

Course Outline

Course number	RMF139
Course title	Knowledge-based Capital and Fundamentals of Venture Capital Industry
Credit points	3 (ECTS)
Total hours	24
Lecture hours	24
Seminar and other hours	N/A (seminars are not specifically selected, student participation is advised throughout the course)
Course level	Masters
Prerequisites	None

COURSE TEACHERS

No.	Name	Academic degree	Academic position
1	Sergejs Jakimovs	MA Pol. Sc., LL.M Law & Finance.	Guest Lecturer

COURSE ABSTRACT

The course deals with defining key legal, financial and intellectual property components venture capital industry consists from, providing an insight into legal status of actors involved, types of risk capital, relevance of intellectual property as an asset of the risk-capital seeking company, as well as specifics of freedom-to-operate searches. The course explains key concepts the venture industry operates with, functioning logic of venture funds, their legal commitments and requirements, ways of IP protection and monetisation, as well as using IP as an asset to attract equity funding or utilising it as an in-kind contribution. Furthermore, the course aims to provide an insight in a structure of a venture deal, focusing on different types of supporting agreements such as SHAs, investment agreements (including specific conditions, such as drag-along, tag-along, dilution, priority buyout etc), licenses and in-kind contribution arrangements.

COURSE OBJECTIVES

The course aims to provide purely practical knowledge about VC industry. Students are expected to gain a broad overview of legal and financial concepts fundamental to risk capital industry, understand the functioning of a venture capital fund, as well as to become equipped to understand the nature of venture deals, process of their closure, role of IP/KBC (knowledge-based capital) in the process. Furthermore, students are expected to get acquainted with specific examples of major types of legal documents used for risk capital management. This enables course participants to use their understanding of VC industry to work with particular risk capital attraction or IP management cases, being able to utilise the concepts, such as drag-tag-along rights, dilution, IP licensing and re-location, types of risk capital loans, etc. Big emphasis is made on the actual real-life examples of VC deals happened recently.

As a result, the course participants will acquire knowledge enabling them to use VC cases in their research or get engaged in a risk capital-related work environment.

GRADING CRITERIA

Criteria	Weighting
Take-home assignment	70%

In-class activity	30%
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COURSE PLAN – MAIN SUBJECTS

No.	Subject	Planned hours
1	Overview of business types, venture industry and actors involved with a specific focus on venture funds and their functioning logic. General insight into history of private equity, the structure of VC industry, main actors involved and why do we talk about it in the first place.	7
2	Intellectual property as an asset in the VC-related businesses. IP, its forms and strategies for protection, major risks and methods of its monetisation.	6
3	Risk capital investment criteria and evaluation process	4
4	Logic of valuations	4
5	Deal Structuring	3

COURSE PLAN – SESSIONS

Session	Subject	Lecturer/date
1.	Intro into concepts of VC, serial entrepreneurship and private equity Read: Financing Innovative firms through venture capital, pages 1-14 , available at: http://www.bei.org/attachments/pj/vencap.pdf	Sergejs Jakimovs
2.	VC regulation and investment landscape REGULATION (EU) No 345/2013 on Venture capital funds (available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:115:0001:0017:EN:PDF)	Sergejs Jakimovs
3.	Types and sources of capital Read: Sources of Financing: Debt and Equity, online at: http://www.usheproduction.com/design/8020/downloads/4a.pdf , pages 466-476	Sergejs Jakimovs
4.	Venture fund structure, hierarchy, portfolio formation and behaviour See: Marija Simic, "INVESTMENT CRITERIA SET BY VENTURE CAPITALISTS", online at: https://hrcak.srce.hr/file/221353	Sergejs Jakimovs
5.	Introduction into intellectual property/knowledge-based capital assets 1) See: What is intellectual property by WIPO? http://www.wipo.int/edocs/pubdocs/en/intproperty/450/wipo_pub_450.pdf 2) Launching a new product: Freedom to operate, via: WIPO, online at: http://www.wipo.int/wipo_magazine/en/2005/05/article_0006.html	Sergejs Jakimovs
6.	VCS and Intellectual Property – a “market for lemons”. 1) George A. Akerlof, “The Market for “Lemons”: Quality Uncertainty	Sergejs Jakimovs

Session	Subject	Lecturer/date
	<p>and the Market Mechanism”, in: <i>The Quarterly Journal of Economics</i>, Vol 84. No. 3, August 1970, available on: JSTOR</p> <p>2) Albert O. Hirschman and Michael Rothschild, “The Changing Tolerance for Income Inequality in the Course of Economic Development”, in: <i>The Quarterly Journal of Economics</i>, Vol. 87, No. 4 (Nov., 1973), pp. 544-566</p>	
7.	<p>Intellectual property risks and patterns of ownership</p> <p>See: https://medium.com/@scifantasy/ip-rimer-a-basic-explanation-of-intellectual-property-9be6f0ce6711</p>	Sergejs Jakimovs
8.	<p>Introduction into licensing</p> <p>Richard A. Epstein, Omri Ben-Shahar and Jonathan S. Masur, “The Licensing of Intellectual Property”, in: <i>The University of Chicago Law Review</i>, Vol. 78, No. 1 (Winter 2011), available on: JSTOR</p>	Sergejs Jakimovs
9.	<p>Why valuations matter – how do you put a price tag on intellectual property?</p> <p>See: https://medium.com/ffvc-pov/breaking-down-the-importance-of-early-stage-startup-revenue-projections-8bb91787185</p> <p>See: https://medium.com/the-mission/what-founders-need-to-know-you-were-funded-for-a-liquidity-event-start-looking-d55b358d91fc</p> <p>EU Accounting Rule 6: Intangible Assets, available on: ec.europa.eu, online at: http://ec.europa.eu/budget/library/biblio/documents/management/accountingframework/EU%20Accounting%20Rule%206.pdf</p> <p>International Accounting Standard 38, Intangible Assets, available on: ex.europa.eu, online at: http://ec.europa.eu/internal_market/accounting/docs/consolidated/ias38_en.pdf</p> <p>Wagdy M. Abdallah and Athar Murtuza, “Transfer Pricing Strategies of Intangible Assets, E-Commerce and International Taxation of Multinationals”, in: <i>International Tax Journal</i>, Spring 2006, available on: HeinOnline</p>	Sergejs Jakimovs
10.	<p>Early stage IP valuation used in VC industry</p> <p>See lecture 9.</p>	Sergejs Jakimovs
10.	<p>IP relocation and in-kind contributions – why and how?</p>	Sergejs Jakimovs
11.	<p>Steps of raising VC capital</p>	Sergejs Jakimovs
12.	<p>Process of structuring a venture deal, key supporting agreements and their key elements (term-sheet, investment agreement with drag-along/tag-along rights, shareholding agreement, IP transfer)</p>	Sergejs Jakimovs

COURSE LITERATURE

<i>Author, title, publisher</i>	
1.	IP Based Financing of Innovative Firms, in: <i>Enquiries Into Intellectual Property's Economic Impact</i> , 2015, available on: OECD, online at: https://www.oecd.org/sti/ieconomy/Chapter9-KBC2-IP.pdf
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