



The European IPR Helpdesk

# Your Guide to IP Commercialisation



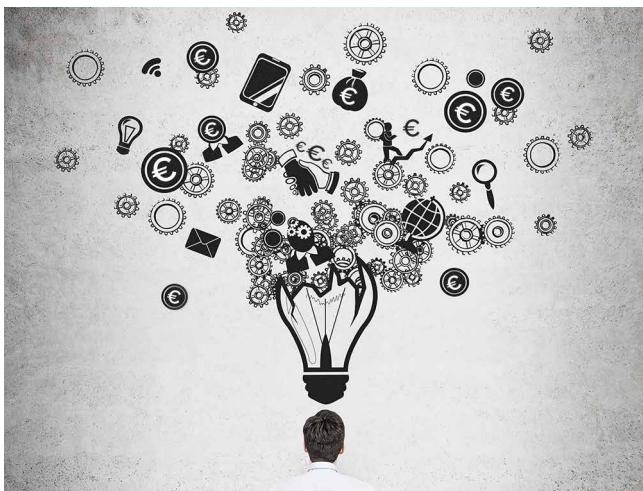
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*The purpose of this guide is to provide you with basic facts on Intellectual Property (IP) aspects in commercialisation activities.*

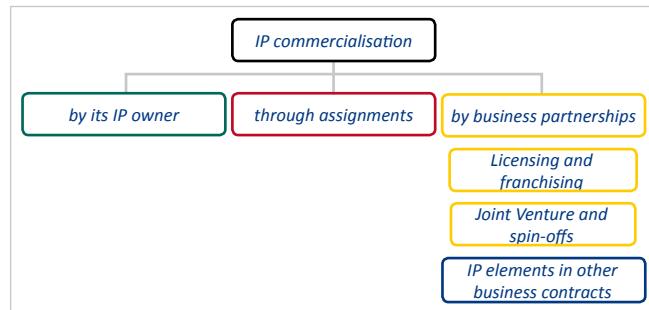
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## Introduction to IP Commercialisation



Commercialisation is the process of turning products and services into a commercially viable value. Concerning Intellectual Property (IP), this term can be more specifically defined as the process of bringing IP to the market in view of future profits and business growth.

It is certainly not an easy task to manage IP commercialisation as the success of this process depends on several internal and external factors such as business objectives, type of IP as well as economic and intellectual resources. In addition, since IP can be commercialised either directly by its owner, through an assignment or by building up business partnerships, the selection of the most appropriate tool is often challenging, especially for Small and Medium-sized Enterprises (SMEs).



This guide has been prepared with the objective to clarify these issues on the basis of the European IPR Helpdesk's fact sheet series "Commercialising Intellectual Property". You may consult these fact sheets together with other reference documents listed at the end of each section for further information.

Regardless of the industry domain, whether in manufacturing or the services sector, businesses create, develop and sell intangible assets. How to carry out commercialisation activities, whether by the company itself or not, is a question of corporate culture and business strategy.

Companies, especially SMEs, may want to take up commercialisation activities on their own for different reasons, for example when the company:

- already has enough capabilities for marketing, so that there is no need for partnership,
- does not have enough capacities for building up and/or carrying out such a partnership,
- hesitates to share information with third parties, or does not want to create possible competitors or spend money and make an effort to building partnerships.

This first chapter covers the most essential points, which should be taken into account by businesses during the different stages of the product development cycle, particularly when they prefer to commercialise their IP on their own.

#### **What to consider when commercialisation of IP is carried out by its owner?**



##### ***Keep your ideas secret***

Only inventions or designs not publicly disclosed can be protected as patents/utility models or designs. Moreover, trade marks and

## **1. IP Commercialisation by its Owner**



domain names are registered on a first-to-file basis in many countries. Therefore, it is essential to keep your ideas secret in order to get the most benefit from the advantages of IP protection.

The following measures may help businesses to keep their IP secret within the company:

- Making sure that employees, researchers and collaborators have in place confidentiality obligations and reminding them from time to time of the importance of complying with these obligations,
- Reviewing public disclosures (such as technical publications or communications with potential partners) to guarantee that confidential information is not included therein,
- Signing confidentiality agreements with partners and testers, prior to performing concept and technical testing and with third parties, when negotiating partnerships.

#### ***Use IP databases and conduct FTO analysis***

Checking the IP databases is an important step to verify whether the idea is new and worth being pursued. Besides, it also helps companies to avoid re-inventing and re-developing as well as applying for Intellectual Property Rights (IPR) for an already existing technology, design or brand.

Another type of search, known as Freedom To Operate (FTO) analysis, aims at evaluating whether the owned intellectual asset can be exploited commercially without infringing third party rights. Such an analysis may protect your business from encountering possible

infringement allegations, when the product or service is put on the market.

#### ***Keep the records***

Keeping records of inventions is of utmost importance, as these will help you to prove the date and ownership of the invention, when needed. Besides, such records are a valuable source of information when drafting patent applications.

#### ***Protect IP***

Taking steps to protect your intangible assets is not only necessary for their proper management, but also for getting full benefit from those assets.

When considering IP protection, it must be noted that IP assets can be protected by several types of IPR, and consequently the most appropriate protection strategy must be chosen pertinent to the marketing strategy.

For example, inventions can be protected through patents and utility models, or by keeping them in secret. You should therefore consult an IP professional on the most adequate registration strategy according to your product, business plan and budget.

#### ***Enforce intellectual property rights***

IPR require constant monitoring, which is the responsibility of the owner. Hence, it is best practice to monitor the market and competitors to be sure of identifying any infringing actions.

Applying for customs protection to fight against counterfeiting and piracy is also a cost-effective prevention measure to deter infringing conducts. It allows the fake goods to be seized and destroyed before entering the market.

Alternative Dispute Resolution (ADR) mechanisms may also be utilised as time and cost efficient measures to solve IP related disputes out of court.

## Further Information

### Fact Sheets

- Commercialising Intellectual Property: Internal Product Development
- How to Search for Patent Information
- How to Search for Trade Marks
- Design Searching
- Alternative Dispute Resolution (ADR) Mechanisms
- Defending and Enforcing IP

### Useful Documents

- One Way Non Disclosure Agreement (European IPR Helpdesk)

An IP assignment is a transfer of ownership of an IPR, such as a patent, trade mark or design, from one party (the assignor) to another party (the assignee). Consequently, the assignee becomes the new owner of the IPR.

Assignments are useful tools for commercialisation, when the owner of the IP does not have enough capabilities (financial, HR, marketing, etc.) to market the developed intellectual asset and/or when the owner would like to realise an immediate cash flow from an IP asset, which he does not plan to exploit with its own resources.

## 2. Assignments



### What to consider in assignments?



#### *Remember to sign NDAs*

By its very nature, an assignment process involves detailed negotiations and requires exclusive information to be shared between the parties, even though the process does not lead to an agreement in the end.

Therefore, Non-Disclosure Agreements (NDAs) are important tools to guarantee that any shared confidential information will not be disclosed or used for purposes other than the negotiation.

NDAs are highly relevant for assignors in particular to protect their sensitive information at the pre-agreement stages, as assignees most probably need access to confidential information during due diligence activities and the negotiation phase.

### Analyse the risks by performing IP due diligence

In general terms, IP due diligence is a risk management tool revealing the value of the IP assets and liabilities. This exercise can also be used to gather as much information as possible on the IP being assigned. Due diligence studies are performed by multidisciplinary teams of IP experts from legal, financial and technology areas and generally clarify the following about the IP asset to be assigned:

- the ownership status
- the status of the IP protection
- any restrictions on exploitation (freedom to operate)
- the value of the IP, to be used as a basis during the negotiations
- legal requirements for the assignment

### Consider the key terms in the assignment agreement

Although assignment agreements need to be prepared with the assistance of lawyers and IP professionals, it is always best to know the most relevant issues as well as the key IP clauses to be negotiated and included, before signing the agreement:

- **The form of the agreement:** written form is often necessary.
- **Identification of the IP:** the assigned IP must be clearly identified and accompanying IP must not be forgotten (e.g. for assignment of a patent, corresponding know-how must also be assigned to carry out exploitation).
- **The payment:** the amount, type (lump sum or in instalments) and terms of payment must be defined.

- **Warranties:** contractual assurances undertaken by both parties concerning specific facts must be introduced.
- **Governing law and settlement of disputes:** parties must agree on the law to be applied in case of any possible conflicts. Parties should also define how disputes are settled (directly in courts or via ADR mechanisms).

Do not forget to register the assignee of the IP at the relevant IP offices to record the new owner in the IP registries, if required by law.

### Further Information

#### Fact Sheets

- Commercialising Intellectual Property: Assignment Agreements
- Non-Disclosure Agreement: A Business Tool
- IP Due Diligence: Assessing Value and Risks of Intangibles
- Alternative Dispute Resolution (ADR) Mechanisms
- Defending and Enforcing IP

#### Useful Documents

- Mutual Non-Disclosure Agreement (European IPR Helpdesk)

#### References

- Non-Disclosure Agreements (UK Intellectual Property Office)

### 3.1 Licensing

A licence is a contract under which the holder of an intellectual property (licensor) grants permission for the use of its intellectual property to another person (licensee), within the limits set by the provisions of the contract. Hence, in business language, a licence allows the licensor to make money from its intellectual asset by charging the licensee in return for its use. Licensing has a vital role in companies' commercialisation strategies, since there are significant advantages of licensing IP, creating a win-win situation for both parties.

## 3. Licensing and Franchising



### Benefits of licensing for both parties

For Licensor	For Licensee
Opportunity to reach new markets with existing products/services.	Opportunity to create new businesses.
Opportunity to enter a market with existing clientele of the licensee, which reduces risks for market failure.	Opportunity to provide licensor's already available/well established products/services to the clients, which reduces risks for market failure.
No need to invest in marketing and distribution.	No need to invest on R&D.
The licensor retains ownership of the IP while receiving royalty income from it.	The licensee does not need to "purchase" the IP and use the opportunity to test market success of the licensed product/service without investing much.
Licensing is a means for turning a possible competitor into a partner.	

Besides, licence agreements can also be seen as an instrument for the distribution of risks between the licensor and the licensee.

### Risks of licensing for both parties

For Licensor	For Licensee
The licensee can become a competitor.	Licensing may create a technological/business dependence.
The licensor can lose control of the licensed product/service.	The licensed IP may be challenged and the technology become obsolete.
There are difficulties to find a fair, solid licensee willing to obtain a licence.	There are difficulties to find a fair, reliable licensor willing to grant a licence.
Licensors must trust licensees as a source of revenue. In the case of a market failure, licensees may generate no revenues although there may be a minimum royalty clause in the agreement.	Payments can be too burdensome to cover and a certain amount might still need to be paid even though there is a market failure because of a minimum royalty clause in the agreement.

### What to consider in licensing?

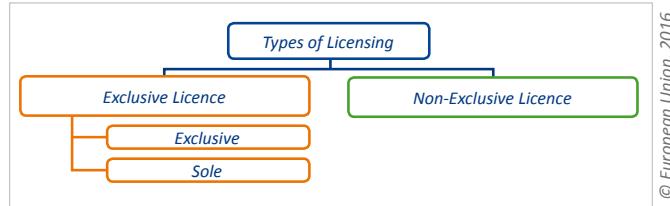


#### Define the type of licence

The type of licence should be defined according to:

- the business goals of the licensor
- the products/services to be licensed

- the target market conditions
- the capabilities of the licensee



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#### Exclusive Licence

- **Exclusive:** only the licensee is able to use the licensed IP or technology (the licensor cannot use or license it);
- **Sole:** the licensor agrees not to grant any additional licences but retains the right to make use of the licensed IP.

**Non-Exclusive Licence:** the licensee and the licensor can both use the licensed intellectual property or technology. The licensor is also allowed to negotiate further non-exclusive licences with other companies.

#### Be prepared for the negotiations

Licensing agreements are usually long term business partnerships. It is therefore common that before entering into such an agreement, carrying out a due diligence audit and signing preparatory agreements, such as Non-Disclosure Agreements (NDAs) or Material Transfer Agreements (MTAs) help both parties mitigate the risks during the negotiations and towards the licensing period.

Signing an NDA before the licensing negotiations reduces the risks of possible leakage of valuable information for both parties.

**Granted rights:** the rights granted with the licensing agreement must be defined clearly. The licensee must carefully assess whether the rights included are sufficient for an optimal exploitation.

The common grant provisions for specific IPRs are:

- **Right to sublicense:** if any, the licensee's right to grant a sublicense must be stated in the licence agreement.
  - Is the licensee free to select the sublicensee(s)? For example, licensors may allow the granting of sublicences only for the affiliates of the licensee or companies pre-approved by the licensor.
  - Should the sublicence agreement establish determined conditions? Often, licence agreements impose the sublicence agreement to establish as far as possible the same terms and conditions as those set out in the licence agreement. In this way the licensor is able to control the sublicensee's use of IP even though no direct contractual relation between the licensor and sublicensees exists. This takes on special importance when a percentage of royalties comes from sublicensing revenues. Some licensors may request to check the sublicensing agreement to see whether the terms and conditions of the licence agreement are followed.
  - What happens when the licence agreement comes to an end? For example, sublicense agreement(s) can terminate

automatically, or the decision to maintain the agreement with the sublicensee can be left to the licensor etc.

- **Improvements:** especially in patent licensing, it is often the case that both parties can make improvements through further research or by developing know-how related to the licensed technology. Therefore, it is highly recommended for the parties to clearly address the treatment of future improvements. The common practice is to grant mirror rights, that is, each party retains ownership but grants rights on its own improvements to the other.
- **The payment:** the amount, type and terms of payment together with the calculation of royalties (if applied) must be defined. Royalties may be calculated on the basis of a percentage of the sale price, profits made or a fixed amount per each product unit sold etc. If deductions are to be made (e.g. tax, delivery expenses) it is essential to clearly indicate them. The licensor can also define a "minimum amount of royalty" to protect himself, in case there are no revenues generated.
- **Warranties:** contractual assurances undertaken by both parties concerning specific facts must be stated.
- **Infringement acts:** parties should agree on how possible infringement acts against the licensed IP will be treated.
- **Governing law and settlement of disputes:** parties must agree on the law to be applied in case of any possible conflicts. Parties should also define how disputes are settled (directly in courts or via ADR mechanisms).
- **Registration of the contract:** in some countries, registration of the licensing contract at the relevant patent office is necessary.

Therefore, adding a clause on the responsibility (generally the licensee's) for registration of the licence agreement and payment of the relevant fees is advisable.

Material Transfer Agreements (MTAs) regulate the exchange of proprietary material to be used by the recipient for research or evaluate whether the material works well in its facilities. See part 5.2 of this guide for further information about MTAs.

#### ***Consider the key terms in the licensing agreement***

Although licensing agreements need to be prepared with the assistance of lawyers and IP professionals, it is always best to be aware of the most relevant issues as well as the key IP clauses to be negotiated and included, before signing the agreement:

- **The form of the agreement:** written form is often necessary.
- **The term of the agreement:** the commencement, duration and termination of the contract must be clearly stated in the agreement. When defining the term, the expiration date, the market and the economic life of the IP to be licensed must be taken into account.
- **Identification of the IP:** the licensed IP must be clearly identified and accompanying IP must not be forgotten (e.g. when licensing a patent, corresponding know-how must also be licensed to carry out exploitation).
- **The type of licensing:** exclusivity or non-exclusivity must be clearly stated.

- **Geographical scope and field of use:** the geographical scope of the licence (i.e. where the licensee can exploit the IP), should be clearly defined. In addition, the licensor can limit the field of use of the licensed IPR as well as the goods and services for which the licence is granted (in the case of trade mark licences).

#### Differences between assignment and licensing agreements

<i>Assignment</i>	<i>Licensing</i>
The party "selling" the IP: assignor	The party "renting out" the IP: licensor
The party "buying" the IP: assignee	The party "renting in" the IP: licensee
The owner of IP changes and becomes the assignee.	The owner of IP does not change and remains the licensor.
An assignment is a permanent transfer of rights.	A licence is a temporary trans- fer of certain rights.

## **3.2 Franchising**

Franchising is a special type of licensing, enabling the replication of the owner's (franchisor) business concept in another location by providing continuous support and training to the recipient (franchisee). Since business concepts include the use of IP allowing the business to be run, franchising has an intrinsic connection with IP based on licensing of IPRs and know-how.

**Franchising is a win-win deal:** While on the one hand, franchising helps franchisors to expand their business with the need for less investment, on the other hand it enables franchisees to enter into a market more easily since the business is based on an established brand and/or on a proven business model.

That is, franchising means less risk and low costs for both parties with higher chances of surviving within the first years of business.

In Europe, the regulation of franchising is not harmonised. Also, in most EU Member States there are no independent codes establishing all the rules for this particular partnership.

However, this sector has the particularity of being self-regulated in the EU through the *European Code of Ethics for Franchising* establishing a set of guidelines and principles for both franchisors and franchisees. Therefore, it is important for potential franchisors and franchisees to get to know the requirements that they must meet under their national law and become familiar with the *European Code of Ethics for Franchising*.



### What to consider in franchising?

#### Conduct a feasibility study

Developing a feasibility study including the following points will provide potential franchisors with an outlook for deciding to proceed with franchising and help them in planning of the subsequent steps.

#### What to include in feasibility study for franchising?

- ✓ An analysis on legal requirements of franchising by checking the national law and the European Code of Ethics for Franchising
- ✓ Potential franchisees
- ✓ Checking the ownership of the IP to be licensed
- ✓ Plan the franchising system: Communication plan with the franchisee, goods or services to be provided, training and assistance, monitoring, etc.
- ✓ Financial feasibility

#### Test the system

Applying the developed franchising system in at least one pilot unit on the same or similar market can help the potential franchisors to test the operational aspects of their business model and help them to perceive the possible defects before the launch of the franchising. The pilot unit should preferably be run by the staff of the potential franchisor or even a pilot franchisee.

#### Take particular care when developing the agreement

The key terms in franchising agreements are similar to those in IP licensing agreements. However, particular attention should be paid to the conformity with the European Code of Ethics for Franchising and the conditions for providing goods/services to the franchisee during running of the system.

### Steps when launching your franchise

- **Advertising:** advertising campaigns and publicity materials are important in promoting the franchise system.
- **Selection of franchisees:** developing criteria for the recruitment process of franchisees has utmost importance on the success of the franchise.
- **Franchise disclosure document:** during the negotiations, it is a best practice to prepare a franchise disclosure document which encompasses detailed information about the franchisor, franchising system, related IP, references and financial figures etc. It must be noted that some countries in the EU have specific franchise disclosure rules, which you must meet when sharing information with franchisees.
- **Due diligence:** potential franchisees should carry out a due diligence audit to detect potential risks, which may arise during the franchise. Such an audit may include verification of the related IP, financial and business information about the franchisor, sufficiency of the goods/services, training and assistance to be provided by the franchisor, etc.



### Further Information

#### Fact Sheets

Commercialising Intellectual Property: Licence Agreements

Commercialising Intellectual Property: Franchising

Technology Licensing-in

Non-Disclosure Agreement: A Business Tool

IP Due Diligence: Assessing Value and Risks of Intangibles

Alternative Dispute Resolution (ADR) Mechanisms

#### Useful Documents

IP licence agreement skeleton (UKIPO)

Successful Technology Licensing (WIPO booklet)

Guidance Licensing Intellectual Property (UKIPO)

Mutual Non Disclosure Agreement

#### References

The European Code of Ethics for Franchising

## 4. Joint Ventures and Spin-offs



### 4.1 Joint ventures (JVs)

JVs are business alliances of two or more independent organisations (venturers) to undertake a specific project or achieve a certain goal by sharing risks. IP has an important role in the creation of such collaborations, since venturers bring their own intellectual assets for the success of a JV and they should agree on their initial contributions, responsibilities and obligations within the alliance as set out in JV agreements.

#### Advantages and disadvantages of JVs regarding IP

##### *Advantages*

- Gives opportunity to exploit and share IP assets with reduced financial investment.
- Allows companies to access new markets by sharing risks.
- Creates possibilities to leverage existing technologies and patents developed by each venturer.
- Provides companies with the chances to develop new IP with less investment.
- Allows utilisation of unused IP assets.

##### *Disadvantages*

- There may be an imbalance in expertise, intellectual assets and investment brought into the JV by the venturers.
- Coping with different management cultures in IP management may be difficult.

## What to consider in JVs?



### **Consider the key terms in the JV agreements**

- **Background, foreground and access rights:** in JVs, the venturers bring into the project their previously owned IP assets - which are known as background - and they should decide on the access rights to their background for other venturers. Furthermore, the project implementation will also generate IP, which is referred to as IP foreground or results. The ownership of foreground/results and determination of access rights should be clarified before entering into a JV partnership together with compensation of IP registration and/or maintenance costs.
- **IPR specificities:**
  - **Patents:** since any prior use or public disclosure will ban the invention from being patented, internal and external measures should be adopted to avoid any leak of information. The parties should share information internally to identify if some form of prior art would be an impediment to future patent filings.
  - **Copyright:** rights of venturers (access rights) regarding sharing and using all the relevant copyrighted works should be defined.
  - **Trade marks:** licensing conditions and geographical restrictions, as well as precise termination rights, should be clearly defined. The venturers should also agree on the terms to limit the use of the new trade marks to a confined geographical area or product range after JV termination.

◦ **Confidential Business Information:** all possible confidentiality measures should be taken to safeguard such valuable business information.

- **Handling the partnership issues in JVs:** the conditions of accepting new partners as well as exit of current partners must be defined. Actions in the case of insolvency of partners should also be clarified.
- **Contributions of each partner:** the financial contribution of each partner to the JV in terms of intangibles should be defined.
- **JV management:** the management structure of JV should be defined. For example, an IP management committee for operational IP matters such as patent filings, licensing and disputes can be agreed. Specific importance should be given to IP exploitation management.
- **Termination of JVs:** termination clauses on IP and related rights in the case of termination of JVs should be accommodated.
- **Others:** insurances and IP counselling (if any) should also be included.

### **IP considerations during the life span of JVs**

Joint ventures can be subdivided into the following four phases and there are essential IP-related issues to be taken into account in each of the stages.



#### ➤ ***IP considerations in the pre-contractual stage:***

- Partners should protect their own background IP assets before bringing them into the project.
- An NDA should be signed between the parties before disclosing any confidential information.
- Conducting an IP due-diligence study is advisable in order to define each party's contribution to the JV (with their background IP) and to establish whether the IP rights cover the required technical field and geographical area.
- JVs must be shaped in a way that is not destructive to free competition in the common market. Therefore, when creating JVs, a careful consideration of related competition law is highly recommended.

Otherwise, if the JV is found to be intended for formation of a monopoly, the deal can be annulled by the public authorities.

#### ➤ ***IP considerations in the contractual stage:***

- Partners should agree on whether the background IP will be assigned or licensed (or sub-licensed) to other partners for project implementation. Background rights are usually licensed since the owner can have continuous control over them that way. During the negotiations, venturers should discuss the terms of licence, if licences are granted.
- Joint venturers should start discussions on handling the ownership issues for foreground IP/results and at this stage they should at least whether to include joint ownership clauses within the main JV agreement, or deal with jointly owned IP on a case-by-case basis using distinct JV agreements.

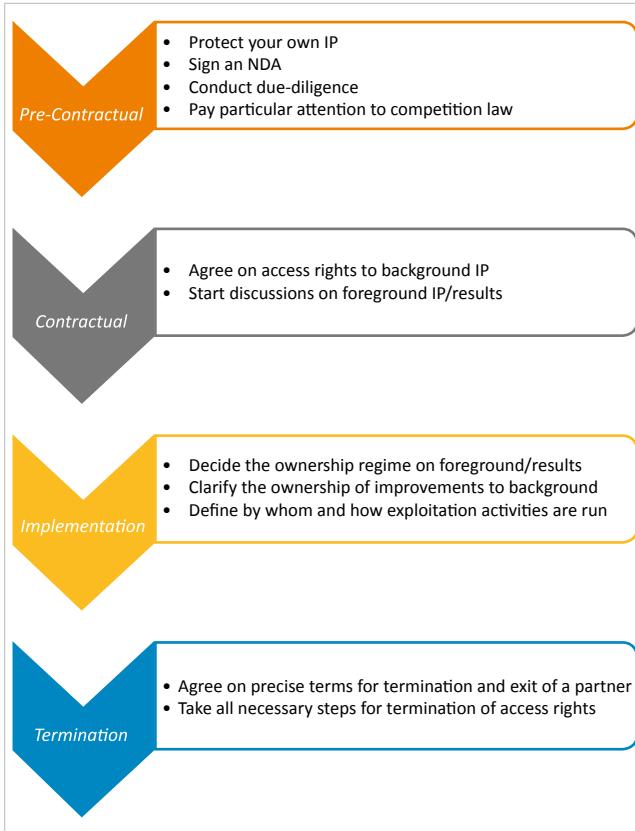
#### ➤ ***IP considerations in the implementation stage:***

- Parties should decide who will own the foreground rights and who will exploit them. The law generally provides that rights to foreground made in the course of the JV will belong to the inventing party. However, as it is not always very easy to ascertain the individual contribution to foreground IP, a joint ownership agreement should clearly state the proportion and manner in which those rights are to be held by venturers. An equal sharing of rights on ownership, exploitation and/or enforcement may be considered.
- Parties should decide the ownership of the improvements of an already existing background, made by one of the venturers. It should be noted that background improvements are often claimed by the background owner.
- If exploitation activities will not be carried out by the JV itself, parties can carry on such activities individually. Instead, venturers also assign their rights to access foreground to other parties for its exploitation. It must be noted that venturers may need to grant access to their background for it to be used together with foreground in the exploitation phase.

#### ➤ ***IP considerations in the termination stage:***

- Partners should agree on the precise terms for termination of the JV or for the possible exit of a venturer.
- Arrangements on all necessary steps for termination of access rights such as licences (if any) should be made.

## Life span of joint ventures (summary)

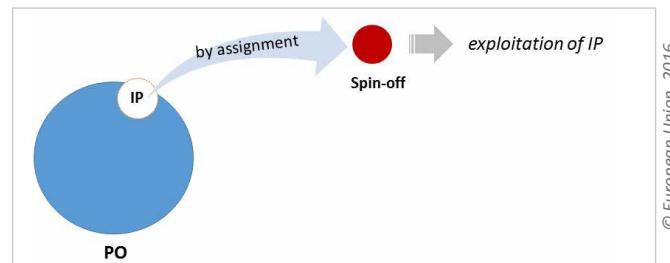


## 4.2 Spin-offs

Spin-offs (or spin-outs) are separate legal entities created by a parent organisation (PO) to bring its IP assets into the market. It is generally an efficient solution for the parent organisations, who may not be fully capable of commercialisation of their own IP assets, such as for universities and research institutions. Spin-offs are seen as an important means of technology transfer since they are acting as an intermediary between the research environment and industries while putting research results into the commercial market with a marketable product.

Moreover, through spin-offs, research organisations can focus on their main task of “research” instead of “marketing”, which is the main task of commercial companies (spin-off).

Generally speaking, there are two different types of spin-offs according to their formation namely;



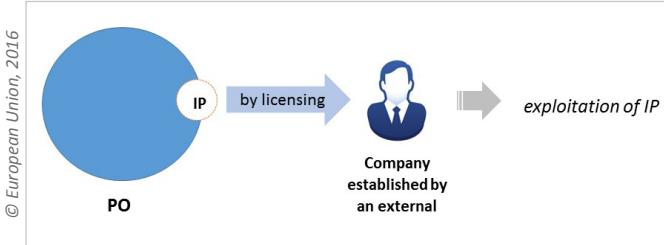
## Spin-off by separation

In this type of formation, the spin-off company is formed through separation from the parent organisation's structure.

The PO directly contributes to the spin-off with its financial, human and intellectual capital as the spin-off is literally “born” from the PO in order to exploit part of its intellectual assets.

It is often the case that the IP assets are transferred to the spin-off company by assignment, which means that all risks and obligations are also transferred to this new legal entity.

## Spin-off formed by a person external to the PO



A spin-off company can be formed by a person external to the PO for the exploitation of the IP asset created by the parent organisation. In this type of spin-off, as the new company is owned by an external professional, the IP assets to be exploited by the new company (spin-off) are generally transferred by licensing, to allow the PO to keep control over them.

The external professionals can also be venture capitalists, who foresee a market potential in commercialisation of IP.



### What to consider in spin-offs?

#### *Transfer of IP from the parent organisation*

The IP assets created by the parent organisation constitute the capital of the spin-off company. Therefore, transferring the IP to the spin-off is an initial strategic decision made by the PO. This transfer can take place either by (I) assignment, or by (II) licensing.

The selection of the transferring method has several implications for the spin-off activity:

<i>Transfer of IP to spin-off by assignment</i>	<i>Transfer of IP to spin-off by licensing</i>
The transferred IP becomes the property of the spin-off.	The ownership of IP is retained by the PO.
A decrease in the value of the IP has direct consequences on the existence of the spin-off as the assigned IP is a part of its capital.	A decrease in the value of the IP does not put the spin-off's existence at serious risk. Such a decrease only causes a decrease of the revenues.

### ***Conducting due-diligence***

A due diligence study allows the investors to ascertain the ownership of the IP to be transferred and any obligations affecting the transfer.

### ***Contracts and agreements***

During the life span of the spin-off:

- concluding NDAs prior to the negotiations held with the investors to protect confidential parts of the IP to be transferred,
- establishing employment contracts covering the issues related to ownership of the IP created by the employees/researchers, and
- drafting licensing or assignment agreements (as detailed in the previous section)

have direct effects on the success of the spin-off.

### **Further Information**

#### **Fact Sheets**

Commercialising Intellectual Property: Joint Ventures

Commercialising Intellectual Property: Spin-offs

Non-Disclosure agreement: A Business Tool

IP Due Diligence: Assessing Value and Risks of Intangibles

## 5. IP Elements in Other Business Contracts



Whether it is internal (e.g. transfer of knowledge between employer and employee) or external (e.g. transfer of knowledge between different partners in a project), technology transfer allows development of new and improved product or services and paves the way for technological advances.

Not limited to the mechanisms explained previously, knowledge – and therefore IP – can also be transferred through other contractual instruments as well. In this final section, other common types of agreements in knowledge transfer will be summarised by putting emphasis on the IP elements in such contracts.

### 5.1 Non-Disclosure Agreements (NDAs)

NDAs are legally binding contracts establishing the conditions under which one party (the disclosing party) discloses information in confidence to another party (the receiving party). The common characteristic of these agreements is that the disclosed information is valuable for the disclosing party to the extent that it must be kept away from the public domain. Therefore, an NDA is a tool to be used to reduce the risks for possible disclosure of information, when there is a need to grant access to confidential information, e.g. when entering into a partnership such as licensing.

#### *What to consider in NDAs?*



- Clearly define the “confidential information”.
- Describe any restrictions on use of confidential information by the receiving party.

- Provide the list of information not covered by the agreement.
- Define the duration of “obligation for confidentiality” (unlimited or a period of time)

## 5.2 Material Transfer Agreements (MTAs)

MTAs are used when exchanging tangible materials between parties to secure the IP rights of the material provider against possible disclosure by the recipient party.

The material exchanged can take many forms, such as product samples, prototypes, software, chemical compounds or biological materials etc. Generally such a transfer occurs during:

- feasibility studies to check whether the material is compatible with the recipient facilities,
- research activities on the material in R&D partnerships,
- provision of samples or prototypes to future clients for trials, etc.

### What to consider in MTAs?

- Clearly define the material(s) transferred.
- Establish the limitations on how the recipient can use the transferred material(s).
- If the transferred material(s) is (are) subject to further improvements or researches, define the ownership of the results and access rights.

- Set forth the confidentiality obligations.
- Define the length of the agreement.

## 5.3 Consortium Agreements (CAs)

CAs are contracts, made between “consortium partners”, to set out rights and obligations during a temporary partnership for the purposes of carrying out a specific project. CAs minimise the probability of later disputes as they provide rules and responsibilities for the parties during the project together with the access rights to be granted to the partners concerning the project results.



### What to consider in CAs?

- Define the project and the project term.
- Describe the management rules of the consortium including the IP management scheme.
- Provide the list of background IP provided by each consortium partner and define the related access rights and conditions.
- Set out the rules for exploitation and dissemination of results:
  - results ownership regime and provisions,
  - access rights of other partners,
  - responsibilities with regard to IP protection of results,
  - provisions for transfer of ownership,
  - involvement of third parties,
  - other responsibilities for exploitation and dissemination (publications, handling confidential information in promotional activities etc.)

- Enforcement measures including the responsibilities of the partners with regard to enforcement.

#### 5.4 Contract R&D

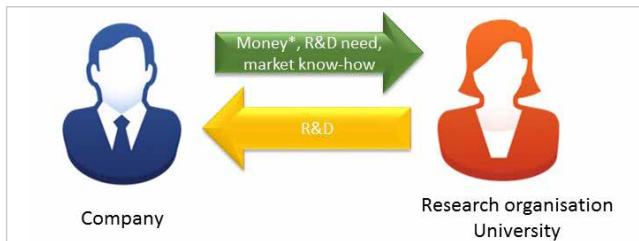
Contract R&D is usually used by companies to outsource the R&D activities to universities or research centres for the purpose of acquiring new knowledge, when the company has no internal resources to carry out these R&D activities.

##### *What to consider in contract R&D?*



- Clearly define the need and the project (outsourced R&D activity).
- Describe each party's contribution (e.g. market know-how from the company, R&D activities from the university, etc.).
- Define the ownership and access rights to results (commonly in contract R&D agreements, the company owns all the generated IP and provides limited access rights to the university).

#### 5.5 Consultancy Agreements



\* The amount paid by the company in return of the R&D activity may be compensated by funding schemes (e.g. SME instrument), where applicable.

Such agreements are established between organisations willing to provide advice to companies on specific matters, in return for payment of a fee. Companies engage in these partnerships for different objectives, such as to get assistance to overcome a technical problem, or to analyse a concrete technical matter or data.

##### *What to consider in consultancy agreements?*



- Remember to sign an NDA or add confidentiality clauses in the agreement, as the consultant may have access to sensitive business information during his consultancy period.
- Clarify the ownership of the IP which is created by the consultant during his consultancy period. Please note that in general, the IP developed by a consultant is owned by the consultant - not by the client - unless there is an agreement that provides otherwise.

#### Further Information

##### **Fact Sheets**

Commercialising Intellectual Property: Knowledge Transfer tools  
Non-Disclosure Agreement: A Business Tool  
How to Manage Confidential Business Information

##### **Useful Documents**

One Way Non Disclosure Agreement (European IPR Helpdesk)  
Mutual Non Disclosure Agreement (European IPR Helpdesk)  
DESCA 2020 Model Consortium Agreement (for Horizon 2020 Projects)  
EUCAR Model Consortium Agreement (for Horizon 2020 Projects)  
MCARD-2020 Model Consortium Agreement (for Horizon 2020 Projects)  
Eurostars Consortium Agreement Skeleton  
Lambert Tool Kit – Model Consortium Agreements

## The European IPR Helpdesk

The European IPR Helpdesk is a service initiative funded by the European Commission under the current Horizon 2020 programme that supports cross-border SME and research activities to manage, disseminate and valorise technologies and other Intellectual Property (IP) Rights and IP assets at an EU level. Offering a broad range of informative material, a Helpline service for direct IP support and on-site and online training, the European IPR Helpdesk's main goal is to support IP capacity building along the full scale of IP practices: from awareness to strategic use and successful exploitation.

This strengthening of IP competencies focuses on EU SMEs, participants and candidates in EU-funded projects, and EU innovation stakeholders for an increased translation of IP into the EU innovation ecosystem.



The screenshot shows the homepage of the European IPR Helpdesk. At the top, there is a navigation bar with links for 'HOME', 'SERVICES', 'NEWS', 'EVENTS', 'LIBRARY', 'TRAINING', 'AMBASSADOR', 'HELPDESK', and 'CONTACT'. Below the navigation bar, there is a large banner image featuring a close-up of several colorful business cards or documents with text like 'European IPR Helpdesk', 'Innovation', and 'Technology Licensing'. Overlaid on this banner is the text 'FACT SHEET ON TECHNOLOGY LICENSING IN' followed by a small graphic of a gear. Below the banner, the title 'European IPR Helpdesk' is displayed in a large, bold font, with the tagline 'Get your ticket to innovation!' underneath it. A paragraph of text explains the service's purpose: 'We believe that knowing how to manage intellectual property rights (IPR) is the ticket to innovation and competitiveness in Europe. The European IPR Helpdesk offers free of charge, first line support on IPR and IPR matters to beneficiaries of EU funded research projects and EU SMEs involved in transnational partnership agreements, especially within the Enterprise Europe Network (EEN).'. Below this text, there are three main service sections: 'IPR Helpline' (described as 'Get a personal advisor who will get back to you within three working days. Free of charge'), 'Training Support' (described as 'Build up your capacity and take part in online training events to get you ready'), and 'Publications' (described as 'Find the tools to help you in writing our huge library of fact sheets, FAQs, case studies and a whole lot more'). At the bottom of the page, there are links for 'FAQ & Glossary', 'IP SME Corner', and 'Ambassador'.

## Our services

### Extensive information is just one click away

[Website](#)

IP is a multi-faceted topic. Be it current news or articles, hints at upcoming events or “frequently asked questions” – on our website you can find extensive information on the different aspects of IPR and IP management, especially with regard to specific IP questions related to EU-funded R&D programmes. Also a collection of model agreements,



case studies as well as different fact sheets are available to help you deal with individual IP matters you might face. Visit our website: [www.iprhelpdesk.eu](http://www.iprhelpdesk.eu)

### Different perspectives, one topic: IPR

[Bulletin](#)

The Bulletin allows you to take a closer look at certain IP issues from varying perspectives. Designed in a business-oriented, magazine-like way it provides illustrative case studies and success stories, easy-to-read expert articles, interviews as well as reports on past events and activities of the European IPR Helpdesk team. The Bulletin is published on a three-monthly basis on our website: [www.iprhelpdesk.eu/library/bulletins](http://www.iprhelpdesk.eu/library/bulletins)

### Meet us at key events

[Awareness](#)

In order to get in touch with you directly we participate in various information and brokerage events all over Europe to raise awareness of the importance of IPR in general and the European IPR Helpdesk and its services in particular. You can find out where to meet us in the event section of our website.



Just go to: [www.iprhelpdesk.eu/events](http://www.iprhelpdesk.eu/events)

### Your IPR queries matter to us

[Helpline](#)

It can be hard to find your way in the world of IP and IPR. Our Helpline service offers professional IP or IPR advice – customised, straightforward, comprehensible and free of charge. For a qualified answer or examination of your personal IP issue, get in touch with our team of IP experts by registering on our website, or contact us by phone or fax and we will get back to you within three working days.



How to reach the Helpline team:  
[www.iprhelpdesk.eu](http://www.iprhelpdesk.eu)

Phone: +352 25 22 33-333

### Browse our library

[Library](#)

We have developed a broad range of different publications such as guides, case studies and fact sheets which provide hands-on information and practical guidance on how to tackle IP issues in business or at the different stages of an EU-funded collaborative research project. Additionally we offer templates of different agreements and model contracts.



All these documents that might be helpful for you can be found online in our library: [www.iprhelpdesk.eu/library](http://www.iprhelpdesk.eu/library)

## Keep track of the latest news in the fields of IP and R&D

### Newsletter

To understand today's and to anticipate tomorrow's challenges, our newsletter informs you about recent developments in the fields of IP, Intellectual Assets Management and R&D in Europe. Once you subscribe to it, you will receive an email once a week linking you to our website where you will find a mix of the latest news and events. The newsletter's quality service specifically selects only the information that is relevant to you, thus saving valuable time and unnecessary effort. We also welcome your contributions, so please contact us if you would like to share any relevant information.

## Practice makes perfect

### Training

“Capacity building” is the magic word when it comes to our training actions. Based on a very practical and comprehensive training approach, the European IPR Helpdesk provides on-site and web-based training sessions to current and potential beneficiaries of EU-funded projects as well as to European SMEs negotiating or concluding transnational partnership agreements. For your self-study there are also some educational clips available on our website. The overall goal of our training activities is to enable our target audiences to develop their own IP management strategies and processes.



You are interested in planning a training session with us? Have a look at our training section at: [www.iprhelpdesk.eu/training](http://www.iprhelpdesk.eu/training) or send us an email: [training@iprhelpdesk.eu](mailto:training@iprhelpdesk.eu)

## Fact Sheet Series: Commercialising IP



Internal Product Development



Assignment Agreements



License Agreements



Franchising



Joint Ventures



Spin-offs



Knowledge Transfer Tools

## Get in Touch

Please feel free to get in touch with us at any time for further information or if you have questions regarding our services.

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