

REGIONS OF KNOWLEDGE 2

Creation of Pilot IP Fund

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Short overview of the Pilot IP Fund

- Main objective: To prepare the launch of the regional Pilot IP Fund
- Main activities: To develop the necessary administrative structure and documentation for the creation of Pilot IP Fund
- Expected results: Implementation of necessary steps for the creation of Pilot IP Fund

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Duration and budget

- Duration of the creation of IP Fund (three stages):
 1. Pre-creation phase of the Pilot IP Fund is 1,5 years
 2. Pilot IP Fund will operate for 3 years leading to the creation of regional IP Fund
 3. Regional IP fund – the duration of the fund shall be clarified in stage 2
- Budget:
 - Stage 1 - 50 000 Euros
 - Stage 2 - 300 000 Euros

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Main problems in IPR in Estonia I

- IPR protection is costly and not too efficient in Estonia, research results are slowly commercialised
- Duration of the examination of a patent application is long
- The main reason for rejection or withdrawal of patent applications was the non-payment of patent for the continued validity fees (88.8% of the withdrawals)
- No funds or grants available in Estonia to cover the expenses of IPR protection

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Main problems in IPR in Estonia II

- SMEs are not informed about existing services in IPR area, there is alack of good-quality information
- The quality of IPR related services does not correspond to the needs of R&D intensive SMEs
- SMEs tend to use private enterprises or increase their own competence – very expensive

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Objective of the (Pilot) IP Fund

- To increase the number of Estonian patent applications and patent licenses through creating financial means for SMEs and providing support for patenting and licensing process.
- The Pilot IP Fund will be established to provide financial support and encourage Estonian SMEs' innovativeness that have a clear economic potential.

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Pilot IP Fund strategy

- To test and validate the IP Fund model
- After the Pilot IP Fund is in place, operational and has shown results (indicatively 3 years) - additional financial resources will be sought
- The intention is to set-up a IP fund with broader scope (financial means, duration, and geographical coverage) at the end of the 3rd year.

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Service areas covered by Pilot IP Fund

- Cost of patent application (from national to a patent registered under Patent Cooperation Treaty (PCT), from PCT to country by country etc)
- Fees for patent continuity and cost of licensing negotiation process
- Assistance in commercialisation of industrial research projects and assistance in depositing patents
- Creation of links between IP fund and relevant intermediaries

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Main stakeholders of Pilot IP Fund

- Tartu Science Park
- University of Tartu, Estonian University of Life Sciences,
- Tartu City Government, Tartu County Government,
- Tartu Biotechnology Park, and University of Tartu Institute of Technology,
- Estonian Patent Office

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Framework of Pilot IP Fund

- Fund shall be created under the jurisdiction of Tartu Science Park and linked with the seed capital fund
- The activities of Pilot IP Fund are similar to the activities of pilot seed capital fund.
- The knowledge obtained through creating Pilot IP Fund in South Estonia can easily be used to create regional IP fund.

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Duration of the Pilot IP Fund scheme

- The pre-creation phase of the Pilot IP Fund – 1,5 years.
- The duration of Pilot IP Fund – 6 years
 - 3 years investment + 3 years (portfolio management and exits)

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Capital and investments for Pilot IP Fund

- Resources of the stakeholders - €100.000 per year for three years (in cash and in-kind):
 - cash € 250.000; in-kind € 50.000
 - cash paid to the fund in one lump sum
 - in-kind includes: services linked to IPR check, networking in patenting and licensing areas
- Investments per year - from €10.000 to €50.000
 - maximum 49% shareholding in the company

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2 Eligibility criteria

- SMEs must demonstrate strong commercial perspectives
- Legal persons incorporated in Estonia
- Applicable IPR must have clear commercial potential
- Clear exit strategy from the fund within 3 years (indicated in the business plan)

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2 Management of Pilot IP Fund

- Contracted to an external organization with proven experience (and professional staff in the management of similar fund schemes)
- The external management organisation and Tartu Science Park (TSP) should cooperate in the management of the scheme
- TSP should appoint professional staff from their own organization to form a joint working team.

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2 Funding, I

- 100% of the costs directly associated with the protection of the invention concerned
- Funding to enterprises can be provided at any (or for all) of following three stages describing the process of IPR protection

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Funding, II

- Stage 1. Funding of up to €10,000 to assist with the costs of preliminary patent protection (incl. the cost of patent attorneys)
- Stage 2. Funding of up to €50,000 (additional to any funding already provided) to support patenting costs arising in the continuing prosecution of an already filed initial patent application or extension of patent coverage to other countries
- Stage 3. Funding to provide support for licensing process. Normally not more than €40,000 in addition to any funding already provided

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Key steps of the pre-creation phase

- Formalizing the documents containing all the key features of the Pilot IP Fund scheme
- Submit a Memorandum of Understanding (MOU) for signing to all stakeholders to formalize their commitment

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Human resources of pre-creation phase

- Project leading – 18 months, 3 persons included in this part of the project
- Experts on fund creation – 12 months, 2 persons incl
- Experts on IP protection – 6 months, 1 person incl
- Experts on preparing documentation – 12 months, 2 persons incl

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Follow on

- It is expected that the exits made from the investments in the target companies will increase the initially invested capital which then will be used for the next round of investments
- Attraction of new capital and investments into the fund
 - The fund should play a catalyst role for attracting investments from private investors to the target companies and thus reach certain multiplier effect with the initial capital invested

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Thank you! Comments, questions...

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