



GOVERNEMENT
OF THE PRINCIPALITY OF LIECHTENSTEIN
MINISTRY FOR
GENERAL GOVERNMENT AFFAIRS AND FINANCE

“Liechtenstein Venture Cooperative (LVC)” Factsheet

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1. General

The term “Liechtenstein Venture Cooperative (LVC)” is one possible description of a small cooperative as defined by Art. 483 et seq. PGR (Liechtenstein Persons and Companies Act). An LVC is therefore a legal entity under Liechtenstein Law.

The Government is providing templates for the foundation documents and other documents and applications free of charge. However it takes no responsibility for the completeness or quality of the documents provided. Liability claims relating to losses of a material or intangible nature arising from the use of the templates are not accepted in principle. It is recommended that legal advice is sought in case of doubt. Use of the documents is only permitted if this legal disclaimer is accepted.

2. Summary of the documents

Innovation document	This document is used to describe the invention or innovation and the progress of the innovation. It is one of the foundation documents and serves to accomplish the transfer of the invention into the LVC.
Membership contribution regulations	The membership contribution regulations will establish the conditions, how many units and membership points will be awarded for ideas, work, expertise, capital etc.
LVC Unit calculator	This simple calculator (MS Excel with Macro) is used to log the contributions performed in connection with the innovation and automatically calculates the unit shares in the LVC proceeds.
Unit register	The unit register records the current units the members hold in the LVC. It forms part of the foundation documents and describes how many unit rights the founders receive for initially providing the invention. This document is regularly updated and must be submitted to the tax authorities every year together with the tax return.
Statutes	The statutes set out the following information: <ul style="list-style-type: none"> • Name and registered office • Aim • Financial resources • Liability • Executive bodies and the way in which representational powers are exercised • Membership (admittance, termination, rights and obligations)
Founder's resolution	This document establishes the legal validity of the transfer of the invention into the LVC. It refers to the innovation document, the membership contribution regulations and the unit register, in which the invention, the conditions of the incorporation of the idea and the rules for future work on the innovation are defined. Upon incorporation of the idea the founders waive their own rights to the innovation. This does not however affect the right to be named as inventor if a patent is applied for.
Formation deed	With this document the establishment of the LVC becomes legally valid. It will incorporate the Statutes and list the name, registered office, the members of the managing board and the auditors (if any).
Admittance declaration	This document records the admittance of a new cooperative member and acceptance of the rules defined in the Statutes and in the membership contribution regulations.
Admittance resolution	The managing board uses the admittance resolution to record the agreement to admit a new member and in certain circumstances to document the agreed rules and conditions.

3. Establishment of an LVC

Preliminary consideration: When to establish an LVC

An LVC is a platform for the collaboration of several parties in the development of an innovation. Consequently, establishing an LVC makes sense if not just one, but several people are working on the innovation. With individual inventors this may be the case at a fairly late stage, for several inventors it may be relatively early, possibly even before the invention is conceived. Even if an individual inventor does not apply for an LVC directly, it is important for him to have the invention described in an innovation document that is signed and officially authenticated (see Step 2). This document will then provide more forceful evidence should disputes over intellectual property arise. Individual inventors should also think about recording their time working on the project, even before establishing an LVC, as they can bring this into the LVC as a preliminary contribution.

Step 1: Ordering the most up-to-date templates

The Ministry for General Government Affairs and Finance will provide the latest versions of the templates. Improvements are made regularly on the basis of suggestions from the LVC's already established, so it is worth obtaining the latest version at all times.

Step 2: Description of the invention / innovation in the innovation document

An important step in the establishment of an LVC is the incorporation of the invention into the LVC. This means the idea no longer belongs to the "inventor", but the LVC. Therefore the invention must be described as accurately as possible in the innovation document, because this, together with the membership contribution regulations, the unit register and the founder's resolution will be used to settle the incorporation of the idea in legal terms, thus defining the inventor's claims.

The invention is described in the innovation document. For the purposes of definition: An invention is a creation or conception, i.e. an idea for a product, a service or a business model. An innovation on the other hand involves the path from the invention to the (successful) business enterprise, including the ideas for implementation and business cases. Either variant may be presented in the document. Depending on the idea and stage of development the founders may describe the invention or innovation only, or both.

The signatures to the innovation document may be officially authenticated (e.g. at the Liechtenstein Princely Court of Justice). When certified the signature and the sealed document are stamped with an official date/time stamp which enables the founders to provide proof that they have already described the invention in this form at the time of establishment. Leading on from this the future stages of development of the innovation can also be added in the appendix to the innovation document from time to time.

Step 3: Establishing the conditions for incorporating the invention into the LVC

The inventor(s) receive units in the LVC for incorporating the idea or the preliminary work into the LVC. The detailed conditions must be settled in advance. The following questions must be considered:

- How many people were involved in the “invention process”?
- What is the share of the individual inventors in the idea?
- Is it important for the inventors to retain control over the innovation process?
- How much have the founders contributed before establishing the LVC?

The fixed share and the number of membership points in the LVC the founders are to receive at the time of establishment (e.g. 50% + 100 MP) must be settled by the end of the discussions. These conditions must be entered in the following documents:

- Membership contribution regulations (Section 3, incorporation of the idea)
- Entry in the unit register

Use of the LVC unit calculator, which is available free of charge, is recommended for the calculation of the membership points. The conditions for incorporation of the invention can also be input into the LVC unit calculator.

Step 4: Establishing the project risks and the risk multiplication factors for the innovation phases

Every innovation has a different risk profile. Hi-tech innovations obviously involve a higher risk of the technology not living up to expectations or a longer development phase. The development of a simple software application on the other hand may entail a much lower technological risk. Determination of the risk in the early innovation stages is not an exact science. The Ministry for General Government Affairs and Finance has set out the following empirical evidence in its Code of Conduct:

- Concept phase 7 out of 10 ideas are abandoned
- Proof of Concept phase 8 out of 10 ideas that have survived the concept phase are subsequently abandoned
- Implementation phase 2 out of 10 ideas that have survived the P-o-C phase are abandoned
- Market launch 8 out of 10 ideas that have survived the implementation phase are abandoned

This risk profile relates to a complex product with a high risk profile. Founders may adopt this risk profile but then adapt it to their own situation, by estimating the rate of abandon-

ment for each phase themselves. The best way to do this would be by using the LVC unit calculator, which can immediately work out the multiplication factors.

Step 5: Adjustment of the Statutes

Formal issues of importance for the LVC such as name, registered office, organisation, decision making and dissolution are established in the Statutes.

Name

The company name can be selected at will with few restrictions. It is advisable to check the company name beforehand with the Commercial Register (<http://www.llv.li/#/12181/firmen-bzw-namensabklarungen>) as there may otherwise be a risk of two companies existing with the same or similar names. If there is no entry in the Commercial Register another company may use the same name and have it entered in the register.

Registered domicile

The LVC must indicate a municipality within Liechtenstein as its municipality of domicile.

Address of domicile

The cooperative requires an address or representative in Liechtenstein for communication with the authorities, postal deliveries and banking transactions.

Liability

Liability limited to the assets of the LVC is possible and this is the model proposed in the sample Statutes.

Managing Board

The managing board must be made up of at least two members.

General Meeting of Members and Decision-making

The general meeting of members is the highest executive body of the LVC. Its functions and regulations are set out in the Statutes. Any voting quotas may be freely established by statute. The standard template provides for a simple majority of votes (apart from a $\frac{3}{4}$ majority for the expulsion of a member and a $\frac{2}{3}$ majority for the dissolution of the LVC).

Auditors

Small cooperatives are not obliged by law to have auditors. However, in order to promote confidence and legal security it is recommended that independent auditors should be appointed. An audit company is not required for this.

Dissolution

The standard statutes provide for a 2/3 majority for decision-making. They also define the rules on how to proceed with the liquidation surplus. These rules may however be adjusted subject to the general provisions in the Liechtenstein Persons and Companies Act.

Disputes

The Statutes may provide procedures for dealing with internal disputes. As for reasons of confidentiality with reference to the innovation, official (public) court proceedings are generally not in the interest of all parties concerned, the standard statutes indicate internal and external mediation as the first step towards a possible solution. The second route for resolution is based on arbitration proceedings in accordance with the arbitration rules of the Liechtenstein Chamber of Commerce and Industry. The founders are however at liberty to establish their own procedures.

Language of the arbitration proceedings

The language of the arbitration proceedings may be determined according to preference, but it must be stated in the Statutes.

Step 6: Establishment

The founder's resolution and the formation deed must be drawn up prior to establishment (a description of the documents is given at the beginning of this document). The LVC is considered to be established once all documents (formation deed, founder's resolution, Statutes, innovation document, membership contribution regulations and unit register) have been signed. The foundation documents will also be required for the tax authorities and for opening a bank account and so it is recommended that several certified copies are issued when the LVC is established.

The managing board may give the Chairman the authority to sign all documents alone, apart from the founder's resolution and the formation deed. The other documents are mentioned in these two documents and are adopted jointly. This means that the establishment can be confined to one meeting which is particularly beneficial when there are several founders.

Step 7: Registration

Registration in the Commercial Register is voluntary. The advantage of registering is that the LVC's name can be registered and it makes it more visible to business associates. Registration in the Commercial Register means that the LVC is also registered in the tax register. If the LVC is not registered in the Commercial Register it must register with the tax authorities and obtain a tax number. The tax authorities will require an original or an authenticated copy of the Statutes, the formation deed and the unit register in order to process the registration.

4. Operation of an LVC

Development of the idea for market launch

Innovation is understood as development of a business or product idea for market launch at one's own expense. The development of an innovation in an LVC can be financed for example by capital investments and investments in labour. The LVC can hire staff for this purpose and award orders to third parties.

Commercial Activity – Licensing requirements

The preparation and development of an innovation does not require a commercial licence if it is for one's own account. Development services that are performed for third parties may be deemed to constitute a commercial activity that requires a licence.

Under Article 2 of the Liechtenstein Small Business Act an activity is conducted on a commercial footing if it is run independently, on a regular basis, and with the intention of generating revenue or other commercial advantage, regardless of its intended purpose (cf. Liechtenstein Small Business Act, in particular Art. 3 and 8 GewG on www.gesetze.li). An application for a commercial licence needs to be submitted in order to conduct this type of activity. The requirement to obtain a licence also depends on the nature of the business, the proposed target market and other factors. The Liechtenstein Office of Economic Affairs will be happy to provide clarification on this issue. It is recommended that a trading licence should be applied for in the majority of cases (for further information cf. <http://www.llv.li/#/12642>).

Market testing

Market testing may be conducted in connection with the LVC as part of the innovation process.

Tax liability

As a legal entity the LVC is subject to normal tax liability, in particular income tax.

Admittance of new members

New members of the LVC must complete an admittance declaration confirming that they accept the Statutes and regulations. The managing board of the LVC passes an admittance resolution setting out the conditions of the collaboration. If the future member has already performed services for the LVC, he can apply to have membership points allocated for these services directly upon joining.

Opening of a bank account

The originals or authenticated copies of the foundation document, the formation deed, the Statutes, the unit register, and the confirmation of tax registration and/or an extract from the Commercial Register will be required in order to open a bank account. The passports of

the managing executives or authenticated copies of them will also be required. Other documents, such as the innovation document, may also be required in order to comply with statutory due diligence obligations in certain circumstances.

Hiring of staff

An LVC may hire staff in the same way as any other legal entity. All employees must be registered for national insurance and with the national government.

Applying for a Patent

An LVC may apply for a patent in the same way as any other legal entity or private individual.

Conversion of an LVC into another company form

After entry in the Commercial Register an LVC may be converted into a “normal” cooperative, which may in turn be converted into other company forms.

Liquidation

A written resolution of the managing board is required before the LVC can be dissolved. This resolution must also set out the requirements for the distribution of the assets. A certified copy of this board resolution is to be submitted to the tax authorities together with the liquidation balance sheet.

Version history

Version	Date	Amended by	Comments
1.0	19.4.2016	TD	Initial version
1.01	17.05.2016	TD	(Chapter 3, Step 7) Additional documents required for the tax authorities.
1.03	13.12.2017	TD	Chapter 4 – Opening of a bank account