when to sell and distribute any resulting proceeds to best protect and promote Northwestern University’s educational and research missions.

Audience

All Faculty, Staff, and Students

Definitions

Innovation and New Ventures Office (“INVO”). The Northwestern University office responsible for patenting and technology-transfer of Inventions, Discoveries, and Tangible Research Property. INVO engages in technology licensing and other activities to advance Northwestern technologies for public benefit. INVO is also the Northwestern office that administers and supports Innovation Programs.

Northwestern Investment Office (“Investment Office”). The Northwestern University Investment Office is responsible for managing the University’s investments in accordance with policies established by the Investments Committee and the Board of Trustees.

Equity. Equity includes shares of stock, and other forms of equity (such as warrants, options, convertible instruments, interest in limited partnerships or limited liability companies).

Commercial Venture. A Commercial Venture means a startup entity or company, limited partnership, joint venture, or any other entity involved in an Equity transaction as described herein. Ownership of a company's Equity by the University and management of the Equity by the Investment Office will not alone define the company as a Commercial Venture.

Technology License Agreement (“TLA”). A TLA is a technology license agreement pursuant to which Northwestern licenses its intellectual property.

Equity from a TLA. Where a Commercial Venture does not have adequate cash reserves to license Northwestern technology, Northwestern may enter into a TLA with the Commercial Venture whereby, in return for a technology license, the Commercial Venture offers Northwestern Equity, which may or may not have any present value, in addition to or in lieu of licensing or other fees.

Northwestern Innovation Programs. Northwestern fosters and supports impactful innovations through its N.XT Fund, NUseeds, and Lakeside Discovery, and other innovation programs that may be developed from time to time. Northwestern may receive Equity in exchange for providing educational support and funding translational research of Commercial Ventures that have participated in its innovation programs.

Liquidity Event. An event that permits initial Equity owners and early investors in a Commercial Venture to receive cash in exchange for their Equity in the Commercial Venture. In many cases, the first Liquidity Event occurs upon an initial public offering.

Policy Implementation

Background

Management of Equity.

Equity from TLA: Any Equity in a Commercial Venture received by Northwestern from a TLA will be managed by INVO until the Commercial Venture becomes publicly traded. At that time, the Investment Office will manage the publicly traded stock in a manner consistent with its management of similar investment holdings in the University's portfolio, subject to any policies established by the Investments Committee and the Board of Trustees.

Equity from Northwestern Innovation Program: Any follow-on investment opportunity received from a Commercial Venture that received funding in connection with a Northwestern Innovation Program will be managed jointly by INVO and the Investment Office.

Distribution of Proceeds

Equity from TLA: Proceeds from the disposition of Equity from a TLA following a Liquidity Event shall be distributed as Proceeds from Inventions and Discoveries according to the Northwestern Patent and Invention Policy.

- http://www.invo.northwestern.edu/invention-disclosure/policies-forms/University_Patent_and_Invention_Policy_090117.pdf

Equity from Northwestern Innovation Programs: Proceeds from the sale of Equity stakes held through Innovation Programs N.XT Fund and NUseeds shall be applied to operating expenses incurred by the

Investment Office and INVO, and to support the sustainability and growth of the Innovation Programs at the discretion of the Provost, VP of Research, and INVO. Proceeds from the disposition of Equity from the Innovation Program Lakeside Discovery following a Liquidity Event shall be distributed as Proceeds from Inventions and Discoveries according to the Northwestern Patent and Invention Policy.

Conflicts of Interest – Disclosure of Equity Interest

Faculty and Staff shall report their equity interests in accordance with the Northwestern Policy on Conflict of Interest and Conflict of Commitment and the Conflict of Interest in Research policy, as applicable.

Board Participation and Fiduciary Roles. Northwestern as an entity, including its schools and units, shall not accept a position on the board of directors (or other comparable governing entity) of any licensee or other Commercial Venture, but may accept and exercise observer rights on such boards or comparable governing entities.

Equity Investments in Northwestern Licensees. Nothing in this policy shall prohibit the Investment Office from investing directly or indirectly in companies that license technology from Northwestern.

Other Policies

This Policy does not replace or supersede the University Patent and Invention Policy, Copyright Policy, Policy on Conflict of Interest and Conflict of Interest and Conflict of Commitment, Conflict of Interest in Research policy, Institutional Conflict of Interest in Research policy and does not affect the Investment Office policies and practices regarding Equity investments made by the Investment Office which do not involve Northwestern TLA or INVO-funded programs.

Related Information

Northwestern Patent and Invention Policy

- http://www.invo.northwestern.edu/invention-disclosure/policies-forms/University_Patent_and_Invention_Policy_090117.pdf

Northwestern Copyright Policy

- <http://www.invo.northwestern.edu/invention-disclosure/policies-forms/copyright-policy/>

Northwestern Policy on Conflict of Interest and Conflict of Commitment

- https://www.northwestern.edu/coi/docs/core_coi_policy.pdf

Northwestern Conflict of Interest in Research

- https://www.northwestern.edu/coi/policy/research_policy.pdf

Northwestern Institutional Conflict of Interest in Research

- https://www.northwestern.edu/coi/policy/institutional_policy.pdf

Contacts

The following [individual(s)/office(s)] can address questions regarding this Policy:

John Haugen,
Associate General Counsel,
Office of General Counsel
Innovation and New Ventures Office
phone: (847) 491-3630, email:john.haugen@northwestern.edu

History

New Policy, February 27, 2019.

Policy URL:

<https://www.invo.northwestern.edu/invention-disclosure/policies-forms/university-technology-licensing-and-equity-policy-2-27-19>