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Accompanying document to the

**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE
EUROPEAN PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Improving knowledge transfer between research institutions
and industry across Europe: embracing open innovation**

– Implementing the Lisbon agenda –

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**Voluntary guidelines for universities and other research institutions to improve their
links with industry across Europe**

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Voluntary guidelines for universities and other research institutions to improve their links with industry across Europe

1. INTRODUCTION

These voluntary guidelines intend to highlight good practices, to European universities, research & technology organisations and other publicly-funded R&D bodies (globally referred to as research institutions¹ hereinafter), regarding the management and transfer of knowledge and intellectual property (“IPR”) in the context of both publicly-funded R&D and delivery of collaborative research. They do not focus extensively on the transfer of tacit knowledge through classical channels such as the trans-sectoral mobility of researchers, which are already addressed in other documents, including the *Commission recommendation on the European Charter for Researchers and on a Code of Conduct for the Recruitment of Researchers* (C(2005)576).

Sources of such good practices include material developed by national public authorities and by stakeholders, some of which are listed in Annex II (Section 5).

Often perceived as a “new activity”, knowledge transfer between research institutions and industry has a long history and has often been beneficial to research and education (further developed in Section 2). Such relations consist of a variety of activities, including, for example:

- research institution-industry staff-exchange programmes,
- gifts and endowments by industrial partners (e.g. professorial chairs, etc.),
- the provision of life-long education and training of professionals,
- collaborative and contract research,
- consultancy work.

¹ Annex I (Section 4) contains a list of definitions

However, the development of the knowledge economy is inducing a paradigm change in the innovation process, known as “open innovation” and characterized, among other features, by more collaborative research and sharing of knowledge and intellectual property. Universities and other research institutions have a critical role to play in this new context.

The development of collaborative research is one of the most important knowledge transfer and innovation processes. There is now wide consensus among experts from Universities², Research Technology Organisations (RTOs) and Industry that this process can be beneficial to the respective missions and interests of all parties, provided that certain principles and good practices are observed.

Accordingly, these guidelines aim to help research institutions develop more effective mechanisms and policies to promote both the dissemination and the use of publicly-funded R&D results. Building on the Responsible Partnering and other initiatives, it is a further step to help in the creation of a standard approach to address the aforementioned issues at European level.

They are divided into two main sections:

- the first (Section 3.1) relates to issues which should be addressed by research institutions in order to ensure that their policies relating to IPR, incentives and conflict of interest optimize knowledge transfer activities, i.e. promote the use of publicly-funded R&D results by industry, while remaining compatible with the research institutions’ missions of education and dissemination of knowledge; and
- the second (Section 3.2) presents good practices specifically relating to contractual arrangements which, in the broad context defined in the first section, should be taken into account by all staff who negotiate research collaboration contracts.

Although these guidelines are not binding, it is recommended that the specific policies of individual research institutions (e.g. charters) regarding interaction with potential industrial partners should follow similar principles, adapting them to the local context (e.g. national legislation).

These guidelines will be reviewed regularly, and complemented with more specific provisions and examples after consultation with stakeholders. They complement the Commission Communication “*Improving knowledge transfer between the public research base and industry across Europe – Implementing the Lisbon agenda*” which highlights a number of actions which public authorities may wish to implement in order to facilitate knowledge transfer.

In addition to the guidelines per se, this document also contains three annexes:

- Annex I (Section 4) is a list of definitions and acronyms
- Annex II (Section 5) is a list of references which were considered in drafting the guidelines
- Annex III (Section 6) is a list of several assistance services available at EU level.

² See for instance the policy statements of EUA, EARTO, ProTon Europe and EIRMA

2. BALANCING THE BENEFITS

Examination of successful research collaborations in Europe and the USA show that sustainable “win-win” arrangements can be obtained, which produce good science, publish results without unreasonable delay, contribute to the general education and training of new graduates, and generate valuable intellectual property that supports innovation by industrial partners.

When managed in a professional and balanced way, knowledge transfer can be beneficial both for the research institutions concerned and society in general.

2.1. Benefits to research institutions

Benefits to research institutions resulting from knowledge transfer to industry are not – and should not be expected to be – primarily financial, even though any revenues resulting from knowledge transfer can help fund additional R&D activities, in addition to the knowledge transfer activities themselves. Instead, the main benefits are indirect and should be considered in the longer term. They include for instance:

- The development of mutual trust between the research institution and industry, beneficial to the establishment of long-term strategic partnerships (as opposed to one-off contracts);
- The enhancement of research institutions research activities (access to state of the art industrial equipment, improving research institution project management skills, complementing the research institution competence base by new skills and techniques developed in industry, improved understanding of market needs and of industry problems);
- Gaining status and prestige (resulting from successful partnerships and products);
- The enhancement of research institutions teaching activities (involvement of industry-based lecturers, enrichment of teaching contents and materials with practical examples, learning how to apply skills and knowledge to solve real business problems ...);
- The identification of potential new clients or partners for further research;
- Attracting, retaining and motivating good scientists interested in entrepreneurial aspects or in new professional career opportunities;
- Contributing to public authorities better recognising the socio-economic relevance of publicly-funded research, potentially leading to increased funding thereof.

These benefits will have further positive consequences, such as facilitating exchanges of staff between the research institution and industry, or the hiring of new graduates from the research institution by industry.

2.2. Benefits to society

The successful implementation of policies to deal with inventions and collaborations with industry can lead to a number of benefits for society at large and, in particular, the local economy. These benefits include new jobs, new products on the market and better education.

An example of such a success story may be seen in Imperial College London, where Imperial Innovations technology commercialisation companies generated revenues in excess of £30 million from spin-outs and licenses and created over 1,000 jobs since 1997.

To take another example, among the 36 patented inventions of the 90s selected by EPO on the basis of their economic significance for the 2006 *Inventor of the Year* Award, about half are based on discoveries by public research institutions. For another 25%, the proof-of-concept was achieved through collaborative research with industry.

2.3. The balance between openness and exploitation of results

The balance between the cost-free dissemination of research results and their exploitation is a delicate issue for publicly-funded R&D. There is a growing tendency towards open access to research data and publications³, in order to ensure that academics can exchange information freely and this should be welcomed.

However, it should be realised that certain new products or processes (especially in the biotech or "new materials" sectors) are virtually impossible to further develop and transfer to market without intellectual property rights having been filed, which requires confidentiality to be maintained for a limited time period. This is largely due to the high proof of concept and marketing costs that certain sectors entail – and thus, unless a monopoly can be granted, commercialization becomes unattractive - meaning products which could benefit society might remain unused.

Thus, it is necessary for each research institution to have the necessary policies and mechanisms in place in order to identify inventions with commercial potential and, with the assistance of skilled Knowledge Transfer professionals, identify the best way forward – either to publish immediately or to protect said invention before publication.

³ See <http://europa.eu.int/comm/research/press/2004/pr1506en.cfm> and http://www.oecd.org/document/15/0,2340,en_21571361_21590465_25998799_1_1_1_1,00.html

3. GUIDELINES

3.1. Policy Issues for Heads of Research Departments / Faculties

In order to facilitate exploitation of results and to be a more attractive partner for industry, each research institution should develop and implement policies regarding at least the management of intellectual property, staff incentives and conflicts of interest.

3.1.1. *Intellectual Property (IP) Policy*

The research institution should define and communicate a long-term strategy in relation to the management of IP and Knowledge Transfer (or more broadly innovation), including a strategy as to how these activities should be pursued⁴. A written policy explaining how IP management relates to and supports the overall mission of the research institution should be developed, published and implemented. This policy should include guiding principles relating to the emphasis the research institution places on the financial and non-financial benefits of the effective management of IP exploitation and Knowledge Transfer.

It is considered a good practice that an adequate research institution Intellectual Property policy will:

- ensure that inventions can be identified easily and, where appropriate, protected;
- make the research institution a more attractive partner by providing evidence relating to the research institution's expertise in IP management;
- make inventions more visible to external stakeholders, in order to promote their exploitation (through licensing, etc.) ;
- promote the use of publicly-funded research results, including the spinning out of new companies;
- provide a formal incentive mechanism for staff who participate actively to knowledge transfer

Although they vary from one research institution to the other, typical IP policies often covers the following issues:

- Ownership of research results and associated IP rights;
- Rules applicable to “non-employees” of the research institution such as students;
- Management, protection, and promotion of the exploitation of IP rights;
- Negotiation of IP issues raised during interaction with industry (ownership of IP, confidentiality, etc.);
- Incentives for researchers who participate actively to knowledge transfer;

⁴ Ideally, this will be developed in consultation with the PRO's stakeholders.

- Management of conflicts of interest;
- Monitoring and reporting of Knowledge Transfer activities.

Good practices regarding specific IP issues:

Record keeping : Staff engaged in research activities/projects should be required to maintain laboratory notebooks, to make it possible to prove under which conditions certain R&D results were generated (when, by whom, etc.).

Disclosure requirements : A formal procedure for the timely disclosure of new ideas / discoveries (including inventions, software, databases, etc.) with potential commercial applicability by research staff to the Knowledge Transfer Office (KTO) should be established. Ideally, such procedures are swift and straightforward (for example, through the use of standard invention disclosure forms and a clear system of information exchange) so that research activity is not disrupted. All discoveries are kept confidential⁵ for a limited period of time until a timely evaluation of the new idea / discovery – including patentability assessment, the case being – has taken place.

Evaluation: All disclosures of new applications or discoveries should be formally evaluated to determine the owner of the "invention" and assess its potential for use.

The role of the research institution's KTO may vary according to the context :

- *Research where industry is the owner*: the KTO ensures that any invention is disclosed to the industrial owner in as timely a manner as is possible;
- *Research where the research institution is the owner*: the KTO considers protecting and/or promoting the exploitation of the R&D results;
- *Research where research institution staff (including researchers and students) are the owner*: the KTO provides the members of staff with advice regarding possible exploitation routes.

Evaluators should consider that the open dissemination of results relating to particular discoveries can, in some cases, be the most appropriate course of action, if it is in line with the wider Knowledge Transfer strategy of the research institution.

Where the KTO is the chosen route for protection/exploitation : The staff member(s) concerned (inventor(s)) are expected to provide reasonable assistance in the exploitation process by (for example) providing information promptly upon request, attending meetings with potential licensees, advising on further developments, signing relevant legal documents (including after leaving the institution if needed), etc.

Liability : The research institution should ensure that staff do not become personally liable for product liability claims arising from research institutions (or third parties e.g. licensees) exploitation activities.

⁵ to ensure, in particular, that inventions are not made unpatentable by premature publications

3.1.2. *Incentives policy*

The research institution should develop and communicate clear incentives for researchers who take part in Knowledge Transfer activities. These incentives should be communicated to all existing and new staff and should not only be financial in nature, but also promote career progression.

An adequate incentives policy will encourage staff to engage, where relevant, to protect of IP and in promote its exploitation. In principle all those directly involved in generating IP should benefit, including non-academic staff when their inputs are above and beyond their normal responsibilities.

Such a policy should:

- be transparent and widely understood
- be fair and treat all inventors in a similar fashion
- assist in the career advancement of research institution staff
- reflect the returns generated (including non-financial contributions to the research institution objectives)
- be large and immediate enough to influence behaviour
- avoid exerting any unintended influence on the orientation of the research institution's R&D strategy (such as a shift towards short-term applied research).

Many research institutions have adopted a formula-based approach to the allocation of financial returns from licensing revenues⁶. Most embody a number of common themes:

- profits are split three ways - between the research institution, the department and the individual inventor(s), enabling all the groups to benefit;
- rewards are net of the costs of knowledge management (patenting, etc.), enabling the research institution to recoup some of its outlay. In some cases, the cost of the KT Officers' time is also taken into account;
- as net returns increase, the share of the inventor falls, whilst that of the research institution increases;
- reward schemes rarely specify how the inventors' portion will be shared when there is more than one inventor. In practice these shares are usually at the discretion of the inventors.

⁶ It is important to note that all purely financial incentive schemes can raise unrealistic expectations in members of staff and as such should be implemented in carefully and after consultation with key stakeholders.

Financial returns resulting from the creation of a spin-off company, however, are usually dealt with differently due to the higher levels of commitment required from inventors during the early stages, and due to the uncertainty which exists over potential returns. For these reasons, giving inventors a share of the equity in a spin-off can be a more appropriate way of providing incentives than a simple share of returns. Inventors have then a direct, and continuing, interest in the company's success, and financial risk to the research institution is minimised.

3.1.3. *Conflicts of interest policy*

The research institution should publish a clear conflicts of interest policy for staff engaged in situations that could lead to their obligations to the research institution being influenced, in order to ensure that the research institution's scientific objectiveness and academic independence are not affected, and that the research institution does not engage in activities which conflict with its basic missions and values.

An adequate conflict of interest policy can help:

- staff to identify actual or potential conflicts of interest, and report them according to clear procedures;
- to avoid circumstances where the research institution's reputation may be brought into disrepute;
- to avoid potential legal actions against the research institution or its staff.

Such policies often require that members of staff notify their Head of Department and the KTO when they are engaged in actions or situations that could lead to their obligations to the research institution being influenced in particular by considerations of personal gain.

Issues or actions which should be disclosed include:

- Executive and non-executive directorships;
- Licensing of intellectual property;
- Outside activities and consultancy;
- Research projects;
- Equity interests;
- Teaching and assessment of close relatives;
- Continuous professional development delivery of courses/programmes.

In addition, specific funding terms and conditions in funding contracts should also be disclosed where relevant.

3.1.4. *Knowledge Transfer resources*

Adequate mechanisms and professional resources must be in place if Knowledge Transfer activities are to take place effectively – preferably through the creation of a Knowledge Transfer Office (KTO), either for individual institutions or clusters thereof.

Although many variations may be encountered, a typical KTO :

- Is staffed by professional knowledge transfer experts, including – or with access to – legal, financial and intellectual property (IP) advisors;
- Develops and executes the research institution's strategy in respect of working with industry and users of research results, and the exploitation of intellectual property;
- Helps identify, evaluate and – where appropriate – protect intellectual property;
- Advises on commercial and IP issues, in particular in the negotiation of research contracts;
- Promotes the use of inventions and other R&D results, in particular by negotiating technology transfer agreements or facilitating the creation of spin-offs;
- Disseminates information – in particular to potential users – regarding what intellectual property the research institution owns and what is available for licensing;
- Administers license agreements and equity participations, collects and distributes the revenues.

If an institution creates a new KTO, it is recommended that it be empowered first as a service organization and only if required and presumed it is capable, as a strategic exploitation office. Once it has necessary experience and capacity to fulfil its function, it could be authorised to generate, protect, and enforce IPR.

3.2. Good practices regarding contractual arrangements for research between research institutions and industry

In order to make negotiation with a third party easier, members of the research institution staff should consider the issues outlined below.

3.2.1. The need for openness

The great majority of research collaborations are built on personal relationships between a member of research institution staff and a counterpart in industry (either through the KTO staff or through individual researchers). This element of personal trust requires that negotiations be an open process which establishes clear intentions.

3.2.2. Beginning negotiations

In a first instance, the research institution should ensure that collaboration with an industrial partner is compatible with the research institution mission and that such a collaboration will help it achieve its objectives. The research institution must consider whether its charitable or other not-for-profit status (where applicable), eligibility for public funding and other existing partnerships may suffer as a consequence of any agreement reached.

Both parties should then identify who has the authority to sign any agreement, as well as their respective legal and strategic latitude in a dialogue with their respective advisers and decision-makers. For example, there are situations, such as the R&D programmes set up by public authorities, where a number of provisions are mandatory and not open to negotiation.

Once this has been done, it is recommended that both parties consider the questions raised in the CREST decision guide (see Section 3.5 of the CREST report⁷) or in similar sources of good practices. The Decision Guide will help users to identify the relative importance of certain issues and so focus on those areas that need to be resolved by negotiation.

3.2.3. *Who should be involved*

In most research institutions, only management can commit the research institution to co-operation⁸ regardless of whether the research institution co-finances the project or not. It is therefore important that the negotiation team keeps them informed of progress on a regular basis, in order to ensure that there are no unforeseen delays in the signing of the contract.

It is also recommended that, at the earliest opportunity, the parties enter into agreement on the composition, meeting frequency and procedure of the project management. It is also useful to clarify the parties' monitoring of the project development and how to handle any disputes.

Once these circumstances have been defined, the researchers of both organisations should clarify and describe the research content. It is relevant that both parties are in continual and positive dialogues with their legal advisors. Such procedures may prevent the parties from running into legal problems at a later stage.

Furthermore, clarity regarding expectations may contribute to avoiding many unnecessary misunderstandings and complications, even if the scope of co-operation develops as the project progresses.

3.2.4. *The distribution of rights between the parties*

Agreements should clearly delineate the distribution of rights between the parties, including ownership of the background knowledge brought to the project, and ownership and access rights in relation to inventions, results and know-how arising from the partnership (and any associated IP rights).

Discussion between parties should include consideration of three key factors: (1) intellectual input, (2) capacity to exploit, and (3) financial and human input of each partner, although in some cases this issue is to be negotiated rather than a predetermined starting point.

Financial and human input

- Relative financial contribution from the parties;
- Requirement to strike a fair and reasonable incentivisation between all parties involved in the project (considering, where appropriate, total investments up to commercialisation);
- Other input to the project including researchers, equipment and provision of materials, and a clear understanding and financial outline of in-kind contributions;

⁷

http://ec.europa.eu/invest-in-research/pdf/report_final_june28.pdf

⁸

Since the Knowledge Transfer Office is often the main contact point for industrial partners and as it often provides legal advice, it is recommended that, as a general rule, the manager thereof be given the authority necessary for them to negotiate the agreement.

Intellectual input

- Nature and scope of the proposed collaboration;
- Level of intellectual input from both sides, is there a genuine and balanced collaborative effort?
- Relative abilities of the partners to obtain, maintain and, where necessary, defend IPR.
- Impact on future research – is it compromised? All parties should understand the relationship of the current research to future academic research (e.g. due to possible confidentiality constraints).

Capacity to exploit

- Likely commercial applications of the IP, the optimum exploitation route and the partner(s) best positioned to execute it;
- Degree of alignment of the research with the industrial partner's technology development and acquisition strategy;
- Likely costs and resources required to develop the results of the collaboration into commercial products or services, and associated risks;
- Stage of the research: early or closer to market?
- Scale and timeframe required for pre-commercial development.

If model contracts are used, they should be flexible enough to permit a certain amount of negotiation on the basic aspects outlined below:

1. The specific background knowledge contributed to the project by the research institution should be listed or otherwise defined, together with the conditions for access and use. This provides bilateral assurance that the contributions of the parties are recognised and compensated, and will avoid potential disputes about the background's origin.
2. Written contracts between each of the partners and all individuals (both employees and non-employees⁹) potentially contributing to new IP should address at least ownership and confidentiality issues. The way IP issues are managed in the project should also take into account any relevant regulatory framework, relating for instance to employees' inventions, depending on the applicable law.

In the event that a person who is or has been engaged in the creation of IP leaves the project or joins another organisation, the project partners should ensure that a written agreement is in place, having regard to the nature of the IP created by that person, setting out the position regarding ownership and confidentiality of the IP, and arrangements regarding the signing of any documents which may become necessary to secure IP ownership and recordal rights.

⁹ Non-employees includes, for example, students and third party consultants/contractors

3. The parties should consider ownership of results on a case-by-case basis, taking account of their respective involvement in the project. In particular, the approach will usually be different in contract research, collaborative research, publicly-funded research, etc.

In the case of IPR based on knowledge developed by the research institution through considerable investment, or within an area of strategic importance for the institution, the latter may have an interest in keeping access rights to the invention.

However, research institutions must recognize that a number of application-specific research results are best used if they grant an exclusive right of utilisation (or if they transfer (some of) the results/rights) to specific companies. Such a right is often a precondition for the companies if they are to make the required investment in commercial development of the research results, or to overcome other significant barriers to entry.

In some cases, research results of a more generic nature can best be exploited or applied on nonexclusive terms. In these situations, a solution may be to issue licences for the exploitation of the results in a number of well-defined applications.

Where it is decided to assign the ownership of (or to grant an exclusive license to) a patent or patent application (or other IP right) to the partner, this should be done on terms ensuring that the research institution may continue its research and that, if the invention is not exploited by the company within an agreed time span, the rights revert to the research institution. Furthermore, it may be advisable to include a clause to allow renegotiation of the compensation paid to the research institution if the financial returns on jointly developed inventions significantly exceed expectations.

When the research field is precisely defined, it is easier to negotiate rights at an earlier stage and to avoid misunderstandings/disputes. The scope of the agreement should be justified and limited to a certain period. The partners may also choose to restrict the agreement to certain affiliates.

Where the research institution does not wish to take out a patent, whereas the partner does, the latter should be offered the possibility to do so. Similarly, when the research institution does not wish to continue the patent application or patent, the other partner should be offered first right of refusal.

In case of collaboration, the publicly funded research institution must ensure that, looking at the rights and obligations of all partners, the contract is balanced, in order to exclude the possibility of passing any indirect State aid through too favourable conditions from the research institution to the industrial partner(s). In the case of contract research, research institutions should expect to recover full direct and indirect costs of all research activities undertaken unless they obtain rights to (some of) the outputs of the research. See also Section 3.2.10 regarding compliance with the State aid framework.

3.2.5. Research institutions should publish the results of research projects

Research institutions and their staff are expected (and often obliged) to publish the results of research projects, even where the project in question is financed with private funds. It is therefore important that they explicitly reserve the right to publish whenever possible.

In collaborative research, all contracting parties should be given the opportunity to comment on manuscripts, without having a controlling influence on the final version of a manuscript, the other contracting party should have a defined timeline (e.g. 30 days) in which to comment or decide whether potential inventions should be the subject of a patent (or other IP right) application.

Where the other contracting party decides that the material for publication contains descriptions of patentable inventions, it should be granted a further time period (e.g. an additional 90 days) in which to submit a patent (or other IP right) application.

When preparing publications, research institutions are encouraged to rely on the international information and documentation standards of ISO, including those on cataloguing.

3.2.6. *Confidentiality*

As a general rule, research institutions should accept to keep confidential the trade secrets and knowledge belonging to other partners. However, research institutions should only exceptionally accept to keep their own research results confidential, on the basis of a detailed assessment and justification of this need.

Companies may have a legitimate interest in keeping certain results secret, to make it easier for them to reap the associated commercial benefits. The general principle that if the industry partner wants greater control over the publication and confidentiality of the results it must increase its contribution to the research institution seems to be a useful one in this context. This will have to be matched with any legal requirements for the research institution to publish results. Indeed, confidentiality can only be accepted to the extent that this is not contrary to any general legal Act (or regulations) relating to the access to information in the research institution's Member State.

Confidentiality clauses should, as a general rule, be limited in scope so that they clearly state which information is to be kept confidential, and for how long. Drafting a confidentiality clause in broad terms may result in a limitation of the right of publication of research results and is thus unacceptable. This may, for example, occur where a publication clause actually determines a reasonable deadline for publishing research results, but at the same time a confidentiality clause directs the researcher/research group to keep confidential any research results for a long period of time.

Any confidential documents delivered by a contracting party or delivered to another institution/undertaking should be stamped "confidential" so that confidentiality is shown directly on the document.

3.2.7. *IP enforcement*

The contract should include a clause setting out whether and in what circumstances the research institution is expected to assist in the enforcement of the resulting IP rights.

In general, the industry partner will be expected to undertake the obligation to enforce the IPRs if it is using the results, although the research institution may provide non-financial assistance (e.g. legal or technical advice).

In the case of non-exclusive licenses, the research institution should accept that a licensee does not have to continue to pay royalties if the research institution decides not to enforce its rights when a third party infringes them.

3.2.8. *Relationship management and dealing with disagreements*

Established relationships create trust and facilitate the process of managing collaborative research. Partners should take care to maintain good relationships with their collaborators. Having established mechanisms for dealing with disagreements (such as mediation) simplifies and speeds up resolution. Partners should develop an agreed mechanism and timescale for dealing with disagreements and disputes.

3.2.9. *Governing law*

The national law of the research institution should preferably govern the research agreement. Where an industrial partner requests an exception to this principle, said partner should (where applicable and/or appropriate) provide contingency funding for access to appropriate legal advice where it is required by its partners.

It is important to note that there are cases where the governing law is imposed by a funding body (e.g. the EC Framework Programme) and as such this point cannot be negotiated.

3.2.10. *State aid rules*

It is important for research institutions to realise that when entering into discussions with industry, State aid rules may affect what can be agreed in the contract¹⁰. In order to minimize any potential concerns in this field and clarify existing Treaty rules, the new *Community Framework for State aid for research and development and innovation*¹¹ explains that :

For **contract research**¹² there will normally be no State aid passed to the undertaking through the public research organisation, if one of the following conditions is met:

- (1) the research institution provides its service at market price
- (2) if there is no market price, the research institution provides its service at a price which reflects full costs plus a reasonable margin.

For **collaborative research**¹³ there will normally be no State aid passed to the undertaking through the public research organisation, if one of the following conditions is met:

- (1) where the participating undertakings bear the full cost of the project.

¹⁰ There can be severe consequences for breaking the State aid rules for both the industry and PRO. For example, the Commission can require all the aid to be recovered from the project plus interest from the date of the first payment, and third parties can also pursue the matter through national courts.

¹¹ OJ C 323 of 30.12.2006; cf. Chapter 3 of the framework.

¹² The PRO renders a service against payment of an adequate price and the industrial partner specifies the terms and conditions of this service - typically, the industrial partner will own the results of the project and carry the risk of failure.

¹³ Where at least two partners participate in the design of the project, contribute to its implementation and share the risk and the output of the project.

- (2) where the results which do not give rise to intellectual property rights may be widely disseminated and any intellectual property rights to the R&D&I results which result from the activity of the research institution are fully allocated¹⁴ to the latter.
- (3) where the research institution receives from the partners compensation equivalent to the market price for the intellectual property rights¹⁵ which result from the activity of the research institution carried out in the project and which are transferred to the partners. Any contribution of the partners to the costs of the research institution shall be deducted from such compensation.

There may also be no State aid where any intellectual property rights to the results, as well as access rights to the results, are allocated to the different partners in a way adequately reflecting their respective interests, work packages, financial and other contributions to the project.

research institutions are strongly advised to ensure that their contracts fall within the above exclusions in order to avoid any potential complications, and to ensure that they are able to properly allocate costs and revenues to economic and non-economic activities, e.g. through separating economic/non-economic activities in their accounting.

State aid rules must also be respected with regard to the funding of the KT activity itself, where such activity should fall under State aid rules.¹⁶

¹⁴ “Full allocation” shall mean that the research institution enjoys the full economic benefit of those rights by retaining full disposal of them, notably the right of ownership and the right to license. These conditions may also be fulfilled if the institution decides to conclude further contracts concerning these rights including licensing them to the collaboration partner.

¹⁵ “Compensation equivalent to the market price for the intellectual property rights” refers to compensation for the full economic benefit of those rights. In line with general State aid principles and given the inherent difficulty to establish objectively the market price for intellectual property rights, the Commission will consider this condition fulfilled if the research institution as seller negotiates in order to obtain the maximum benefit at the moment when the contract is concluded.

¹⁶ Cf. 2.2. of the Communication on *Improving Knowledge Transfer* and the State aid rules explained therein.

4. ANNEX I – DEFINITIONS

- **Intellectual Property Rights:** Term used to describe the bundle of legal rights that in whole or in part will be in the results of research, including the following:
 - (a) Patents (and utility models in some countries);
 - (b) Know-how and trade secrets;
 - (c) Copyright (including on software);
 - (d) Database rights;
 - (e) Industrial design rights (which protect aesthetic features of a product), and also lay-out designs (semi-conductor topography rights) of integrated circuits;
 - (f) Registered and unregistered trade marks, which protect words and symbols used for products and services in the course of trade.
- **Confidential Information:** Term used to describe information in whatever form that has the necessary quality of confidence about it, having regard to the circumstances in which it is created, disclosed or used, so as to attract protection under law (also known as “trade secrets”, etc.).
- **Background knowledge** (or simply background): Information (including inventions, software, databases, micro-organisms, etc.), whether IP-protected or not, which is possessed by some of the partners before starting a R&D project.
- **Knowledge Transfer Office:** The department in a research institution which is responsible for managing the transfer to a commercial environment of new inventions, creations, discoveries, innovations, processes and the like which result from scientific research conducted at that research institution (or possibly at several research institutions).
- **Research institutions:** Research laboratories and agencies operated and funded by government and other research organisations, including Universities, Polytechnics, Colleges, Institutes of Technology, Research and Technology Organisations, European research centres, etc., that receive a significant share of their total funding from public sources.
- **State aid** : A term which refers to forms of assistance from a public body, or publicly-funded body, given to undertakings on a discretionary basis, with the potential to distort competition and affect trade between Member States of the European Union, and fulfilling the conditions of Article 87 (1) of the EC Treaty.

5. ANNEX II – SOURCES OF GOOD PRACTICE CONSIDERED WHEN DRAFTING THIS TEXT

- EU and other international sources :
 - The *Responsible Partnering* initiative : <http://www.responsible-partnering.org>
 - Results of the first and second OMC cycles (EU) :
http://ec.europa.eu/invest-in-research/coordination/coordination01_en.htm
 - Management of intellectual property in publicly-funded research organisations: Towards European Guidelines (EU) :
<http://ec.europa.eu/research/era/pdf/iprmanagementguidelines-report.pdf>
 - Turning science into business (OECD) : www.oecd.org ([direct link](#))
- National sources :
 - Guidelines for Teaching Hospitals entering into Research Agreements (DK) :
www.forskningskontrakter.techtrans.dk/HS/viewPage.action?site=eng_HS&page=Manual%20in%20pdf
 - Contracts, Contacts and Codices – Research Cooperation Between Universities and Companies (DK) :
www.rektorkollegiet.dk/fileadmin/user_upload/downloads/Contacts_contrats_and_cod.pdf
 - Recommandations pour l'adoption d'une Charte de la propriété intellectuelle par les établissements publics d'enseignement supérieur et de recherche (FR) :
<ftp://trf.education.gouv.fr/pub/rechtec/technologie/charte.rtf>
 - National Code of Practice for Managing Intellectual Property from Publicly Funded Research (IE) : www.forfas.ie/icsti/statements/icsti040407/index.html
 - National Code of Practice for Managing Intellectual Property from Public-Private Collaborative Research (IE) : www.sciencecouncil.ie/reports/#ipcode04
 - Partnerships for Research and Innovation (UK) : www.auril.org.uk/publications/pfrai
 - A Guide to Managing Intellectual Property: Strategic Decision-Making in Universities (UK) : www.patent.gov.uk/about/notices/2002/manip/index.htm
 - Lambert Agreements – A toolkit for universities and companies wishing to undertake collaborative research projects (UK) :
www.innovation.gov.uk/lambertagreements

6. ANNEX III – EXISTING ASSISTANCE SERVICES

Additional information and assistance with respect to IPR-related issues and support to innovation may be obtained from different sources, including:

- The Innovation Relay Centres (<http://www.innovationrelay.net>), a network of more than 70 centres involving more than 240 organisations in 33 countries which provide assistance on marketing innovation, help venture capitalists find new technologies to exploit, and help companies source innovative solutions to satisfy a technological need.
- The Cordis Marketplace service (<http://www.cordis.europa.eu/marketplace>), an online service where you can find RTD results and search for innovative business opportunities on emerging technologies.
- Gate2Growth (<http://www.gate2growth.com>), which offers in particular a database of experts and service providers - ranging from incubators to patent lawyers, to accountants and training providers in every European country.
- The ProTon network (<http://www.protoneurope.org>), a European association of technology transfer professionals.
- The IPR Helpdesk (<http://www.ipr-helpdesk.org>), which assists potential and current participant in the EC research Framework Programmes on intellectual property rights issues arising in this context ; they also publish a number of general-purpose papers on specific IPR issues ;
- The European Patent Office (<http://www.european-patent-office.org>), which grants European patents and offers additional services, e.g. training seminars and patent information products (CD-ROMs, on-line Espacenet database, etc.) ;
- The World Intellectual Property Organisation (WIPO – <http://www.wipo.int>), whose website also contains specific information for SMEs ; it should also be noted that WIPO runs a mediation and arbitration facility (<http://arbiter.wipo.int>),
- National Patent Offices (<http://www.european-patent-office.org/onlinelinks/a/aa>), which grant national patents and often provide additional services to local users ;
- The OECD – see in particular their Guidelines for the licensing of genetic inventions (<http://www.oecd.org/sti/biotechnology/licensing>).