The law on innovation and research of 12 July 1999 promotes the transfer of public sector funded research to industry and the creation of innovative companies.

France has considerable resources in terms of science and technology but combining these research discoveries with industrial applications is achieved less easily than in other industrialised countries. The shortfall in this collaboration can be seen both in terms of the structures, in the difficulty of setting up effective partnerships between research establishments and companies, and in human terms, in the low level of contacts between research workers and the economic world.

Thus, while experience shows that the economic utilisation of the results of research is an important factor underpinning the dynamism of the economy, the number of companies created every year using the results of public sector funded research remains too low. It is, however, precisely these companies, moreover, that have the strongest growth potential.

The purpose of the law on innovation and research is to reverse this trend and provide a legal context that fosters the creation of innovative technology companies, notably by young people, whether they be researchers, students or employees.

Creating a company
Researchers, teachers, engineers, young holders of Doctorates, technical and administrative staff can now be involved in the creation of a company to exploit their research work. They are authorised to participate as a partner or manager of the new company, for a period of time at the end of which they can choose between returning to the public sector or leaving it to stay with the company. During this period, and for a maximum period of 6 years, they are seconded. They, therefore, retain their civil service status.

The law, therefore, allows the original organisation to pay the salary of the creator of the company during the start-up phase, and it prevents those who are involved in starting up companies from being penalised in terms of their research careers. A contract defines the links between the company and the research establishment whose work is being exploited.

Consulting:
Scientific support
Research staff can provide their scientific support for a company that is developing their research work, whilst remaining in the public sector.

Contributing to the capital of a company
The law allows any research employee to contribute to the capital of a company that is developing his/her research work. The shareholding can be up to 15% of the capital of the company. The employee agrees, in return, to not take part in any negotiations between the relevant organisation and this company.

Acting as a Director of the Board of Directors
Researchers and teacher-researchers can be members of the managing body of a company.

Who do you apply to?
The request must be submitted to the authority (organisation, university, etc.) responsible for the research staff. The authority must then notify, for approval, the State Public Sector Ethics Committee.

Creating company incubators
Higher educational and research establishments can set-up incubators for the purpose of providing premises, equipment and material for those hoping to create companies or for young companies. This measure encourages in particular, the creation of high technology companies by research staff and students.

Developing services for the exploitation of research work
Universities and research institutes can create “industrial and commercial business services” to manage their research contracts with companies or with other public sector bodies. These services can also cover activities such as patent management, service provisions and editorial activities. More flexible budgetary and accounting regulations have been implemented, allowing for the carrying out of these activities on a business footing and also for the recruitment of contracted staff.

Simplifying the administrative formalities and contract management
The law simplifies the creation of subsidiaries and Economic Interest Groupings (GIPs) bringing together research institutes, universities and companies. In addition, higher education institutions will now be able to make contributions to ASSEDIC for their contracted staff; this measure, bypassing associations, is aimed at improving the social protection of the staff.
The law also clarifies the legal framework for the conventions between technological and vocational schools and companies to enable the companies to derive greater benefits from the technological potential of these establishments.

Finally, multi-year contracts between the State and the public sector research establishments will further facilitate technology transfers.

**Liberalising the BSPCE scheme**
The law liberalises the company founder's share warrants (BSPCE, Bons de Souscription de Parts de Créateur d'Entreprise) scheme so that all new and expanding companies are covered. The scheme, which allows the purchase of shares in a company at a price fixed in advance, is restricted to companies created less than 15 years ago. The law on innovation and research has reduced from 75% to 25% the share of the company capital that must be held by physical persons when the warrants are issued. The law also extends the benefit of BSPCE to companies registered on the new market.

These funds, which attract personal savings into new innovative companies by means of tax incentives, can now invest in any company approved by ANVAR, provided that this company is not more than 50% owned by an existing company.

**Making research tax credits more valuable**
Finally, the provisions of the law with regard to research tax credits (CIR, for Credit d’Impôt Recherche) should promote the recruitment of research staff. In effect, the operating costs rate, set according to the staff costs, has been increased to 100% for companies employing a young Doctorate holder. This new provision will enable companies to cooperate with a highly qualified person capable of providing them with the latest advances in a specific field. This completes the adaptations that were made to the CIR by the 1999 Finance Bill in order to promote innovative companies (notably the immediate reimbursement of the tax credit).

**Extending the scope of the simplified joint stock company (SAS, for Société par Actions Simplifiée) scheme**
The current status of limited liability companies is not particularly suited to the needs of young risk companies with high growth potential. The simplified joint stock company scheme (SAS) has been extended so that all innovative companies can benefit from it.

The scheme gives real flexibility:
- Greater contractual freedom suited to the rapid expansion of these companies and enabling the rapid modification of the capital structure and the relationships between the shareholders;
- The possibility of issuing preference voting shares enabling the founders to maintain control over the company without limiting the access to new capital;
- The reduction in formalities for companies with limited administrative resources and called on to make quick decisions; and
- The possibility of forming a company with a single partner.

**Further Information**
Direction de la Technologie
1, rue Descartes – 75231 Paris Cedex 05, France - FAX : 01 46 34 37 30
www.education.gouv.fr/technologie
vaguemestre.dt@technologie.gouv.fr