

European Research Area Guidelines

on

**Intellectual Property (IP) Management in
International Research Collaboration
Agreements between European and Non-
European Partners**

**Produced by the
Knowledge Transfer Working Group of the
European Research Area Committee¹**

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1. Executive Summary

Research partnerships are a critical element of the innovation landscape which, in turn, is vital to fostering growth in a knowledge-based economy. Globalisation means that research and innovation (R&I) collaborations are becoming increasingly internationalised. This presents a challenge to the translation of knowledge, as different partners in different countries will naturally seek to reap the rewards, not only from their own inputs to a collaborative venture but also from the synergies of working with others both in Europe and outside it. Intellectual property (IP) represents the system by which the value of knowledge can be captured and indeed IP has been described by many as the "currency of the knowledge-based economy".

These guidelines outline the significant issues for the management of intellectual property (IP) by universities and other public research organisations (PROs) within Europe in collaborations with PROs and companies in countries outside Europe. They build on earlier European Commission-based guidance and communications on knowledge transfer. A checklist detailing the major points of the guidelines is provided in the Annex.

The guidelines emphasise the importance of setting the considerations about IP and knowledge transfer (KT) management systems in the context of an organisation's long term strategy. They describe the key factors that should be considered before entering a collaboration: a strategic risk-benefit analysis and the determination of the scope and proposed objectives of the collaboration; provisions to ensure confidentiality is maintained; due diligence of the partner's activities and IP position; an assessment of the contractual and IP legal framework in the country of potential partners; obligations that are attendant to national funding awards in both the participant's and partner's countries. The guidelines suggest that participants should develop and publish the key issues of their long term knowledge transfer policy. We encourage participants to base their policies on the European Commission's "IP Recommendation" (2008) "*for the management of intellectual property in knowledge transfer activities and code of practice for universities and other public research organisations*".

The guidelines propose three main elements of an effective system to protect and exploit IP:

- a system that enables the protection of IP (e.g. patents, copyrights, brand, industrial design) that includes clarity about the ownership of IP rights, rights to

use IP, the rights and freedom of parties to transfer (assign) IP and the freedom to publish;

- a technology transfer framework, preferably with the provision of specialised knowledge transfer offices with professional staff;
- a fair law enforcement system in partner's countries that caters for dispute settlement but also that can award penalties and sanctions where appropriate.

The starting positions and contributions of different partners in a research collaboration may differ. For example, some parties may donate more funding whilst others may donate their existing IP (background IP). The guidelines provide points to consider with respect to dealing with background IP and also the identification of personnel who will be involved in the agreement. They then discuss due diligence requirements, a pre-collaboration "hygiene check" regarding the legal, particularly the IP position, of partners and also that all parties have checked that they have "freedom to operate" - that the area of activity is not encumbered by IP held by third parties.

The guidelines provide an analysis of the complex issue of how IP that was generated jointly should be owned and offer some solutions to formal joint ownership that is generally accepted to be problematic. They highlight the importance of clarifying the definition of common terms, as the interpretation of these can vary in different sectors and different countries.

The guidelines recognise that IP protection is not always appropriate and that publication or the offering of open-source licences might be a mechanism by which an organisation's objectives are best achieved.

They encourage the reader to consider the consequences of the cessation of an agreement either through its natural term or if it is prematurely terminated. They draw particular attention to provisions that may survive an agreement, such as confidentiality and access to a partner's pre-existing IP if it is necessary for further work involving the use of IP that arises from a project. In a similar vein, the guidelines encourage participants to consider making provisions for the reversion of rights in situations where commercialisation has not been pursued by a collaborator in order that valuable IP can be used in other circumstances and further developed.

The important considerations about which national law is chosen to govern an agreement, the provisions of warranties and indemnities and mechanisms for dispute resolution are detailed in later sections.

The general theme underlying these guidelines is that if the multifaceted cultural, funding, IP and other contractual issues that go to making up a collaboration are considered at the outset the likelihood of a collaboration being compromised by misunderstanding and disputes will be reduced. It is hoped that by considering the points made in these guidelines publicly-funded EU research organisations will be able to optimise their chances of success in collaborative ventures with partners outside Europe.

2. Introduction and background

These guidelines seek to address specific issues for the management of IP by universities and other public research organisations (PROs) within Europe² when they are collaborating with PROs and companies in countries outside Europe. They take a lead from the European Commission's "IP Recommendation" (2008) on "*the management of intellectual property in knowledge transfer activities and code of practice for universities and other public research organisations*"³, dated April 10 2008 which was adopted by a Council Resolution dated May 30, 2008.

The world is moving towards a knowledge-based economy. This is recognised in the Europe 2020 strategy where fostering the knowledge society is identified as one of the three key drivers for growth.

The sharing, dissemination and exploitation of knowledge generated by public research organisations is crucial to building Europe's knowledge-based economy.

Businesses are increasingly using open models of innovation that rely on complex systems of creating, transferring and acquiring knowledge and which often depend on external partners. This requires more sophisticated internal strategies for knowledge management and partnerships that at the same time are becoming increasingly international. In turn, this necessitates new approaches towards the management of knowledge, optimising existing legal systems and rules governing knowledge management in funding programmes, both from a European and international perspective. Intellectual property rights (IPRs) essentially represent the codification of knowledge in a legally-recognised form and provide a currency which transacts knowledge and captures the value within it.

Knowledge production and use is becoming increasingly internationalised. Countries are competing globally for the provision of research, for the identification of partners, and for the commercialisation of the results of research. As more knowledge is produced outside the EU, European-based research organisations need to ensure they can effectively access that knowledge and that the benefits of innovation can be shared between non-EU countries and EU partners through balanced cooperation agreements. This requires the development of a "level playing field" of rules governing knowledge

² The term "European" encompasses countries associated to the European Research Area.

³ www.ec.europa.eu/invest-in-research/pdf/ip_recommendation_en.pdf

management for researchers and businesses alike to act in this environment which presents different challenges to operating in a national and/or European environment.

Global economic and societal challenges demand global innovative solutions which are underpinned by the translation of knowledge. Knowledge therefore needs to be managed in a more focused way, through coordination of research programmes and a consistent approach to research collaboration. The development of consistent approaches for the handling of IP rules in different funding programmes, introducing codes of practice and the use of model contracts, where necessary, form an important part of knowledge transfer and commercialisation.

The free movement of knowledge is a key factor in realising the European Research Area. As stated in the Expert Group Report on the role and strategic use of Intellectual Property Rights in International Research Collaborations (April 2002) “*IPRs may be considered as the currency of the knowledge-based economy*”.

The ongoing development of a partnership-based international research and innovation (R&I⁴) cooperation strategy seeks to strengthen the international dimension of the European Research Area for European Member States, i.e. collaboration with countries and stakeholders outside Europe.

Effective IP management is an important component of an efficient and fair system for knowledge transfer (KT). Not only is adequate protection of IP and an effective IP management regime vital to ensure the transfer and sharing of knowledge on fair and mutually beneficial conditions, but they are also essential for successful international R&I collaborations. Professional IP management is necessary to be recognised as a reliable partner in international co-operations and to ensure equitable treatment regarding ownership and protection of IP as well as access to IP generated through international collaborations. International cooperation should therefore be based on a sound, coherent and transparent IP framework with clear, uniform recommendations and practices.

Participants in research programmes or projects should determine whether existing conditions for reciprocity and similar or equitable treatment of each other's legal entities presently exist and also explore the opportunities for increasing the coherence of IP ownership regimes.

Participants are strongly encouraged to consider the principles of the Commission's IP Recommendation to ensure fair and equitable treatment both of partners from EU-Member States and third countries in international co-operations, particularly in regard to the ownership and protection of IP. The “IP Recommendation” addresses collaboration and knowledge transfer between the European Union and third countries as follows:

“Collaboration in the field of research and development as well as knowledge transfer activities between the Community and third countries should be based on clear and uniform recommendations and practices that ensure equitable and fair access to intellectual property generated through international research collaborations, to the

⁴ R&I encompasses “science and technology”, “research and development” and “research and innovation”

mutual benefit of all partners involved. The attached Code of Practice should be used as a reference in that context.”

3. Scope

Collaboration with partners from other countries, including countries and stakeholders outside Europe, relating to the management IP is addressed in the IP Recommendation that identifies practices of public authorities that facilitate the management of IP in knowledge transfer activities by universities and other public research organisations):

“Coherence in trans-national cooperation

13. In order to promote transnational knowledge transfer and facilitate cooperation with parties from other countries, the owner of intellectual property from publicly-funded research is defined by clear rules and this information, together with any funding conditions which may affect the transfer of knowledge, is made easily available.

Institutional ownership – as opposed to the "professor's privilege" regime – is considered the default legal regime for intellectual property ownership at public research organisations in most EU Member States.

14. When signing international research cooperation agreements, the terms and conditions relating to projects funded under both countries' schemes provide all participants with similar rights, especially as regards access to intellectual property rights and related use restrictions.”

The IP Recommendation also provides principles regarding both collaborative and contract research, with the emphasis on collaborative research.

Cooperation and collaboration may take many forms, such as collaborative research between PROs, or between PROs and industry, contract research between PROs and industry or the free exchange and dissemination of knowledge and materials between PROs.

4. General considerations before entering into collaboration

Several different criteria and operational modes may apply when undertaking negotiations of IP clauses in international R&I agreements. While these guidelines focus on the IP and knowledge transfer aspects of international cooperation, these issues are necessarily generic and may apply to other types of internal EU collaborative agreements.

Before entering into an agreement the risks and benefits as well as the strengths and contributions of the partners should be considered. It is good practice to evaluate the consequences of not participating. This is a strategic question for senior management at an early stage who will want to ensure that resources are best deployed and not wasted. In addition, the risks of negotiating an agreement which will not be implemented need to be considered.

In general, participants need to ensure that discussions are protected by a confidentiality agreement. It is strongly advised that a **formal confidentiality agreement has been signed before any IP or other sensitive information is disclosed in any communications with other parties**. However, participants should be sensitive to the other parties' position and culture when introducing a confidentiality agreement.

Conflicts of interest should be addressed at this stage, in conformity with stakeholder policies and procedures.

Where relevant, participants need to ensure that they **comply with any public funding conditions** set by national funders before entering into a collaboration, stating clearly what their obligations are and identifying potential conflicts between funding conditions and their agreement with the other party, their legal constraints or their strategies.

Participants should enquire about the experiences of others who have previously collaborated with the selected country and/or partner.

It is advisable to clarify which governmental bilateral R&I agreements or international agreements are in force between a participant's home country and their partner's home country, and what (if any) provisions exist in the agreements relating to IP and knowledge transfer and determine whether they apply to the agreement.

It is important to be clear about the meaning of terminology (this is addressed later in section 5). There are no universally accepted definitions of "background", "foreground" or "sideground". It is therefore vital that if parties to an agreement use these terms that they are defined clearly, for example in a preamble "definitions" section.

For the purposes of this document the following terms are used: "background IP" means any intellectual property which is held by participants before a project in question was started. "Foreground IP" refers to the IP arising from the results of a collaborative project agreement, whether or not it can be protected. We do not use the term "sideground" but note that this term is sometimes used to refer to IP that one party might develop outside a project but during the same time as the project in question.

4.1 Identification of the respective interests of the parties

It is recommended that participants:

- Analyse and clarify the respective interests of the parties;
- Clarify the subject, scope and outcomes of the proposed collaboration;
- Undertake a careful evaluation of scope, objectives and potential outcomes of the IP clauses of a proposed agreement and ensure that they are aligned with the strategic objectives and priorities of the participants and with the

participants' IP and knowledge transfer policies and take account of any legal constraints;

- Consider issues such as the ownership of results (foreground IP), the rights of the parties regarding their existing IP (background IP), rights of access of all parties to the results and other parties' background IP, dissemination issues including publication, provisions for incentives and obligations to protect foreground IP;
- Evaluate the project proposal/project outline in the context of the parameters given above.

The project proposal/project outline needs to give participants adequate information on the scope of the work and any of the means of identifying IP which may be generated from the work and covered by the agreement. A project proposal or project outline should be annexed to the collaboration agreement. Great care should be taken when drafting the project proposal/outline because any results that are within the outlined scope of the project will be governed by the agreement.

4.2 Participant's knowledge transfer policy

A participant wishing to enter into international cooperation agreements should first clarify its own background IP as well as its knowledge transfer strategy and exploitation models.

In order to provide clarification of key issues it is advised that an IP policy is published as part of a long term strategy. The policy should include provisions that cater for the disclosure of new ideas with potential commercial interest, the ownership of research results, record keeping, the management of conflicts of interest and engagement with third parties. The management of IP should in all cases be carried out according to established principles in the context of the overarching objectives of a particular project. It should take account of the legitimate interest of the industry party (e.g. temporary confidentiality restraints) and the legitimate interest of the academic party (e.g. publications should not be delayed unduly but short delays might be reasonable if they are necessary to secure or clarify IP protection).

A participant should ensure that a collaboration agreement conforms with its own knowledge transfer policy and other strategic policies.

A participant should specifically determine the benefits and risks of exploiting or not exploiting both their background IP and foreground IP.

In particular, a participant should consider the scope of their freedom to enter into arrangements with other parties and to control the use of their background IP and foreground IP.

A participant will need to consider its liabilities and obligations. It will also need to establish what obligations other parties will have both after the agreement is finished and also if it is prematurely terminated.

In order to facilitate the circulation and use of ideas in a dynamic knowledge society as well as to better convert knowledge into socio-economic benefits, a participant should consider all types of possible exploitation mechanisms and ensure that a given technology will be exploited effectively (i.e. by including due diligence obligations in the agreements). Examples are licensing, the creation of spin-offs, co-operation with existing companies, investors or innovation support agencies.

Furthermore, access to professional knowledge transfer services (e.g. technology transfer offices), whether it involves internal staff or external services is vital for effective knowledge transfer. These services should be able to give sound advice, for example on general legal and financial issues as well as about the protection, commercialisation and enforcement of IP.

A participant should ensure that its **internal practice and IP management** is in line with European best practice. Guidance on this subject is provided by the IP Recommendation.

4.3 IP strategy and exploitation model of the partner

It is advisable to analyse the IP strategy and exploitation models of the other parties in order to understand what they intend to achieve through the collaboration. For example, a participant should attempt to get a clear understanding of the other parties' perceptions about the relative value of arising IP in the results and also about the collaboration in general. This will help the parties define the scope of the collaboration and to determine the measures that need to be put in place to enable the appropriate use of the results. Parties may, for example, wish to consider the potential continuation and funding of some or all aspects of the collaboration after the formal expiry of an agreement.

The analysis should include consideration of issues such as access rights, notification procedures, licensing rights, incentives offered, obligations to publish, activities to disseminate the results balanced against the need to protect the results and the provision of knowledge transfer services.

In some countries the ownership of the results resides with the person(s) who has generated the results. In other countries ownership automatically resides with the employer or host organisation or might be assigned to it by virtue of a contract of employment. It is important to achieve clarity about which party owns an IP right and which party will pay for the protection (normally the IP owner) and the rights of the parties to decide about academic and/or commercial exploitation.

Essentially, to enhance the success of a project the parties should analyse and discuss opportunities and their potential risks, particularly ensuring that the:

- rights and obligations of participants are clearly defined;
- implications of disclosing secrets, taking into account confidentiality agreements and requirements under national law, are carefully considered;

- termination provisions relating to IP (ownership, access, licensing etc) are considered thoroughly in advance, in the event that the agreement has to be discontinued for whatever reason.

All pre-existing obligations linked to previous agreements and the source of the funding of the collaboration should be identified. The host organisation should seek to ensure that all staff involved in a project are bound appropriately by the terms of the agreement. Where it is appropriate within the remit of an organisation's IP policy a host organisation should endeavour to ensure that the relevant staff give appropriate access to IPR held by them or even assign their IPR which are necessary for the project. In particular, parties should consider:

- the expected outcome and consider the context of the market;
- that the state of the art has been checked (for example by patent searches) in order to avoid duplication of research efforts;
- national mandatory laws that could affect the ownership and use of results of the partner (e.g. legal requirements and governmental rights in case of public funding, laws relating to employee inventions).

4.4 Identification of background IP

Participants should (ideally as part of an agreement) identify in writing their own relevant background IP, including trade secrets and expertise ('know-how').

Before starting the collaboration it is important to be familiar with any IP provisions and terms - including third parties rights relating to background IP (materials, formal IPR, know-how) that is planned to be used in the research work.

It is very common that existing research materials (background IP) used by a research organisation are licensed only for academic research purposes and explicitly excluded from commercial exploitation. However, as commercial use of foreground IP is often the end objective, the terms of access for both background IP, which is necessary to use foreground IP, and also the foreground IP itself should be considered in negotiations.

4.5 Identification of personnel

Participants should identify and include in the collaboration agreement all personnel who will perform work under the agreement, especially in cases when so called "professors' privilege" still exists.

Participant organisations should also ensure that personnel sign the necessary agreements regarding ownership and confidentiality issues before starting any work on the project. This applies also to any staff joining the project at a later stage.

4.6 Identification of forms of cooperation and collaboration

Collaborative research is generally adopted when parties have a mutual interest, whereas contract research concerns the provision of solutions by one party to problems identified by another party.

Collaborative research has been defined in the “IP Recommendation”³ as “*research involving one or more PROs, and one or more private sector organisations. The research may be performed wholly by the PRO(s) or jointly by the PRO(s) and by the private sector. The public and private sectors both support the research, through funding and/or intellectual or other contributions in kind*”.

Contract research has been defined as “*research contracted out to a public research organisation (“agent”) by a private-sector entity (“principal”), and whose costs are fully paid by the latter and where the principal carries the risk of failure. In this case the terms and conditions are usually specified by the principal.*”

4.7 Identification of the partners

It is advisable to ensure the precise identification of the partner (party/legal entity) with which a participant will be entering into an agreement. This should include both a correct name and company designation (e.g. [Company name/SA – Société Anonyme], and reference to the company/organisation unique identification number in official national register(s) (e.g. register of companies, national VAT authorities).

A party that enters into a subcontract or otherwise involving third parties (including but not limited to affiliated entities) should be aware that it remains responsible for carrying out both its own obligations and those of the third party in relation to a collaborative agreement. A party committing to a particular collaborative agreement should ensure that it complies with any relevant higher level national or European funding agreement, such as a Framework Programme 7 grant agreement (EC-GA), as well as with the collaborative agreement in question.

This is of specific importance in countries that have a significant number of publicly-owned commercial and non-commercial institutions and in cases where an agreement is made with an entity that is part of a state.

4.8 Due diligence evaluation of new partners

In many instances a participant will be entering into further agreements with parties with which it is already collaborating.

In instances where a participant is seeking to enter into a new bilateral R&I agreement and no prior agreements exist, it is advisable to carry out a due diligence evaluation on the new partner. Considerable care should be taken in due diligence exercises to minimise negative consequences and the potential loss of goodwill.

The nature of the due diligence evaluation which a participant may undertake will vary according to the circumstances.

A due diligence evaluation will look at the ownership and funding of the organisation (e.g. if it is state owned), any relevant IP and research funding laws of the country in question to determine the effect this may have on the handling of results.

A due diligence evaluation should also include establishing that signatories have the necessary authority to sign the agreement, especially in the case of state owned organisations.

4.9 Freedom-to-operate

Freedom-to-operate (FTO) refers to the investigation of the existing level of IP protection, particularly by patents, third parties may have in the area of technology that a research project is envisaged.

It is important for an FTO to be part of a due diligence exercise in order to avoid infringing IP held by parties who are not part of the agreement.

IPRs are specific to different jurisdictions. Accordingly, FTO analyses should take account of the jurisdiction in which a participant wants to operate.

A key element of FTO is to search patent databases for either patent applications or patents in force in the technology area.

FTO is not only important to anticipate obstacles which may hinder the progress of a project but it also offers an opportunity to seek out relevant interested parties from whom project participants may need to seek to license IP that could usefully help the project. FTO might also identify potential subsequent licensees - organisations who might wish to license IP arising from a project.

4.10 Analysis of the legal system, particularly the IP framework, of a partner's country

The legal system of a partner's country and the effect that this will have upon any clauses relating to IP, knowledge transfer, researcher mobility, and enforcement of rights should be considered.

It is advisable to draw up a check-list for IP regulations which consider:

- an adequate, effective and affordable system of IP protection (e.g. patent protection is available for both products and processes, in almost all fields of technology, utility models, copyright, industrial design etc.) with a sufficient duration of protection as well as clear regulations for the ownership of IP, access rights to IP and transfer of ownership;

- an efficient law enforcement system under national law including dispute settlement, provisional measures, legal action, prosecution and possibilities of sanctions as well as penalties for infringement that are rigid enough to deter further violations. The procedures must be fair and equitable, not unnecessarily complicated or costly without unreasonable time-limits or unwarranted delay entailing the possibility of appeal where appropriate;
- an efficient technology transfer system. Protection and enforcement of IP should contribute to the promotion of technological innovation and to the transfer and dissemination of knowledge to the mutual advantage of producers and users in a manner conducive to social and economic welfare and to a balance of rights and obligations.

An international law firm situated in the partner's country is usually of great value to provide technical advice but it is important that decisions are taken by participant decision makers in light of their business objectives.

Import and export regulations for foreign PROs and companies play an important role. There may be mandatory registering provisions when bringing a particular technology or materials into or out of a country.

Participants are advised to consult the WIPO website "Lex", which is a "one-stop" search facility for national laws and treaties on intellectual property (IP) of WIPO, WTO and UN Members.

Participants should specifically consider their partner's country's Patent Act, Copyright Act, other specific Acts relating to IP, any specific Acts regulating contracts as well as national legal provisions covering discharge of contract and potential dispute settlement methods (e.g. mediation, arbitration).

Depending on the source of the research funds employed in the project, national provisions may also regulate the use and accessibility of the research results. National provisions may place restrictions on the foreign exploitation of results, or require permission from national authorities for commercial or non-commercial use outside the partner's country.

Provisions for the reversion of rights in the event that commercialisation is not pursued may be required under national legislation and should be considered as a matter of general principle by a participant.

4.11 Cultural issues relating to contract negotiation and execution of contracts

Participants are advised to pay careful attention to the cultural conditions of their potential partners (e.g. different legal mentality, perception of value, policy differences) and how this might impact throughout the agreement, e.g. by establishing general principles for the management of research results and routes for exploitation as well as taking account of formal legal obligations.

Participants are advised to seek guidance from EU Science Counsellors in third countries and consult other sources of information on relevant cultural issues.

5. Drafting a bilateral R & I collaboration agreement

When drafting a R&I agreement, different points need to be taken into account and addressed in the document. These are outlined below.

5.1 Definitions

Agreements are often drafted in a language that is not the mother tongue of any of the partners. In order to avoid misunderstandings, all partners should agree on and define the terms used in the agreement.

When entering into an agreement it is important to have a common understanding of terminology and to define clearly the specific terms used.

This is of particular importance when negotiating international agreements since the meaning of a term may well differ depending on the legal system and culture of a country. Examples of terms that have been interpreted differently in different countries are “joint ownership” and “joint inventorship”.

These guidelines do not provide a list of recommended definitions. Rather, it is advised to find out whether information already exists in certain jurisdictions about collaborative research contract terminology.

EU definitions or definitions from internationally recognised bodies should be used where possible. Where there is no EU recognised definition, the UN definition should be used. Where an EU definition differs from an international definition, an explicit choice of terms should be made.

Useful links

www.wipo.org

www.aippi.org

www.IP-helpdesk.org

5.2 Objectives and scope (framework) of the collaboration

Parties should agree on the specific objectives, scope and the application of the results of a collaboration. It is common practice to incorporate a detailed project description as an annex to an agreement. Details on resources to be committed by the parties (e.g. personnel, equipment, materials) should also be incorporated as an annex to the agreement that include:

- Provisions on funding and any compensation or reward mechanisms for work performed, as well as specific rules on governance structure such as the constitution and powers of decision making bodies for both EU and Non-EU partners;
- Rules on the settlement of internal disputes and project termination;
- The modalities of scientific and financial reporting in the project;
- The identity and contact details of the personnel who are authorised to act in various capacities for the parties.

5.3 Ownership of research results (foreground) IP

The allocation of ownership of IP and research results generated in the collaboration should be clarified as early as possible. Ownership of foreground IP usually rests with the party generating that foreground IP, but different allocations of ownership may be agreed. Different models of ownership may be appropriate in different sets of circumstances.

The CREST/ERAC cross-border collaboration Decision Guide⁵ gives assistance in determining possible ownership positions.

The assignment of the ownership of foreground IP to another party should be carefully assessed and will generally require some form of compensation. Where the foreground IP has been generated as a result of contract research the rights to the foreground IP will normally be retained by the parties that have funded or commissioned the research.

In certain countries, public bodies are not free to assign or transfer ownership of IP agreements (e.g. in Russia the state owns IP from publicly-funded research and other countries have provisions in their primary legislation for inventors to own IP).

It is possible in some circumstances that partners are not necessarily the owner of the rights to the IP and therefore they may not have the necessary requisite control over it.

The parties should be informed of the contractual obligations that exist between a party and its employees regulating ownership and assignment of IP. Participants should ensure that they have appropriate access rights to a partner's IP which is necessary to carry out the project. They should also take steps to ensure that their partner(s) secure their own IP rights accordingly.

It is important to clarify and agree the terms of the ownership of IP by students, by other researchers outside the project who may be co-authors of publications or co-inventors, and by independent contractors not under employment of the partners. This is generally

⁵ http://ec.europa.eu/invest-in-research/policy/crest_cross_en.htm

a matter of national policy or individual institutional policy and can vary considerably between PROs. The ownership of IP by students is a particularly sensitive issue which should be handled carefully.

For all researchers taking part in the collaborative agreement and generating IP, including students and independent contractors, it is advisable to secure in advance the terms of access and ownership of the IP. Statutory or contractual rules on the ownership of IP by students and the compensation of employees should be observed in this process.

The retention of rights by a party (e.g. by a PRO for research purposes) should also be considered.

5.4 Reversion of rights

Provisions should be made for the potential reversion of rights in situations where commercialisation has not been pursued in order to avoid the non-use of the foreground IP and to enable further technological development.

5.5 Joint ownership

Joint ownership of results relates to results collectively generated by two or more parties. Joint ownership requires specific consideration in relation to the administration of IP, provisions for the transfer of ownership of the IP, the use of it by joint owners and access rights to it by third parties. Joint ownership is generally not advised because a common consequence is that all parties have to be consulted and agree on further use and commercial exploitation. International joint ownership is even more challenging when two or more IP legislations are involved. A common alternative solution to the problems inherent in joint ownership is for participants in cross-border collaborations to transfer the ownership to one of the parties and for that party to grant each participant broad access rights and compensation rights in the event of exploitation of the IP. For example, access rights are likely to be global non-exclusive licences to use the IP for a wide range of activities. The rights to sub-license will need to be determined carefully.

If, however, parties do elect to jointly own IP then an agreement should consider the following issues:

- exploitation of IP by one owner with or without informing the other owners including possible compensation;
- possible means for the assignment of the IP rights to one of the joint owners for exploitation and with agreed fair and reasonable compensation to the other owners;
- the form of compensation. It is advisable to enter into an agreement regarding the exploitation and compensation of joint owners before such exploitation

occurs in order to avoid blocking situations. For example, the collaborative agreement may provide that non-exclusive exploitation rights can be granted by any joint owner on the condition that other parties receive adequate compensation;

- national legal provisions relating to “experimental use” exceptions and “prior use” rights.

5.6 Protection of IP

Before entering into a cooperation agreement and during the course of the project the parties should act in good faith. They should sign a confidentiality agreement or non-disclosure agreement (NDA) as soon as they start to discuss their know-how (trade secrets) in collaborations with another party (see section 4.10).

A collaboration agreement should set forth which party is responsible to apply for the legal protection of the IP such as filing patent applications and other legal or financial issues related to securing protection of the IP. Also the type of protection should be discussed; i.e. where “march-in-rights” or compulsory licensing policies might apply and each party should be alerted accordingly.

The type of right to be filed should be discussed as different interpretations and conditions exist for filing of IP rights/patents (e.g. the grace period in the United States for patents). The costs and consequences for obtaining and maintaining IP protection need to be taken into account by the parties.

In some instances obtaining formal protection of IP is not the best option, e.g. a project’s objectives might be achieved by publishing research results that have little potential commercial application. Parties may also consider it not in their best interests to assert IP protection. For example, where results in software are automatically protected by copyright a party may choose to waive its copyright in those results in order to enable others to have free access to it. Market research should be undertaken to determine the cost versus benefit of securing formal IP protection.

5.7 Access rights to IP: background and foreground

The terms of access rights to foreground IP and background IP that are required during or after a project has been completed should be clarified before the start of the project. In particular, it may be necessary to draw distinctions between access rights for the project, access rights for further research and access rights for commercial development. The parties’ respective interests, tasks and (financial) contributions to the project should be taken into account in configuring access rights provisions in an agreement.

Access rights to background IP:

If a party is considering granting access to its background IP it should define it clearly in writing as part of an agreement. Requests for access to another party's background IP should be made in writing and may be made the subject of an ad-hoc bilateral agreement.

It should be determined which background IP is needed for:

- 1) the execution of a project;
- 2) use after completion of a project;
- 3) use of a party's own foreground IP.

The conditions for access to background IP should be defined and agreed.

Any restrictions on the granting of access rights to background IP should be communicated between the parties.

Access rights to foreground IP:

Access rights to foreground IP generated by other parties which is needed for the execution of the project and/or after completion of a project should be covered in the agreement, depending on a party's requirements. Conditions of compensation regarding the access to foreground IP should also be defined and agreed.

5.8 Licensing IP to third parties

A party may wish to grant licences or transfer (assign) IP rights in the foreground IP to third parties for commercial purposes or for research purposes.

The terms and conditions of such licences should be carefully reviewed (e.g. their scope: commercial or non-commercial, exclusive or non-exclusive, limitation in time, space or field of commercial application).

The granting of licences to non-European partners may raise issues of competitiveness and investment. Participants are required to respect national or European requirements concerning transfer of IP ownership or the granting of exclusive licences to third parties established outside Europe. For example, where the use of IP requires a state permit such issues must be drawn to all partners' attention (certain countries, e.g. China, Russia, Brazil, require a permit from the state for licensing IP to foreigners).

The conditions under which other parties may use IP should be defined and agreed. Equitable compensation should be given for assignment and licensing of rights but the conditions for granting of royalty-free licences should also be covered in an agreement (e.g. for non commercial research). The terms (e.g. duration and conditions of use) for giving a right of first refusal for exclusive commercial exploitation is also an issue which should be addressed.

5.9 Publication

Many national laws require publication of research results but in most instances public organisations will accept delays in publication to allow for patent applications to be filed. In some relatively specific and unusual situations it may be necessary to impose conditions of secrecy in addition to confidentiality agreements.

National requirements for publication and dissemination will need to be addressed by the partners. The type of project and funding will have an impact on publication provisions in an agreement.

As a general principle, dissemination of the results should be the prevailing priority, notwithstanding the need to adequately protect them.

5.10 Confidentiality

When drafting confidentiality clauses great care needs to be taken in how the term "confidential information" is defined. The parties need to have a clear understanding of which information is covered by the confidentiality obligation, and each recipient needs to ensure that receiving confidential information from the other party will not lead to a situation in which the recipient may no longer be able to clearly distinguish the confidential information received from its own information. Such a situation can occur if the recipient conducts research in the same or similar field to the one covered by the collaboration, whether on its own or as part of other collaborations, and receives information classified as confidential that is the same or very similar to the recipient's own information. In such a case the recipient may no longer be able to publish or exploit its own information as it cannot clearly be distinguished from the confidential information which it has received (this is sometimes referred as a "contamination risk").

Confidential information should therefore be clearly defined and, if appropriate, marked as confidential, along with provisions regulating the handling of such confidential information. Otherwise the general default position is that all information that is exchanged is treated as confidential, unless it can be shown that the information was already known by the party receiving the information or that it was in the public domain.

5.11 Choice of governing law/jurisdiction

The choice of law governing the agreement is of major importance in an international collaboration agreement. As these guidelines are for IP contracts, it should be noted at the outset, that certain laws relating to IP in the partner country cannot be circumvented by simply agreeing to make the law of another country the governing law of an agreement. In particular, laws relating to governmental rights (e.g. "march-in" rights) in publicly funded research should be considered.

Participants from different countries will have very different expectations about how a dispute can be solved fairly. Uncertainty and distrust may occur especially when there is a lack of information about the procedures in other countries. These difficulties may be compounded by distance and the disadvantages one party may face in submitting to a procedure in another country.

In general, participants of different nationalities and with different legal backgrounds will favour their own domestic law which they are familiar with but understandably other partners might be adverse to this. In order to avoid any bias the partners might agree on the law of a third country to which neither of them has a particular connection. Agreeing to a third country law and/or jurisdiction may bear considerable costs and risks. It is therefore necessary to carefully consider the choice of governing law and jurisdiction together with expert legal advice. There are several issues to be considered in this context: e.g. the quality of the legal system especially regarding IP issues, neutrality of the law in relation to the contracting partners, the costs and time consumed by the process and the enforcement of the decision or conventionality of the language. Furthermore, special attention should be drawn to the difference between common law and statutory law in particular countries.

5.12 Dispute resolution

Disputes can be minimised by adopting good practices referred to above and litigation should be avoided at all costs as it is likely that it will ruin the collaboration. If, however, any disputes arise between parties they should be resolved as quickly and amicably as possible. An agreement should include a time limit for negotiations between the disputing parties before going to an institutionalised, expensive and time consuming process. The agreement should include provisions on alternatives to court litigation.

It is advised that agreements include provisions for parties to use recognised facilities for mediation and arbitration such as the mediation and arbitration centre provided by WIPO which has developed model contract clauses and submission agreements.

Other options include the “Rules for Arbitration” of the International Chamber of Commerce (ICC) which were developed specifically for business disputes in an international context and are published in thirteen languages. The International Court of Arbitration organises and supervises arbitration procedures and helps in overcoming obstacles. The actual resolution of disputes is carried out by independent arbitrators appointed by the Court according to the ICC Arbitration Rules. The Court will endeavour to ensure that the award is enforceable in national courts if required. Another advantage of the ICA is that the parties have the opportunity to choose the law under which their dispute is considered and also the location and language of the arbitration.

5.13 Enforcing rights in a foreign country

Enforcing rights under the regulations of a foreign country is likely to be difficult. This is because participants may be unfamiliar with the legal rules and practices (e.g. “discovery procedure” in USA) in other countries which may vary from their own.

Presenting proof or evidence to the court in other countries might require consular authentication which could be very time consuming. Also, limitations of claims need to be taken into account. For example, the reformed patent law of China provides a two year statutory limit for initiating a patent infringement lawsuit starting from the date of the discovery of the infringement. Clearly, the extent to which damages are recoverable and the reasonable expected level of compensation should be considered before embarking on enforcement actions.

4.14 Warranties/indemnities

Parties should carefully consider their ability to provide warranties in respect of either background IP or foreground IP and also the extent to which they are able to indemnify other party's should another party have cause to make a claim (e.g. with respect to freedom to operate IP, the ability to use the IP or other matters regarding the integrity of the IP). In general, in Europe liability for wilful breaches of contracts cannot be limited. It may be possible to limit damages in case of gross negligence, but such limitation of liability should be carefully considered. It should also be noted that such limitation of liability covers only limitations of contractual liability.

Nevertheless, depending on the specific interests of the participant, a limitation of liability to gross negligence and wilful misconduct or, if permitted, to wilful misconduct in respect of any information or materials (including foreground and background IP) supplied by a participant to a partner could be advisable. Where such limitation of liability is made, the receiving party (the partner) would bear the liability for the use of a material and possible IP infringements.

Participants may agree a cap and its scope for liability damages, for example with respect to either negligence or wilful misconduct. They may also consider excluding punitive and consequential damages which can be awarded in certain countries.

Participants should therefore consider insurance coverage both for their own and partners' liabilities or to make specific bilateral agreements, for example with respect to the breach of confidential information.

5.15 Termination of the contract cooperation

The rights and obligations of the parties in the event of the premature winding-up of a collaboration should be made clear in agreements. In particular, provisions regarding the use and exploitation of the results after premature winding-up need to be established.

The rights and obligations of participants to continue to use and exploit both foreground IP and other parties' background IP after the ordinary term of an agreement has expired should be provided for in a contract. It is also important to consider the preservation of confidentiality after a research project has finished. It is common practice to make provisions for the confidentiality obligations to continue after a project and relationship with a collaborating party has formally ended.

Annex - Checklist

EU publicly-funded organisations that are considering entering collaborative research projects with potential partners outside Europe are advised to consider the points below.

Preliminary considerations before drawing up an agreement:

- Senior management with the advice of experts (knowledge transfer professionals and lawyers) should strategically evaluate the entire scope of the collaboration and its objectives and conduct a risk-benefit analysis.
- The culture and legal framework governing contracts and intellectual property of a collaborator's country.
- Alignment with national rules on public funding conditions.
- Legislative obligations or institutional policies regarding the ownership of IP.
- Secure access to professional knowledge transfer services (e.g. technology transfer offices), whether it involves internal staff or external services.
- Analyse and clarify the respective interests of the parties.
- Clarify the subject, scope and outcomes of the proposed collaboration.
- Put confidentiality agreements in place before discussing substantive matters and before any IP is disclosed, whilst taking account of the other parties' cultural situation.
- Be clear about the meaning of terminology.
- Conduct a due diligence exercise on a potential partner's existing IP and obligations.
- Identify the personnel involved both in your organisation and other parties' organisations, particularly their roles, obligations and authority to execute agreements.

Establish an agreement which makes effective provision for the management of IP that addresses and defines:

- Commonly used terms, for example "background", "foreground" or "sideground".
- The freedom of parties to enter into arrangements having regard to their existing obligations with respect to IP.

- The obligations of the parties regarding their existing IP.
- The policy regarding researchers either formally outside a project or encompassed by it, e.g. students or contractors.
- Which party owns the IP in any results of a project.
- Your rights of access to the IP in the results produced by other parties in a project.
- The rights of third parties to the IP in the results of a project, whether the results were produced by yourself or other parties.
- The rights of other parties in the project to your existing IP.
- The rights of third parties outside the project to your existing IP.
- Your rights of access to the pre-existing IP of other parties in a project.
- Rights of access of third parties to the pre-existing IP held by other parties in a project and whether this affects your access to pre-existing IP held by other parties to a project.
- Your ability to grant licences in the IP in the results to third parties outside the project and the rights of other parties to grant these rights.
- The rights of other parties to grant access to your existing IP to third parties outside the project.
- The dissemination of the results and the impact of certain national laws regarding obligations to publish results.
- Incentives and obligations to protect IP in the results.
- Mechanisms to protect IP in the results and the scope and duration of any delays to enable protection (patent) of the IP in the results.
- Whether joint ownership is appropriate and the burdens and risks of its management.
- Obligations on the termination of an agreement whether the termination occurs at the agreed date or is premature, regarding ownership of IP, access to another party's IP and confidentiality.
- Provisions for the reversion of IP rights in the event that commercialisation is not pursued or that the partner cannot fulfil its obligations (e.g. becomes insolvent).

- Warranties and indemnities.
- Rules on the settlement of disputes.
- The law governing the agreement.

Before signing the agreement:

- Consider how other provisions in the agreement impact on the IP clauses for example, confidentiality, publication provisions and governing law.
- Review and evaluate the scope, objectives and potential outcomes of the IP clauses to ensure that they are aligned with your organisation's strategic objectives.
- That all relevant personnel and associated researchers or students or other staff who are involved in the agreement have read it and signed any relevant agreements that are necessary for the agreement to take effect.
- Ensure that a person with the appropriate authority signs the agreement.