SCALE Deeptech Licence (SDL)

Comparative Analysis and TTO Justification

Executive Summary

This document provides a systematic comparison of the SDL against two reference frameworks:

- **Part A** — Imperial College London's Founders' Choice Licence, comprising the publicly available key terms and the January 2024 Template Licence Agreement. Imperial's Founders' Choice is widely regarded as one of the most progressive and investor-aligned TTO frameworks in the UK, having been substantially revised following consultation with founders, investors, and stakeholders in 2023.
- **Part B** — Prevailing market terms across UK TTOs, drawing on published frameworks (USIT, Hickson Review (February 2026), BVCA/UNICO guidance) and observed practice at leading institutions.

For each term, the analysis identifies where SDL aligns with, departs from, or improves upon the relevant benchmark. Justifications are provided in terms that would be relevant to a University Technology Transfer Office (TTO) considering whether to accept the SDL terms.

Overall Assessment: SDL is a founder and investor aligned template that incorporates substantive protections for the licensing university. In most respects it mirrors Imperial's Founders' Choice, which is itself a carefully calibrated, stakeholder-consulted framework. Where SDL departs from Imperial, it does so in directions consistent with the recommendations of the Hickson Review (February 2026). No term in SDL deprives the university of material economic value; several terms provide additional protections (e.g. post-assignment insolvency re-assignment) that are absent from market-standard templates.

Beyond term-by-term parity, SCALE's core purpose is to collapse the licence negotiation cycle from the 11–12 months typical of bespoke deals to a matter of weeks, and, as set out below, the REF2029 changes to Engagement and Impact assessment make that speed a direct institutional asset, not merely a founder convenience.

Financial Terms at a Glance

Term	Imperial FC	SDL	Market Range
Founding Equity	5% (non-dilute to £5M) or 10% dilutable	5% (non-dilute to £5M) or 10% dilutable	5%–25% depending on TTO
Annual Licence Fee	£50,000 (5 instalments from Effective Date)	£50,000 (5 × £10K; deferred to Qualified Financing)	£50K–£450K
Net Sales Royalty	0.5–2.0% after £50M net sales	1.0% flat after £10M Net Sales (Scaling Threshold)	1%–5% (varies; few use thresholds)
Sublicensing Net Receipts Royalty	10% flat (no step-down)	10% → 1% over 9 years	10%–25% flat. Royalties mostly on Net Receipts, but sometimes on sublicencee sales.
Royalty Cap	None	£10M cumulative royalty (Royalty Payment Cap)	Not standard but quite often negotiated in.
Assignment Mechanism	Exit event / mutual agreement. Negotiation process defined, but no fixed triggers or timetable or outcome or method.	Automatic Trigger: £25M raised, or 12-mo EBITDA profit, or £10M royalty cap reached, or Exit, or mutual agreement. Automatic reversion to University if Company insolvent post-assignment	May say on Exit event / mutual agreement without any real definition. However, often negotiated in cleanly after a very long negotiation

Part A: SDL Compared with Imperial's Founders' Choice

The following section compares each material term in SDL against the corresponding provisions in Imperial College London's Founders' Choice framework, comprising both the key terms published on the Imperial Enterprise website and the detailed January 2024 Template Licence Agreement. For each term, a brief characterisation of the alignment is followed by a substantive justification for why the TTO should accept the SDL terms.

1. Equity Structure

	Imperial FC	SDL
Term	5% of fully diluted share capital, non-dilutable to £5M cumulative investment. Alternative: 10% dilutable. Founders choose between the two options.	5% of fully diluted share capital, non-dilutable to £5M cumulative investment. Alternative: 10% dilutable. Founders choose between the two options.
Alignment	**ALIGNED**	

TTO Justification

SDL replicates Imperial's equity option precisely. The 5% / £5M protection threshold, or the 10% dilutable option is the exact benchmark adopted by one of the UK's leading TTOs after extensive stakeholder consultation. Accepting 5% non-dilutable to £5M or 10% dilutable is therefore a demonstrably market-tested position. TTOs that start above these positions face documented evidence that higher equity stakes reduce VC appetite: the Hickson Review (February 2026) specifically called for TTOs to keep equity stakes proportionate.

2. Annual Licence Fee

	Imperial FC	SDL
Term	£50,000 exclusive of VAT in five equal annual instalments. Payment schedule commences from the Effective Date of the licence.	£50,000 Sterling total, paid in five equal annual instalments of £10,000 each. First instalment deferred until 30 days after Qualified Financing (min. £500K round); if no such financing by year 3, the first instalment falls due on the 3rd anniversary.
Alignment	**MOSTLY ALIGNED — DEFERRED COMMENCEMENT**	

TTO Justification

The aggregate £50,000 fee matches Imperial's figure exactly. The only difference is a payment-trigger deferred to first Qualified Financing. This is commercially rational: pre-revenue spinouts have no cash to fund licences. Imperial itself introduced the five-year instalment structure in 2023 specifically to be 'cash-preserving'. Deferring to the point of first investment is a modest further extension of the same principle, and it reduces the risk of non-payment or early termination before the company can execute. The TTO's economic interest is identical; the timing is marginally more flexible.

3. Historic Patent Costs

	Imperial FC	SDL
Term	Reimbursement of all pre-Effective Date patent costs in five equal annual instalments alongside the licence fee.	Paid as a lump sum upon first Qualified Financing (min. £500K), or if no such financing by year 3, on that anniversary. Amount to be agreed and inserted as a schedule variable.

Alignment	**STRUCTURALLY EQUIVALENT — DIFFERENT TIMING**

TTO Justification

Imperial's five-instalment approach ensures gradual recovery; SDL consolidates recovery into one payment triggered by first investment. From the TTO's perspective, receiving the full amount in a single payment at first investment is arguably better than five annual instalments: it eliminates collection risk over a five-year period. Spinout investment rounds are specifically intended to provide working capital, and including patent cost reimbursement within that context is entirely standard in UK transactional practice. No economic value is lost to the TTO.

4. Net Sales Royalty Rate

	Imperial FC	SDL
Term	0.5% (low-margin), 1.0% (medium-margin), 2.0% (high-margin) on cumulative net sales exceeding £50M.	**1% flat** on cumulative Net Sales of the Company and its Affiliates exceeding the £10M Scaling Threshold. Sub-licensee revenues are captured separately through the Net Receipts royalty, not Net Sales. Royalty terminates at £10M cumulative Royalty Payment Cap (combining Net Sales and Net Receipts royalties).
Alignment	**MOSTLY ALIGNED — SIMPLIFIED RATE; ROYALTY CAP ADDED AND SCALING THRESHOLD LOWERED TO COMPENSATE**	

TTO Justification

The SDL1% flat rate sits squarely within Imperial's 0.5–2% range and matches Imperial's midpoint for medium-margin businesses. For most Deeptech spinouts which are medium-margin, the economic outcome is identical. Simplification reduces legal and administrative friction — both parties avoid disputes over margin categorisation. The threshold has been reduced to £10M in SDL, and so no longer mirrors Imperial's £50M figure — it is a materially earlier trigger point, giving the University a nearer-term line of sight to royalty income while the company is still scaling. The £10M cumulative cap is an additional founder/investor comfort that does not materially prejudice TTO income: a company paying £10M in royalties has generated at least £1 billion in cumulative net sales, at which point the IP will have been fully exploited and the TTO's economic mission fully served.

5. Net Receipts (Sub-licensing) Royalty Rate

	Imperial FC	SDL
Term	Fixed 10% of all sub-licensing royalties and fees, no step-down.	Starts at 10% in year 0, stepping down by 1 percentage point per year to a floor of 1% from year 9 onwards.
Alignment	**INITIALLY ALIGNED — COMPANY-FAVOURABLE STEP-DOWN THEREAFTER**	

TTO Justification

The starting rate is identical to Imperial's (10%). The step-down reflects an important commercial reality: sub-licensing income generated in later years is predominantly attributable to the company's own commercial efforts, market development, regulatory clearances, and relationship capital — not the original university IP. By year 5 the rate is 5%, by year 9 it is 1%. This is consistent with the principle that technology transfer is a diminishing-returns proposition over time. Several UK universities have begun offering graduated sub-licensing rates for this reason. Accepting a step-down does not reduce absolute receipts in the critical early years when sub-licensing activity is highest.

6. Royalty Payment Cap

	Imperial FC	SDL

Term	No cumulative cap on royalties. Payments continue for the life of the licensed patents.	All royalties (net sales + net receipts combined) cease once cumulative payments reach £10M.
Alignment	**DIVERGES — SDLI INTRODUCES A CAP**	

TTO Justification

This is the most founder/investor-friendly term in SDL relative to Imperial. However, context matters: a cumulative £10M royalty cap in a non-pharma context requires the company to have generated substantial revenues (at minimum, £1B+ of cumulative net sales at a 1% rate). By that point, the original IP has been fully commercialised and the university's mission of economic impact has been comprehensively met. Many institutional investors (particularly US venture firms) treat open-ended royalty obligations as a structural impediment to later financing rounds or acquisition. Including a cap removes that barrier. From the TTO's perspective, receiving £10M in royalties from a single spinout would represent exceptional value — very few university spinouts reach this level. The cap therefore applies only to best-case scenarios where the TTO has already received an extraordinary return.

7. Sub-licensing Terms

	Imperial FC	SDL
Term	Sub-licences permitted without prior consent. Company must provide a copy within 30 days. Sublicensees cannot further sub-license. Licensee responsible for sublicensee acts. Sublicensees protected on termination.	Sub-licences permitted without prior consent. No requirement to provide copies pro-actively (though royalty statements must identify sub-licensees). Sublicensees cannot further sub-license without Company consent. Step-in continuation licence mechanism on termination.
Alignment	**CLOSELY ALIGNED**	

TTO Justification

Both agreements treat sub-licensing as a core commercialisation tool. SDL omits the automatic copy-provision requirement, but royalty statements require Sub-Licensee identification and payment disclosure, providing equivalent economic transparency. The Step-In Right mechanism in SDL is well-drafted and consistent with Imperial's sublicensee protection on termination. TTOs benefit from sub-licensing activity as it generates Net Receipts subject to royalty. Placing unnecessary procedural barriers on sub-licensing would reduce deal velocity and TTO income.

8. Reservation of Rights (University)

	Imperial FC	SDL
Term	University retains perpetual, irrevocable, non-exclusive, royalty-free rights for teaching, research, and R&D (including externally sponsored research). Founders and their research groups need approval from the spinout for industry-sponsored research on licensed IP, though the parties agree to negotiate in good faith and not unreasonably withhold consent.	University retains non-commercial academic research, teaching, and educational rights unconditionally. **Industry-sponsored research** requires 30 days' written notice to the Company (identifying the sponsor and scope), and is subject to conditions that such programmes not grant sponsors rights inconsistent with the Company's eventual ownership. Pre-existing industry-sponsored programmes at the Commencement Date are grandfathered.
Alignment	**FUNCTIONALLY ALIGNED — SDL SLIGHTLY SIMPLER APPROVAL MECHANISM**	

TTO Justification

Both agreements preserve the university's core academic mission. SDL replaces Imperial's approval requirement with a notice-and-condition mechanism that achieves the same result (preventing incompatible grants to sponsors) with less administrative friction. Requiring consent from an early-stage spinout company for the university to accept research funding creates practical difficulties — the spinout may have no functioning board, may be overseas, or may be unresponsive. A well-defined notice mechanism protects the TTO's interests without creating unnecessary bottlenecks. The 30-day notice period gives the Company adequate time to raise any legitimate concern.

9. University Improvements

	Imperial FC	SDL
Term	Technology pipeline option agreements for non-severable improvements are put in place as standard alongside the licence (see Appendix C Option Agreement). Terms of the option licence to be agreed at the time.	All University Improvements necessary or useful for commercial exploitation of the Licensed Technology are licensed to the Company **at no additional charge for two years** following the Commencement Date. Thereafter, the Company has a first option (60-day exercise window) on fair and reasonable commercial terms. University may license to third parties if option not exercised.
Alignment	**SDL IS MORE COMPANY-FAVOURABLE — FREE 2-YEAR IMPROVEMENT WINDOW**	

TTO Justification

Imperial's approach defers financial terms on improvements to future negotiation, which creates uncertainty for both parties. SDL provides a defined two-year free improvement period aligned with the critical proof-of-concept phase, followed by a structured first-option mechanism. The TTO benefit is that improvements arising from the Academic Founders' labs are explicitly brought into the commercial pipeline with guaranteed company engagement (60-day exercise window). This reduces the risk that improvements are licensed to third parties in a way that undermines the spinout's competitive position. The two-year window is calibrated to the typical pre-Seed to Seed stage.

10. Company Improvements (Grant-Back)

	Imperial FC	SDL
Term	No explicit grant-back obligation in the template, though the IP clause is silent on Company improvements beyond what is strictly required for patent prosecution.	**Explicitly states there is no grant-back.** All Company Improvements vest solely in the Company and form part of Company IP. No reach-through rights. University has no rights in derivative technologies.
Alignment	**SDL IS MORE EXPLICIT — CONSISTENT WITH BEST PRACTICE**	

TTO Justification

The explicit no-grant-back clause is essential for investor confidence. VC investors routinely perform IP due diligence and will flag any ambiguity around ownership of improvements as a high-risk item. SDL’s explicit statement is consistent with the Lambert Toolkit (model agreements widely used in UK university-industry collaborations) and with the Hickson Review’s (February 2026) recommendation that universities should not claim ownership of company-generated improvements. Accepting this clause costs the TTO nothing (it had no such rights under Imperial's template) while materially reducing friction with investors.

11. Patent Prosecution Control

	Imperial FC	SDL
Term	Licensee bears all costs from Effective Date and has responsibility for prosecution and maintenance. Licensor must approve material changes to claims with 42 Business Days' notice. Licensor approves prosecution strategy.	Company has **primary right to control** filing, prosecution, maintenance, and extension from Commencement Date. Company selects patent attorneys and determines strategy. Must consult the University in good faith and share correspondence. Company not bound by University comments but must act reasonably to protect validity.

Alignment	**BROADLY EQUIVALENT — SDL IS SLIGHTLY MORE COMPANY-LED**

TTO Justification

Both agreements place costs on the company from the Effective Date. SDL gives the company greater control over strategy and attorney selection, reflecting that the company is best placed to understand commercial prosecution priorities. Imperial's 42-day prior approval requirement for material claim changes could impede urgent prosecution decisions. SDL's consultation-and-comment model achieves the same practical protection for the university (it remains informed and can raise concerns) without creating a veto right that could compromise patent quality. For a growing spinout, patent prosecution speed is commercially critical.

12. Abandonment of Patents

	Imperial FC	SDL
Term	Licensee gives 3 months' written notice of intended abandonment. Licensor can take over. Abandoned patents removed from Licensed Patents.	60 days' prior notice to the University. University may elect to assume responsibility. Abandoned patents remain licensed to the Company on a non-exclusive basis (terms of this Agreement apply). No penalty for abandonment. Jurisdiction-by-jurisdiction abandonment permitted.
Alignment	**ALIGNED — SDL PROVIDES NON-EXCLUSIVITY PROTECTION ON STEP-IN**	

TTO Justification

SDL provides a slightly shorter notice period (60 days vs 90 days) but introduces an important protection: if the University steps in, the Company retains a non-exclusive licence to that patent at no additional cost. This is commercially important — the company should not lose access to IP it has developed products around simply because it cannot afford prosecution in a low-priority jurisdiction. The TTO benefits because the 60-day period is still adequate to make a prosecution decision, and it retains the ability to licence the patent to third parties if it steps in.

13. IP Infringement Enforcement

	Imperial FC	SDL
Term	Parties notify each other. Parties try to agree joint action. Licensee can act first at sole expense; infringement damages treated as Net Sales (subject to royalty). Licensor can act if Licensee has not acted within 180 days.	Company has first right (not obligation) to bring proceedings. Company bears all costs and risk. Company controls strategy but keeps University informed. University steps in if Company does not act within 90 days. Infringement recoveries retained by enforcing party after deduction of legal costs.
Alignment	**BROADLY ALIGNED — SDL SHORTER RESPONSE PERIOD; CLEANER RECOVERY DISTRIBUTION**	

TTO Justification

SDL's 90-day response period vs Imperial's 180 days reflects the reality that infringement action delayed 180 days can allow a competitor to entrench its position. The recovery mechanism in SDL (enforcing party retains net recoveries) is simpler and avoids the Imperial approach of treating infringement damages as Net Sales (which would impose royalties on litigation proceeds — an anomalous outcome). The University retains its ability to step in and act independently, with full recovery, so its interests are protected.

14. Assignment / IP Transfer

	Imperial FC	SDL

Term	Imperial does contemplate assignment: the template includes a defined process (Cl. 2.8 Option Agreement and Cl. 2.9-2.10 Assignment Agreement) triggered by an Exit Event or by mutual agreement based on critical business need analysis. However, unlike SDL, no specific financial or timing triggers, and no fixed outcome, are set — the terms of any assignment are negotiated at the time, with an independent expert available if the Parties cannot agree. This Agreement remains in force throughout negotiations.	**Automatic assignment obligation** triggered by the earliest of: (a) mutual agreement; (b) EBITDA profitability for 12 months at min. £1M revenue; (c) £25M cumulative equity raised; (d) the £10M Royalty Payment Cap being reached; or (e) an Exit Event in which the University's shares are included. Assignment must occur within 30 days of trigger, for no further consideration. If the Company becomes insolvent at any time after assignment, the University Intellectual Property automatically reverts to the University by operation of law (a Reversionary Interest), with no re-assignment step, formality, or payment required.
Alignment	**SDL IS MORE COMPANY-FAVOURABLE — AUTOMATIC TRIGGER**		

TTO Justification

Imperial's assignment process is open-ended and can result in protracted commercial uncertainty for both investors and acquirers. SDL replaces negotiation-dependent assignment with objective, verifiable triggers. This dramatically reduces transaction risk for the company at exit — acquirers and IPO underwriters require certainty of IP ownership. The £25M funding threshold and EBITDA profitability tests ensure the company is genuinely established before assignment is triggered (protecting the TTO from premature loss of control), and the Royalty Payment Cap trigger ensures the University has already received its full economic return by the time assignment occurs. To be clear, Imperial's template does not reject the idea of assignment — Cl. 2.8-2.10 contemplate it and provide a negotiation mechanism — but it leaves the triggers, timing and outcome undefined, to be resolved deal-by-deal. SDL's automatic reversion on post-assignment insolvency (operating by property law, not as a re-assignment requiring further steps or payment) ensures the University recovers the IP if the company fails after assignment — a protection that Imperial's template does not include.

15. Royalty Buyout

	Imperial FC	SDL
Term	Not included in the template. Any buyout would require separate negotiation.	Company may at any time serve a written request for a **Royalty Buyout**. University must respond within 30 Business Days. Parties negotiate in good faith for up to 60 Business Days. Neither party obliged to conclude agreement. Any buyout must be documented by written amendment.
Alignment	**SDL ADDS ADDITIONAL FLEXIBILITY**	

TTO Justification

The Royalty Buyout option is a significant facilitation tool for M&A and investment. Acquirers frequently prefer a clean IP stack without ongoing royalty obligations. SDL creates a structured, time-limited negotiation window that gives the University the opportunity to negotiate a lump-sum payment (potentially significantly larger than the stream of annual royalties) without obliging either party to agree. This is unambiguously beneficial to the TTO in the right circumstances. Adding this mechanism costs nothing.

16. Commercialisation Obligations and Diligence

	Imperial FC	SDL
Term	"Diligent and Reasonable Endeavours" standard. Annual Development Plan (12-month lookback + 36-month forward plan). Remedial action clause: 90 days to comply, followed by Expert	"All reasonable endeavours" standard. Annual commercialisation progress report (90-day post-anniversary deadline). No specific milestones or Milestone Payments (optional only). University cannot terminate solely due to lack of commercial success.

	determination, followed by termination right. Annual meeting with licensee.	Temporary pauses justified by technical/commercial factors do not constitute breach. Expert determination available for disputes.
Alignment	**BROADLY ALIGNED — SDL IS SLIGHTLY COMPANY-FAVOURABLE**	

TTO Justification

The "all reasonable endeavours" standard applied in SDL is commonly accepted in UK contract law and is substantively equivalent to Imperial's "Diligent and Reasonable Endeavours" definition. The key difference is that SDL eliminates the risk of termination for commercial underperformance in circumstances beyond the company's control. Early-stage spinouts frequently experience funding gaps, clinical delays, or market changes. The Imperial 90-day remedial action / expert determination pathway is appropriate but can be adversarial and expensive. SDL's approach (good faith dispute resolution first, with expert as backstop) is equally protective for the TTO while reducing relationship damage.

17. Liability Framework

	Imperial FC	SDL
Term	Licensor cap: lesser of a specified sum or percentage of consideration received in preceding year. Licensee cap: greater of £2M or 3× Annual Turnover, capped at £100M. Neither party liable for indirect/consequential losses.	University cap: total Annual Licence Fee payments received in preceding 12 months. Company cap: greater of £2M or 3× gross revenues in preceding 12 months, capped at £100M. Neither party liable for lost profits, indirect or consequential losses.
Alignment	CLOSELY ALIGNED — UNIVERSITY CAP LOWER IN SDL	

TTO Justification

The Company cap in SDL mirrors Imperial's precisely. The University cap is set at actual Annual Licence Fees received — typically £10,000 per year in early instalments — which is appropriately modest for an institution that makes no warranty as to IP validity, third-party freedom-to-operate, or commercial utility. Universities provide IP at an early stage, "as is", and it would be commercially untenable (and would deter IP licensing altogether) for a university to face uncapped liability for the company's downstream commercial activities. The SDL formulation is consistent with standard UK academic licensing practice.

18. Termination Procedures

	Imperial FC	SDL
Term	Termination for payment default: 18 Business Days from notice. Termination for other material breach: 18 Business Days' cure period. Termination by Licensor (28 Business Days' notice) for business cessation, encumbrance failure, or patent challenge. Termination by Licensee: 90 days' notice with accelerated payment.	Material breach: 30 Business Day cure period, extensible to 60 Business Days for complex remediations. Good faith obligation during cure. Patent challenge: immediate termination right. Insolvency: immediate. Termination by Company: 90 days' notice with payment of outstanding and next 12 months' instalments.
Alignment	**BROADLY ALIGNED — SDL HAS LONGER CURE PERIOD**	

TTO Justification

The extended 30/60 Business Day cure period in SDL (vs Imperial's 18 Business Days) reflects the reality that early-stage spinouts often lack legal infrastructure to respond rapidly to formal notices. An 18-Business-Day period (under three calendar weeks) is unrealistically tight for a company that may have a part-time legal function. Extending to 30–60 Business Days reduces the risk of accidental termination of a commercially valuable spinout. The Company's 90-day voluntary termination notice with accelerated payment is identical to Imperial's.

19. Reversion Rights

	Imperial FC	SDL
Term	Not explicitly provided as a standalone alternative to termination. Termination is the primary enforcement mechanism.	University may elect **reversion** (re-grant of licensed rights to University) as an alternative to full termination. 90 days' notice required. Company may present remediation plan. Reversion suspended where Company is actively seeking or has secured funding.
Alignment	**SDL ADDS INVESTOR PROTECTION NOT IN IMPERIAL**	

TTO Justification

Reversion as an alternative to termination is an important investor protection. Termination destroys investor value; reversion merely returns the IP while preserving the corporate entity. Including a reversion mechanism makes the University's enforcement options proportionate to the breach and reduces the risk of disproportionate outcomes. The 90-day notice and remediation window ensure the University retains full termination rights as a fallback. This clause was developed in response to feedback from VC investors who viewed binary termination risk as a deterrent to investment.

20. National Security & Investment Act

	Imperial FC	SDL
Term	Full NSI Act clause (mandatory notification, voluntary submission, call-in procedure, interim orders, termination for non-compliance).	Full NSI Act clause (mandatory notification responsibility on acquirer; cooperation on voluntary notification; both parties provide assistance in good faith). Materially equivalent provisions.
Alignment	**ALIGNED**	

TTO Justification

Both agreements contain substantively equivalent NSI Act compliance provisions. This is a mandatory regulatory requirement and the drafting in SDL is fully compliant with the 2021 Act as it applies to IP licence transactions.

21. Confidentiality

	Imperial FC	SDL
Term	Mutual confidentiality. Exceptions for authorised disclosures (affiliates, sublicensees, investors). University may disclose to those involved in development of Licensed IP. Obligations survive indefinitely.	Mutual confidentiality. Exceptions for affiliates, employees, advisers, sub-licensees, fundraising, and those involved in IP development. Company may disclose existence of licence in investor materials. Obligations survive for Term plus 5 years; trade secrets indefinitely.
Alignment	**ALIGNED — SDL ADDS INVESTOR-DISCLOSURE CLARIFICATION**	

TTO Justification

SDL's explicit permission to refer to the licence in investor materials is a minor but commercially important addition. Early-stage companies must be able to disclose the existence of a licence to potential investors during due diligence. Imperial's template does not explicitly address this, which creates ambiguity. The SDL provision is narrow (existence only, not commercial terms) and does not compromise the TTO's confidentiality interests.

22. Public Funding Disclosure

	Imperial FC	SDL
Term	Covered through the Encumbrances Schedule (Schedule V), which identifies third-party obligations arising from funding. Responsibility to identify encumbrances rests with the Licensor.	Explicit **Public Funding Disclosure clause**: University warrants it has identified all UKRI, Innovate UK, NIHR, ERC, and other public funding sources. University must provide Funder Conditions before first commercialisation. University indemnifies Company against losses from non-disclosure of Funder Conditions.
Alignment	**SDL IS MORE EXPLICIT AND PROTECTIVE OF THE COMPANY**	

TTO Justification

The Public Funding Disclosure clause addresses a genuine commercial risk. Many UK spinouts have discovered post-licensing that UKRI or Horizon Europe grant terms impose march-in rights or open access requirements that were not disclosed at the time of licensing. This creates significant downstream legal risk for investors and acquirers. SDL's approach — explicit warranty, proactive disclosure obligation, and indemnity for non-disclosure — is transparent and fair. TTOs with robust record-keeping should have no difficulty complying. This clause actually incentivises TTOs to conduct thorough pre-licensing IP audits, which is beneficial to the quality and reliability of the licence.

23. Reputational Conduct

	Imperial FC	SDL
Term	"Disrepute Avoidance" clause: parties shall not bring Imperial College or affiliates into disrepute. Advance consent mechanism for potentially problematic actions. Remedy pathway before termination.	Company (and its Affiliates and Sub-Licensees) shall not take actions causing material and verifiable reputational harm to the University. If the threshold is disputed, either Party may refer it to expert determination before any breach notice issues. If confirmed (or undisputed), 30-day good-faith negotiation on remedial steps. Persistent failure to take agreed steps = material breach. Right to terminate under this clause ceases upon the Assignment Trigger; thereafter the University's conduct concerns are addressed through shareholder rights.
Alignment	**FUNCTIONALLY EQUIVALENT — SDL USES SIMPLER MECHANISM**	

TTO Justification

Both agreements protect the university's reputational interests. The SDL uses a “material and verifiable reputational harm” threshold (not “serious disrepute”) — a deliberately higher bar that prevents the University intervening in legitimate but commercially controversial decisions. Where the threshold is disputed, either Party may refer it to expert determination before any breach notice can issue; if confirmed (or undisputed), the Parties negotiate in good faith for 30 days on remedial steps, with persistent failure constituting a material breach. Critically, the University's termination right under this clause extinguishes upon the Assignment Trigger; thereafter conduct concerns are addressed through shareholder rights. This is a material structural distinction from Imperial's broader advance-consent procedure and is proportionate for non-pharma spinouts. The SDL's higher “material and verifiable reputational harm” threshold avoids the University having grounds to intervene in legitimate but commercially controversial business decisions, and the clause's automatic expiry post-Assignment Trigger is a further structural protection for investors.

24. Data Protection

	Imperial FC	SDL
Term	Not included in the template. Addressed by background law.	Explicit GDPR and Data Protection Act 2018 compliance clause. Both parties are independent data controllers. Security obligations, breach notification, international transfer safeguards.

Alignment	**SDL ADDS EXPLICIT DATA PROTECTION PROVISIONS**

TTO Justification

Including an explicit data protection clause is now standard commercial practice and reflects the requirements of UK GDPR post-Brexit. The absence of such a clause in Imperial's template is not a defect (it is covered by statute) but including it explicitly in SDL provides clarity, particularly for spinouts that process personal data as part of their commercial activities. From the TTO's perspective, this clause is uncontroversial and appropriate.

Part B: SDL Compared with Market UK TTO Terms

This section benchmarks SDL against prevailing market practice across UK university technology transfer offices, drawing on the Hickson Review (February 2026), the Lambert Toolkit for Collaboration between Business and Universities, UNICO (the University Industry Innovation Network) guidance, and observed practice at leading research universities. For each term, a description of current market norm is followed by SDL's approach and a substantive justification for TTO acceptance.

1. Equity Stake

	Market UK TTO Norm	SDL
Term	Historically 10–25% of founding equity (dilutable), with several leading TTOs (Oxford University Innovation, UCL Technology Transfer) taking 15–20%. Post-Hickson Review (February 2026) recommendations, a growing number of TTOs are moving to 5–10%. Many still take preferential share classes or enhanced governance rights.	5% ordinary shares with anti-dilution protection only to £5M cumulative investment or 10% dilutable. No preference shares, enhanced voting, or additional governance rights beyond standard shareholder agreement terms.

TTO Justification

The market is demonstrably converging on the 5–10% range following the Hickson Review (February 2026), which concluded that high TTO equity stakes were a structural barrier to spinout investment. SDL's 5% initially non-dilutable and 10% dilutable options are aligned with this emerging market range and represents a principled, evidence-based position. The key investor concern is not the absolute equity percentage but the combination of equity, royalty obligations, and control provisions. SDL offsets the modest equity with a capped, declining royalty — a package that has been well received by the UK VC community. Ordinary shares with no preferential rights are consistent with best practice and investor preferences.

2. Annual Licence Fee

	Market UK TTO Norm	SDL
Term	Typical range £10,000–£100,000. Many TTOs charge higher initial fees (£25,000–£75,000) but some of the largest (Cambridge Enterprise, Manchester IP) have introduced staged payment and fee deferral mechanisms post-2023. Some TTOs charge no licence fee and rely entirely on equity + royalties.	£50,000 total (£10,000 per year × 5), deferred to Qualified Financing.

TTO Justification

£50,000 is firmly within the market range and is consistent with Imperial's template (the most publicly documented UK TTO). Deferral to Qualified Financing is increasingly standard in investor-friendly licence templates. The important point for TTOs is that £50,000 is a reasonable administrative return for the licence transaction itself, separate from the equity and royalty income. The University receives full recovery over five years without imposing cash burden on a pre-revenue startup.

3. Royalty Rate on Net Sales

	Market UK TTO Norm	SDL
Term	Non-pharma spinouts typically pay 1%–5% of net sales, with medtech at the higher end (3–5%) and software/data at the lower end (1–2%). Some TTOs apply tiered royalty rates (lower % on higher revenues). Few apply Scaling Thresholds — most start charging royalties from first revenue.	1% flat, commencing only after £10M cumulative Net Sales (Scaling Threshold). Terminates at £10M cumulative royalties (Royalty Payment Cap).

TTO Justification

A 1% rate with a £10M threshold makes the SDL more founder-favourable than market norms in one key respect: most TTOs charge royalties from first revenue, whereas SDL still defers any royalty until the company has £10M of cumulative sales. However, this should be viewed in context: SDL is designed for early-stage, equity-based spinouts where equity is the primary TTO return. The royalty is structured as a long-term economic participation right (similar to a carried-interest mechanism) rather than an immediate revenue stream. Research-intensive investors consistently cite back-loaded royalties with reasonable thresholds as strongly preferred to front-loaded royalties that compete with operational expenditure. The Royalty Cap of £10M ensures TTO income up to a clearly defined ceiling that, in practice, only the most successful non-pharma spinouts would reach.

4. Net Receipts Royalty Rate

	Market UK TTO Norm	SDL
Term	Most UK TTOs charge a flat 10%–25% royalty on sub-licensing income. Step-down structures are uncommon but exist in more recent template agreements developed post-2022. Some TTOs have moved to 10–15% flat rate. Some charge 30%+ for early-stage sub-licences.	10% declining to 1% over 9 years, with the step-down automatic and requiring no further agreement.

TTO Justification

Starting at 10% matches the more progressive market rate (post-2022 market). The step-down reflects a key commercial reality: income from sub-licences generated 5–7 years after commencement is attributable primarily to the company's commercial development, not the original IP. Structuring this as an automatic step-down avoids annual renegotiation and reduces transaction costs. The TTO's economic position is not materially diminished — early-stage sub-licensing deals (when the rate is highest) generate the most fee income.

5. Patent Prosecution Responsibility

	Market UK TTO Norm	SDL
Term	Most UK TTOs retain control of patent prosecution, with the spinout reimbursing costs. Some (Cambridge Enterprise, UMIP) have shifted to company-led prosecution where the company bears cost and strategy, with TTO oversight. Reimbursement of historic costs from the time of licence signing is standard.	Company takes primary control from Commencement Date. University's role is consultative (good faith consultation, copies of correspondence, comments considered but not binding). Company responsible for all post-Commencement costs.

TTO Justification

Company-led prosecution is increasingly recognised as superior for spinout contexts. The spinout's commercial team understands claim scope requirements better than a TTO licensing officer; the spinout's patent attorneys are incentivised by the commercial relationship rather than institutional caution. TTOs that retain prosecution control often become bottlenecks, particularly for PCT national phase entries that require rapid commercial decisions. SDL's consultation model ensures the TTO remains informed and can raise concerns without creating procedural delays.

6. IP Ownership and Grant-Back

	Market UK TTO Norm	SDL
Term	Many UK TTOs assert rights over improvements made using their IP or developed by employees of the spinout who are also affiliated with the university. Some require improvements to be assigned back or licensed back. The Lambert Toolkit (Option D) explicitly recommends avoiding grant-back. Practice is inconsistent across the sector.	No grant-back. All Company Improvements owned by the Company. Joint Improvements jointly owned with freedom for each party to exploit independently. Explicit no-grant-back and no-reach-through clause.

TTO Justification

The Lambert Toolkit's guidance explicitly cautions against grant-back obligations in spinout licences, noting that they create IP complexity and deter VC investment. Investors conducting due diligence flag grant-back provisions as high-risk items requiring remedy before investment. SDL's explicit no-grant-back clause is consistent with Lambert Option D and with the Hickson Review's (February 2026) finding that grant-back obligations are one of the most commercially damaging terms that TTOs impose. This clause does not prejudice the TTO's interest in the original Licensed Technology.

7. Assignment of Licensed Technology

	Market UK TTO Norm	SDL
Term	Assignment to the spinout is typically negotiated at the point of exit (IPO or acquisition). Terms vary widely. Some TTOs require a fixed percentage of exit proceeds. Others negotiate an assignment fee. Oxford and Cambridge have more structured (but complex) assignment protocols. Assignment is rarely automatic.	**Automatic assignment** triggered by objective criteria (£25M equity raised; EBITDA profitability at £1M revenue; £10M Royalty Payment Cap reached; trade sale/IPO including University shares; or mutual agreement). Assignment within 30 days of trigger, for no further consideration. Automatic reversion to the University by operation of law if the Company becomes insolvent after assignment — no re-assignment step or payment required.

TTO Justification

Automatic assignment with objective triggers is the most significant structural innovation in SDL. For TTOs, the benefit is clarity and predictability: there is no need for resource-intensive assignment negotiations at the moment of exit, when time pressure is highest. Acquirers and IPO underwriters require certainty of IP ownership well before completing due diligence. SDL's structure allows this to be confirmed from the outset, dramatically accelerating exit processes. The automatic reversion of the IP to the University on post-assignment insolvency (via a Reversionary Interest operating by property law, with no re-assignment step or payment) provides a protection that no current market standard TTO template includes — the University recovers the IP if the company fails after assignment. This is a net improvement to the TTO's position relative to market practice.

8. Change of Control

	Market UK TTO Norm	SDL
Term	Many TTOs require consent to (or a change-of-control payment on) any change of control. Some TTOs have a right to terminate or renegotiate licence terms on acquisition. This has been identified as a major barrier to M&A activity in the Hickson Review (February 2026).	Agreement continues automatically on Change of Control. No change-of-control payment. No licence termination. Company must notify University. Assignment provisions apply to the acquirer.

TTO Justification

The Hickson Review (February 2026) specifically identified change-of-control provisions as one of the most damaging terms in TTO practice. Acquirers require certainty that a licence will survive a transaction. SDL's automatic continuation on change of control, with no payment or consent requirement, aligns with emerging market best practice and removes a key investment barrier. The TTO's economic interests are preserved through the ongoing royalty structure and the Assignment provisions, which bind any acquirer.

9. Diligence / Development Obligations

	Market UK TTO Norm	SDL
Term	Most TTOs require a formal Business Plan (or Development Plan) updated annually. Many include specific milestone obligations (regulatory submissions, first sale dates,	Annual commercialisation progress report. "All reasonable endeavours" standard. No specific milestones (optional). No minimum royalties. University cannot terminate for lack of commercial

	minimum royalties) with termination rights if milestones are not met. Minimum royalty provisions are common.	success if Company is using reasonable endeavours. Temporary pauses not a breach if commercially justified.

TTO Justification

Milestone-based termination rights are a well-documented source of spinout distress. Development timelines are notoriously uncertain in deep technology; requiring a company to meet fixed milestones (conceived before the technology is fully characterised) creates legal risk and investor uncertainty. SDL's approach of annual progress reporting with a reasonable endeavours standard is consistent with Lambert Toolkit guidance and with the Hickson Review's (February 2026) recommendation that TTO diligence obligations should be flexible rather than prescriptive. The University's recourse in genuine cases of inactivity is termination for material breach, which is preserved.

10. Sub-Licensing Consent

	Market UK TTO Norm	SDL
Term	Most UK TTOs require prior written consent for sub-licences, or impose restrictions on sub-licensing fields or geographies. Some require sub-licensing approval at board level. Consent requirements are frequently cited as a barrier to deal completion.	Sub-licences permitted **without prior consent**. Company remains fully liable for sublicensee obligations. Identification of Sub-Licensees required in royalty statements. Sub-licensee protection (Step-In Right) on termination.

TTO Justification

Prior consent requirements for sub-licences create significant commercial friction and can cause spinouts to miss time-sensitive partnership opportunities. SDL's consent-free sub-licensing (with full pass-through liability and financial transparency through royalty statements) is consistent with how the most investor-friendly UK TTOs now operate. The TTO's economic interest (Net Receipts royalty) is preserved in full regardless of the sub-licensing structure.

11. Force Majeure

	Market UK TTO Norm	SDL
Term	Standard UK force majeure provisions. Most TTO templates use 45–90 day periods before triggering termination rights. Some exclude pandemic or government action from force majeure.	Standard force majeure. 180-day threshold before termination right arises (30 days' notice thereafter). Excludes payment obligations from force majeure relief. Pandemic/epidemic included as qualifying events.

TTO Justification

A 180-day threshold is more generous than many TTO templates but is appropriate for early-stage companies where force majeure events (regulatory delays, supply chain disruptions) can require extended periods to resolve. The 30-day notice requirement before termination provides further protection for the Company. Payment obligations are explicitly excluded from force majeure relief, protecting the TTO's financial interests.

12. Governing Law and Dispute Resolution

	Market UK TTO Norm	SDL
Term	English law is standard for UK university licences. Most TTOs use English courts for final resolution. Some include JAMS or ICC arbitration for international disputes. Expert determination is common for financial/technical disputes.	Alternative of English law and courts or Scots Law. Dispute Resolution: 20 Business Day good-faith negotiation → senior officer meeting → expert determination by LESBI-appointed expert. Expert's

		decision final and binding. Costs shared unless expert directs otherwise.

TTO Justification

SDL's tiered dispute resolution mechanism (negotiation → senior escalation → expert determination) is well-aligned with standard UK commercial practice and provides three opportunities for resolution before formal expert proceedings. Using the Licensing Executives Society (Britain and Ireland) as the appointing body is consistent with Imperial's template and with standard UK TTO practice. This mechanism is less expensive and faster than arbitration or litigation.

Conclusion and Recommendation

SDL represents a carefully balanced licence template designed to facilitate the formation and early-stage capitalisation of non-pharma university spinouts. The analysis in Parts A and B demonstrates the following:

Alignment with Imperial Founders' Choice

Of the 22 material terms analysed in Part A, SDL is directly aligned with Imperial Founders' Choice on 7 terms (equity, licence fee, patent abandonment, sublicensing, NSI Act, confidentiality, reputational conduct) and is broadly or functionally equivalent on a further 9 terms (patent prosecution, infringement enforcement, diligence, liability, termination, reservation of rights, confidentiality provisions, disrepute avoidance, public funding). It departs from Imperial in company-favourable directions on 6 terms (step-down sub-licensing royalty, royalty cap, automatic assignment trigger, royalty buyout, company improvement ownership, reversion rights) — in each case with a principled commercial justification.

Alignment with Market UK TTO Terms

Relative to prevailing market practice, SDL represents a substantive improvement for both companies and universities. It sits at the investor-friendly end of the market spectrum that is now recommended by the Hickson Review (February 2026) and the Lambert Toolkit. The terms that diverge most significantly from older market practice (5% founding equity rather than 10–20%, royalty cap, automatic assignment, consent-free sub-licensing) are precisely the terms that the Hickson Review (February 2026) identified as structural barriers to spinout investment. TTOs that accept SDL terms position themselves as progressive counterparts that can attract better companies, stronger management teams, and more institutional capital.

Protections for the University

SDL includes several protections that are either absent from or weaker in current market-standard TTO templates:

- **Post-Assignment Insolvency Re-Assignment:** The University automatically recovers the IP by operation of law (no re-assignment step or payment required) if the Company becomes insolvent after assignment, a protection absent from Imperial's template and most other TTO agreements.
- **Public Funding Disclosure Warranty:** The University gives a warranty on public funding sources and provides an indemnity for non-disclosure — addressing a well-documented source of downstream legal risk for spinout investors.
- **Structured Royalty Buyout Mechanism:** The Company can request a good-faith negotiation on a lump-sum buyout at any time, potentially delivering the TTO a significantly larger payment than the stream of annual royalties.
- **Declining Net Receipts Royalty:** Starting at 10% (the Imperial rate), the step-down structure preserves the TTO's economic interest in early-stage sub-licensing deals — when value is highest — while removing a long-term economic burden from later-stage commercial transactions that are not primarily attributable to the original IP.
- **Investor-Compatible Reversion Mechanism:** The alternative to termination (reversion of licensed rights) provides a proportionate enforcement option that preserves investor value while fully protecting the TTO's interests.

REF2029 and the Case for Deal Velocity

The case for SDL is not only that its terms are fair, it is that REF2029 changes the economics of TTO deal-making in a way that makes speed itself a strategic asset. Under REF2021, impact case studies rewarded a small number of blockbuster spinouts, so TTOs could rationally spend 12+ months extracting maximal terms on each deal. Under REF2029, the Engagement and Impact element is weighted at 25% of the overall assessment, the qualifying threshold for underpinning research has been removed, and case study requirements for the smallest units have been reduced to one. Thus collectively broadening what counts as evidenced impact and rewarding a reliable pipeline of spinouts and licences over a handful of exceptional outcomes. REF2029 guidance also explicitly invites institutions to describe their engagement strategies and responsible practices within impact case studies and institutional statements, for the first time giving TTOs a reason to have a citable, standardised approach to point to.

This is precisely the problem SCALE was built to solve. A bespoke spinout licence, negotiated term-by-term against no common reference point, typically takes 11–12 months to close; months in which the company has no legal certainty over its core IP, cannot close funding rounds, and the TTO is tying up scarce legal and commercial resource on a single deal. SDL's aim is to compress that cycle to a matter of weeks by giving both sides a pre-agreed, stakeholder-tested starting position, so that negotiation is confined to genuine points of difference rather than re-litigating every clause from a blank page. For a TTO, faster deal execution means more spinouts and licences completed per REF cycle, a lower administrative burden per transaction, and a standardised practice it can describe with confidence in its Engagement and Impact narrative. Thus turning a founder-friendly licence into a direct contributor to the University's REF2029 position, not merely a concession to it.

Recommendation

TTOs are encouraged to accept SDL as a starting position for non-pharma spinout patent licences. The framework is commercially sound, investor-tested, and consistent with the highest standards of progressive UK technology transfer practice as embodied in Imperial's Founders' Choice. Accepting SDL without material modification will reduce transaction costs, accelerate licence execution, and improve the University's ability to attract capital to its spinout portfolio — the primary metric by which modern TTOs are increasingly assessed.

Where individual TTOs have specific requirements that SDL does not meet (for example, higher royalty rates for specific technology categories, or additional milestone requirements for unusually high-risk IP portfolios), these should be discussed on a case-by-case basis. The SDL framework is not a take-it-or-leave-it position but a well-reasoned starting point that has been calibrated against market evidence.