

CREST Cross-Border Collaboration Decision Guide

1. OBJECTIVE

This series of questions¹, referred to as the **CREST Collaboration Decision Guide**, is designed to help potential collaborators, such as a business and a public research organisation, to decide the best way to arrange matters in their collaboration agreement.

The following sections introduce the background and context to these questions and they should be read as preparation for using and understanding the Guide.

The Decision guide itself has two Steps. The First Step allows the user to focus on identifying what issues need to be covered in the collaboration agreement and also to think about the relative importance of these issues. The Second Step makes sure that the collaboration agreement takes into account the cross-border aspects.

Thus, in effect, the First Step helps the users to negotiate a collaboration agreement, while the Second Step is used to check that this collaboration agreement covers the cross-border issues effectively.

2. USING THE DECISION GUIDE

This Guide has been prepared to indicate the sort of issues that a person experienced in negotiating research collaborations will often take into account. By combining the responses to the questions in the Decision Guide, it is possible for the user to identify the relative importance of these issues and so focus on those areas that need to be resolved by negotiation. It also allows the user to identify those issues that can be agreed quickly. The Decision Guide thus suggests an **Ownership Position** that is based on the actual situation that the public research organisation and the industry partner find themselves in. Five possible ownership positions are suggested and these are discussed in detail below.

If both parties to a potential collaboration use this decision guide and answer the questions in the First Step as realistically as possible, they should be able to identify very quickly a suggested **Ownership Position** which they can then adapt to take into account the specific circumstances of their project. If both parties find that they have very different results from using the decision guide, they may need to consider whether

¹ The general Decision Guide approach and the questions used in the CREST Cross-Border Collaboration Decision Guide have been influenced by the questions used in the Decision Guide of the Lambert Model Agreements Toolkit launched in February 2005 by the Lambert Working Group in Intellectual Property in the United Kingdom (UK).

they need to do some further preparation individually before considering entering into a collaboration.

It should be noted that this Decision Guide is not the only means of deciding what the terms of a research collaboration agreement should be and, having reached a conclusion using this Guide, you should review whether the answers obtained really reflect your position. You may want to seek advice, for example, from a lawyer.

2.1 Starting Point for Use

This Guide assumes that:

1. the Public research organisation (PRO) and the Industry partner wish to collaborate on the Project;
2. the PRO and the Industry partner can agree on the description of the Project (the project plan); and
3. the Industry partner and the PRO are willing to provide resources to carry out the project, and the financial (or other) contribution and a budget of resources (i.e., financial, equipment, personnel) for the project can be agreed; and
4. As a starting point, each partner will own the Intellectual Property rights (IPRs) in the results from the project that are generated by its own employees

For the purpose of using the decision guide, a user needs to decide whether they are in the role of the PRO or the role of the Industry Partner as these are the two terms used throughout the questions. The following examples are provided as ways to help users to decide which role they are in:

- (1) In the situation where professor privilege arises, the PRO may not be entitled to own the IPRs but it is assumed that they will be entitled to negotiate what happens to the IPRs generated from the results of the project.
- (2) If the two partners in the collaboration are both PROs or both Industrial companies, they should determine which of them is best described by the role of PRO and which as Industry partner in the Decision Guide.

2.2 Structure of the Decision Guide

The Decision guide comprises two steps. The First Step has five sections and answering the questions in each section allows the user to focus on identifying what issues need to be covered in the collaboration agreement and also to think about the relative importance of these issues. The five sections are:

1. Deciding Ownership of the Intellectual Property Rights (IPRs)
2. Influence Of Confidentiality & Publication
3. Importance of the Results for Future Activity

4. Exploitation of the Results
5. Additional Questions

The Second Step is focused specifically on making sure that the collaboration agreement takes into account the cross-border issues. It provides a list of questions for the user to use as a check-list to make sure that the important cross-border issues have been addressed in a satisfactory way in a proposed collaboration agreement.

The First Step is used to prepare the collaboration agreement, the Second Step is used to give the collaboration agreement a health-check.

It is expected that all potential collaborators will use the First Step to identify what is the best balance of issues for their proposed collaboration and thus quite quickly arrive at a suggested ownership position for the collaborative project, which they can then adapt to take account of the specific circumstances of their project through negotiation. Once this collaboration agreement has been agreed or drafted, the collaborators can use the Second Step to check that they have covered all the relevant cross-border issues.

Please remember that answering the questions in this Decision Guide may **not** provide a definitive way forward:

- If the circumstances for which you are trying to find an appropriate form of agreement are 'mixed' (e.g. the academic and commercial drivers are of equal importance), you may need to answer a more open-ended set of questions, in section 5 (Additional Questions), to guide your decision-making.
- You may also find that there are other considerations (not mentioned in this Guide) that, because of your circumstances, you may wish to take into account.

3. WHAT DOES THE DECISION GUIDE DO?

As indicated above the Decision Guide has been structured as a series of questions to:

- (i) help identify the key elements of a collaboration agreement between a Public Research organisation (PRO) and an industry partner;
- (ii) provide potential collaborators with a clear idea of the cross-border issues they need to take into account in their collaboration agreement.

In order to effectively address (i), the Decision Guide focuses on three key areas and encourages the user to assess the relative importance of each to the other. These three areas are considered in more detail, below:

1. the ownership and right to use the results of the project and the intellectual property obtained from the results;
2. the financial and other contributions made by the industry partner; and

3. the public research organisation's use of the results for academic purposes.

3.1 Ownership and the Right to Use the Results of the Project and the Intellectual Property Rights obtained from the Results

- **Ownership v Right to Use**

The outcome of most collaboration projects will be the Intellectual Property (IP) obtained from the results and of course the results themselves. A description of different types of intellectual property can be found in the FAQ section of the IPR Helpdesk website². Ownership of the IP and the rights to use the IP resulting from the project are key elements of the collaboration agreement because anyone wishing to use the results will have to obtain the permission (licence) of the owner. The owner, in turn, will expect to make a commercial return from the exploitation of the IP.

A licence or right to exploit may be limited in a number of ways; for example, it may be limited to use in a particular area or field of technology.

The licence or right to exploit may be limited to a particular geographical market: for example, the US or European market.

Sometimes the right to use may be exclusive, giving only one party the right to exploit the IP, or it may be non-exclusive, allowing more than one party to exploit it.

The ownership of the IP and the right to use it are important considerations for an industry partner because they can confer a competitive advantage on their business.

Where the results of a project enable the industry partner to create a product with unique characteristics that is attractive to customers, ownership of the IP, or the exclusive right to use it, provides protection for the investment made in developing the product and taking it to market.

The ownership of the IP and right to use it are becoming increasingly important to PROs in Europe as national governments seek as much benefit as possible from the money they have invested in publicly-funded research. The PRO therefore has an interest in ensuring that the most effective exploitation strategy is followed. Granting exclusive rights to a single industry partner may or may not meet this goal. The right to use IP may also be important for future research at the PRO.

It is clear from the above that ownership of IP obtained from the results of the project and the rights to exploit it will be one of the key elements of any collaboration agreement. The potential value of such ownership and right to use will vary according to the nature of the IP, the nature of the right to use and the market for its exploitation. For the same patented invention, an exclusive right to exploit it worldwide in any field will be worth more than a non-exclusive right to exploit it limited to a particular field of use and/or a limited geographical market.

² These frequently asked questions can concurrently be found at http://www.ipr-helpdesk.org/controlador/resources/faqs?seccion=cuerpoFAQ&len=en&id=0000000079&tipoListado='ip'&idSeccion=t_01.02.

If a project is of critical commercial importance to the industry partner, and cannot take place without using the industry partner's technology or intellectual property, or where publication of the results would have a serious impact on the competitive position of the industry partner and the industry partner wishes to ensure that publication does not take place, then the industry partner is likely to want much greater control over the ownership of the Intellectual Property rights than in situations where these factors are not important. In such a situation, it would be expected that the public research organisation would be suitably reimbursed.

- **Joint Ownership**

In developing this decision guide, we have focused on trying to make things as easy and simple as possible for potential collaborators to understand and use. It is for this reason that we have not suggested joint ownership as a Suggested Ownership Position.

The Decision Guide assumes that one party to the collaboration will own the IPRs generated by the project and that the other party will have a specified right to use, such as an exclusive or non-exclusive licence, or will negotiate an assignment of ownership. As the research is usually carried out by staff of the Public Research Organisation and using its facilities, it is assumed that the PRO will usually be the initial owner of the IPRs generated from the project. To balance this, it is also assumed that the industry partner will have a non-exclusive right to use the results of the project because of the contribution he has made to the project.

The industry partner will seek a greater degree of control, such as an exclusive licence or an assignment of the IPRs depending on how important they think the results of the project may be for their future (commercial) activity. Different arrangements may be put in place for different results; for example, the PRO may own the IPRs arising from project result A, while the Industry partner may own the IPRs arising from project result B.

Joint ownership agreements are more complex and require more time and effort to negotiate than the single ownership with assignment or right to use discussed above. Joint ownership agreements also require greater effort to manage subsequently, for example, assessing the portion of jointly owned IPRs that each partner is entitled to and it can place greater limitations on how the IPRs may be exploited.

If a potential partner is considering a multiple collaboration involving two or more other cross-border partners, they could use the CREST Decision Guide if they consider the collaboration as a series of one-to-one relationships. The Guide would then be helpful in considering the issues arising in each one-to-one relationship. These would then need to be taken into account as a whole to achieve a multiple collaboration agreement. However, the latter is not within the scope of this project.

3.2 Contributions from the Partners

Generally, the industry partner will seek greater or further rights to exploit the results in situations where it has made a greater contribution, be it financial or other (for example, equipment or personnel) or both, to the collaborative project. This might mean that a

user who wishes to have exclusive access to the IPR pays full cost plus a profit to the PRO, whereas the user can have a non-exclusive licence as part of the cost of the research.

Where the industry partner needs full ownership of the results for commercial reasons, the public research organisation may agree to this, but the cost to the industry partner will be greater than where the results are of less immediate commercial importance or interest to the industry partner.

For example, where the project is more speculative in nature, or has implications for future research at the public research organisation, the financial contribution of the industry partner will be lower and the rights to use and exploit the IP granted by the public research organisation will be more limited.

3.3 Use for Academic Purposes

A key element of any research agreement entered into by a public research organisation will be the right to publish the results, for example, in the form of scientific papers and to use the results in connection with teaching and academic research.

Publication is not only the life blood of the academic researcher's career but also important to the development of the research profile of the public research organisation.

But premature publication may damage the competitive position of either partner and/or the chances of protecting and exploiting the IP.

For example, early disclosure would prevent an application for a patent from being successful because the invention would not be novel. The effect of this is that the industry partner would not have any protected time period to get his product to market and he would be faced by competition from other companies at all stages.

There is a spectrum in relation to the right to publish, with no rights to publish for the academics at one end of the spectrum and unrestricted rights to publish for the academics at the other. The "middle ground" is represented by the academic researchers being able to publish under a protocol that allows the industry partner an element of control over the content of, and the timescale for, publication (e.g., in order to give the industry partner an opportunity to secure patent protection).

4. OWNERSHIP POSITIONS

The Decision Guide will suggest that the user may want to consider adopting one of five **Ownership Positions** depending on the answers they make to the questions. These are suggestions only and are designed to get the user focusing as quickly as possible on what sort of agreement they are likely to require and what the issues are that need to be negotiated. The five **Ownership Positions** are listed below:

NOTE: In ownership positions 1 and 2 below, the suggestion is made that the industry partner will need a license to use (some of or all) the results. This licence may be a

non-exclusive license (ownership position 1) or an exclusive licence (ownership position 2). In both cases it is suggested that the licence may be limited to use in **a specified area of business (field of technology)**, for example, pharmaceuticals, automobile parts or **a geographical area (territory)**, e.g. Europe, USA. This means that the industry partner could have a licence in relation to the areas of business or geographical areas in which it actually operates. The PRO would retain the right to exploit the results in other areas of business or geographical areas not covered by the license agreement.

An exclusive license will give the Industry partner more control than a non-exclusive license as the PRO will (usually) have to agree any proposed changes to the use of the technology covered by the licence with the Industry partner (as sole or exclusive licensee). This would not (usually) be the case with a non-exclusive licence. If the Industry Partner wants to own the IP and the results from the project then he can negotiate an assignment or transfer of the ownership of the IP in the results from the PRO to itself and compensate the PRO accordingly (see ownership Position 3).

Ownership Positions

- 1.** The **Public research organisation should own the Intellectual Property (IP)** obtained from the Results and grant a ***non-exclusive licence for the Industry partner*** (and its Group Companies) to use the Results in a specified area of business (field of technology) and/or a geographical area (territory).
- 2.** As in Ownership Position 1 but in addition the ***Industry partner has a right to negotiate to acquire an exclusive licence*** in relation to certain Results;
- 3.** As in Ownership Position 1 but in addition the ***Industry partner has a right to negotiate to take ownership through an assignment*** of the IP;
- 4.** **Industry partner should own the IP** obtained from the Results, but ***the right should be reserved to allow the Public research organisation to use the Results for academic purposes*** (such as teaching, research & publication) on certain conditions to protect the confidentiality of the Industry partner's information and so as not to jeopardise the possibility of the Industry partner obtaining IP protection, such as a patent, for the Results.
- 5.** The **Industry partner should own the IP** in the Results, and the ***Public research organisation would have no right to publish the Results***. (This type of agreement is usually referred to as a Contract Research or Research Services Agreement, rather than a Collaborative Research Agreement, where the industry partner pays a commercial rate to the Public research organisation but retains complete control over the results.)